

Options for Change

(i) Measures to improve the export financing capability of the Canadian Wheat Board

The current Credit Grain Sales Program enables the CWB to offer competitive financing for the export of wheat and barley and serves the Western farmers well in this respect. The process of government approval and guarantee of credit limits operates expeditiously, and credit facilities now authorized are reasonably adequate. Possible changes to the Board's authorized country credit ceilings are now being reviewed in consultation with the Board and in light of present market prospects.

(ii) Measures to improve the financial management of the Credit Grain Sales Program

Although the program is operating efficiently in supporting the export of Canadian grain on credit, there is a need to consider changes to improve the financial management of the risks assumed on export credit sales and thereby safeguard the program's financial integrity. The government's \$3 billion contingent liability under this program is sizeable and could give rise to significant cash draws if there were defaults by overseas customers. With respect to new business, changes which could be considered include placing additional emphasis on a number of factors which the Board currently takes into account. This could involve more careful analysis of the creditworthiness of potential customers, increasing down-payments and shortening repayment terms. Consideration might also be given to building up a reserve against losses.

Other changes could be looked at, including developing a policy on when the government should pay the banks when the Board's credit customers are unable to repay credit on time. The question of whether to charge a fee for the government's guarantee also might be examined. Such changes would enable the government to manage its financial risk more effectively. Moreover, such technical changes to the program would align it more closely with facilities offered by the private sector as well as by the Export Development Corporation and the United States' CCC GSM-102 program, which contain both these features.

A key consideration in implementing any changes would be the need to ensure they did not affect the competitiveness of Canadian grain exports.