CHAPTER FOUR

> The price farmers receive for their products at the farm gate is, of course, at the world price less the cost of getting the product to world market. It is bad enough that world prices are extremely depressed. It is unforgivable that the slim margins that do exist are further reduced by inefficiency within Canada in getting the products to port (Roy Cusitar, Vice-President, United Grain Growers, Issue 16:5, 26-3-87).

GRAIN HANDLING AND TRANSPORTATION

A. Freight and Handling Charges

Although grain handling and transportation are not strictly input costs, many witnesses appearing before the Committee made excellent cases for these major expenses to be considered in the same way as interest payments, farm machinery and farm chemicals.

In 1986, according to the Canadian Grain Commission, it cost western farmers an average $42.49 per tonne in elevation tariffs, rail freight, lake freight and marketing charges to ship their grain to the point of export. According to Canadian Grain Commission figures, grain shipped from a mid-point in the Prairies through Thunder Bay incurred costs of $25.12 in elevation charges at primary, transfer and terminal elevators, transportation costs of $26.07 (including water transportation costs beyond Quebec City) and marketing costs of $3.12 (Table 4.1). Charges for grain shipped through the Pacific seaboard are given as $21.27 in elevation charges, $6.30 for transportation and $3.12 for marketing. It should be noted that rail transportation charges do not include the Crow benefit. Total figures for these expenditures were respectively almost $800 million for handling and $904 million for railtransportation (made up of the Crow benefit of $714 million and the producer payment of $190 million), plus $239 million for lake transportation, even after most grain handling companies had frozen their elevation tariffs and the federal government had frozen grain freight rates when initial prices were dropped by 20% for the 1986-87 crop. At 1986-87 prices, the direct costs to the farmer would be equivalent to almost one-quarter of the receipts received by farmers.

The federal government has announced that the scheduled 39% increase in grain freight rates scheduled for August 1987 will be kept to a 6% increase because of an injection of $64 million of scarce government resources. Recently negotiated lake transport tariffs will be slightly lower at $11.25 per tonne than last year's. Nevertheless, 1987-88 grain prices are on average 20% lower than last year's and handling and transportation costs will increase, even if only slightly. The prices paid by farmers for handling and transportation will be equivalent to an even larger proportion of their revenue. Moreover, charges for seed, pesticides, fertilizers and machinery must also be deducted.

A number of specific issues of concern to farmers were brought to the Committee's attention which are discussed in the following sections.