



Value Creation: Past, Present, Future



PGDC Plenary Session: Disruptive Change and Technology
Banff, AB
February 28, 2018

Purpose

- Identify parameters of a funding system for additional value creation for cereal crops
- Ensure continued and increased investment in value-added varieties
- Build on work done by stakeholder groups
 - Public & private breeders
 - Producers
 - Seed companies
 - Government

Principles & Parameters

- All stakeholders – all sectors, all geographies – will have a way to engage in the process
- Current funding system will be clearly described and critiqued
- Focus is on additional value creation, to benefit the entire value chain
- Build on work already done; pursue additional lines of inquiry where needed
- Encourage greater investment and innovation in cereal variety development, by all parties willing to invest

Value Creation Discussions

CSTA-facilitated Funding Innovation discussions 2013

Western cereal commissions cereal breeding discussions 2014

Government discussions



Agriculture & Agri-Food Canada's (AAFC's)
Grains Round Table (GRT)



Value Creation Working Group (TS, EA Co-Chairs) – April 2016



Value Creation Discussions, continued



Presentation of recommended consultation process – November 2016



Phase One engagement with cereals value chain – Spring 2017



Phase Two engagement with cereals value chain – Summer 2017



Phase Three: model development – Fall 2017



Value Creation Discussions, continued



Presentation of potential models to GRT – November 2017



Discussions within organizations & companies – Winter 2017/18



Formal government consultation with entire value chain – 2018



Regulatory change – 2019

Considerations Identified

- ▶ Ensuring we retain a viable pedigreed seed system in Canada
- ▶ Ensuring we retain viable commodity check-offs for their purposes (and distinguishing those purposes from royalties)
- ▶ Ensuring the public sector continues current level of investment in cereal crops R&D
- ▶ Ensuring eastern Canadian needs are taken into account

'Check-off' definition

- ▶ "...a **commodity checkoff program** collects funds through a checkoff mechanism, sometimes called **checkoff dollars**, from producers of a particular agricultural commodity and uses these funds to promote and do research on that particular commodity. ... Checkoff programs attempt to improve the market position of the covered commodity by expanding markets, increasing demand, and developing new uses and markets." *

* Definition of 'Commodity checkoff program' on Wikipedia

'Royalty' definition

- ▶ " A **royalty** is a payment made by one party... to another that owns a particular asset... for the right to ongoing use of that asset." *

*Definition of 'Royalty payment' on Wikipedia

Models Developed by Task Force

- Producer-facilitated royalty collection system
- Royalty collection enabled by contracts
- Both could be PBRA-enabled

Producer-Facilitated Royalty Collection

- National in scope
- Royalty collected on harvested material of varieties registered after Feb. 27, 2015, at points of delivery
- Use existing collection systems to greatest extent possible
- Distributed to breeders based on market share of relevant varieties
- No 'double dipping' i.e. royalty collected on seed *or* grain, not both

Royalty Collection Enabled by Contracts

- Breeders/their representatives could use contracts when selling Certified seed of varieties registered after Feb. 27, 2015, which would:
 - Restrict the use of farm saved seed *or*
 - Collect royalties on the use of FSS i.e. establish 'trailing' royalties

Key Points

- ▶ Models presented have not been endorsed by the organizations & companies represented on the WG
- ▶ There is not unanimous support for either model
- ▶ Analysis of specific mechanisms by experts is recommended, including legal & economic aspects
- ▶ More extensive consultation is needed, including with a broader range of producers as well as other parts of the value chain

Next Steps

- AAFC consultation process
- Analysis of mechanisms by expert(s)
 - Economic
 - Legal
- Discussions within organizations & companies
- 2019 window for regulatory change



Thank-you