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June 10, 2009

To Mr. Bill Duncan and other interested parties from District 10.

In response to issues in your letter from last week, you will find cost of production numbers and the rationale behind them attached.

The plot combine issue was discussed at length at our research committee which John was a part. A final decision on this has not been made and staff is clarifying details of the request to be brought back to the Research Committee.

We want to make it clear that John has not been dismissed and remains a member of the Board of Directors. He will be expected to bring forth issues from District 10 as usual. We have needed the help of legal counsel to make sure we are following proper procedures in this matter as we did with the Ontrace issue. The money spent on these things would have been better used in many other places but we had no choice.

Regarding Ontrace, only public information was given (names, addresses and telephone numbers) to help them clean up their database of the many duplications they had from MPAC data (John Smith...John and Mary Smith...Smith farm, etc.) To date we have never heard a single instance where this information may have been used by telemarketers or anyone else. The Ontrace issue was explained at our annual meeting in Stratford last August and in the media shortly thereafter. Ontrace was thoroughly discussed at the board table and as happens, occasionally when no money is requested and the issue falls within board policy, staff is given verbal direction to proceed. It is acceptable for a director to disagree with a board policy but going public with that disagreement is not acceptable.

The record shows that the board has been very inclusive of your director. His participation on board committees and outside events as a board representative is quite clear. We are disappointed that there has been no mention of board activities that support District 10, such as funding given to the New Liskeard Station for a straw collection system for their combine or the funding given to CIGI in Winnipeg for a cereal technologist, whose job it is to explore and document all functional characteristics of Ontario wheat including hard red springs to increase domestic consumption by proving their value against western wheat. This person is currently on a trade mission to the Middle East with board staff to showcase the characteristics of Ontario wheat to huge world buyers. These are only two examples; see the research section on our website for more. It is your director's job to tell you these things as well. We hope he has.

Your threat of "District 10 withdrawing from OWPMB" is not something that can be done under the Farm Products Marketing Act which covers all wheat producers in all districts of Ontario.

Regarding full reinstatement, at this time the current decision of the board stands. What we have developing is a situation where staff and board members are unwilling to speak freely at the board table for fear their comments will wind up in the media the following week. No board of any kind can function like this and as a result steps had to be taken to ensure that the OWPMB functions properly for the benefit of ALL Ontario wheat producers.

Sincerely,

Dave Whaley
Chair, OWPMB.

9.0 Cost of Production Methodology (2008 Crop)

The cost of production methodology was developed in consultation with representatives of the grain and oilseed industry and the Ontario Federation of Agriculture. The cost of production calculation is based on the following details:

- Farm sample
- Cost data
- Production data
- Cost allocation for seed, fertilizer, drying and storage, labour, and other costs
- Per unit cost of production
- Highest cost producers
- Average cost of production

Farm Sample

Farms will be included if they:

- Participated in CAIS and PI for 2004, 2005, and/or 2006
- Earned at least 90 percent of their CAIS allowable income from the sale of grains and oilseeds
- Submitted all required income and inventory information to CAIS in 2004, 2005, and/or 2006

Grew a total of at least 300 acres of grains and oilseeds. This may be adjusted, depending on sample size, to achieve an average acreage of approximately 700 acres in each of the years. This average acreage is consistent with that used by Quebec in determining cost of production for the Farm Income Stabilization Insurance Program.

Cost Data

The cost of production calculation will use expense information from the CAIS database, including:

- seed purchases of spring grain, coloured beans, canola, seed corn, soybean, white beans, and wheat;
- containers and twine;
- fertilizer and lime;
- pesticides; insurance premiums;
- veterinary fees; minerals and salts;
- machinery repair; machinery fuel;
- advertising and marketing costs;
- building and fence repair;
- contract work;
- electricity;
- freight and trucking;
- heating fuel;
- other insurance; memberships; office expenses; legal fees;

- hired labour;
- motor vehicle expenses; small tools;
- soil testing;
- storage and drying;
- licenses; telephone;
- machinery lease;
- land clearing;
- interest;
- property tax; rent; and capital cost allowance (CCA).

Each expense will be extracted from the **T1163** database of income tax information filed to the Canada Revenue Agency. As well, corresponding changes in accounts payable and purchased inputs will be extracted.

Production Data

From the PI database, the cost of production calculation will use acreage, total production, and yield data for canola, coloured beans, corn, soybeans, spring grain, spring wheat, white beans, and winter wheat.

Seed

Actual seed purchases will be used as outlined by the producer on his/her AgriStability form. AgriStability only requires the farmer to report wheat seed purchases. Since winter and spring wheat seed costs are approximately the same per acre, the reported wheat seed purchases will be allocated based on acreage.

Drying and Storage

Electricity, heating fuel, and storage and drying costs will be allocated on an 80:10:10 basis between corn, soybeans, and wheat.

Labour

Hired labour costs will be included as outlined on the AgriStability form. Family labour costs will be removed and replaced by a salary to the producer that is equal to 90 percent of the average earnings for an Ontario equipment operator, based on information from Statistics Canada. The labour costs will be allocated across crops based on the relative cost per acre of labour between the crops listed and the crop mix of the operation. The relative labour cost per acre will be based on information taken from the Quebec Farm Income Stabilization Insurance (ASRA) crop budgets.

Other Costs

The following costs will be allocated across crops based on the relative cost per acre between the crops listed and the crop mix of the operation:

- Fertilizer 1
- Capital Cost Allowance 2

- Machinery Fuel 2
 - Machinery Repairs 2
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1. The relative cost per acre for Fertilizer will be based on information taken from OMAFRA crop budgets.
 2. The relative cost per acre for Capital Cost Allowance, Machinery Fuel, and Machinery Repairs will be based on information taken from the Quebec ASRA crop budgets.

All other costs will be allocated based on acreage.

Average Cost of Production

The average cost of production for 2004, 2005, and 2006 has been calculated and indexed forward to represent 2008 using the Eastern Canada Farm Input Price Index (FIPI). In this calculation, the 2004-2006 average is treated as 2005 and indexed for 2006, 2007, and 2008 changes in the FIPI. (*Farm Input Price Index*)

In future years, the average cost of production will continue to be calculated using the most recent three years of CAIS or AgriStability data available, with resulting averages indexed forward from the middle year using the Eastern Canada FIPI.

Major Crop	2008 Cost of Production
Black Beans	\$0.3078/lb
Canola	\$0.1840/lb
Cranberry Beans	\$0.4349/lb
Grain Corn	\$4.29/bu
Hard Red Winter Wheat	\$4.71/bu
Japan/other beans	\$0.4349/lb
Kidney Beans	\$0.4349/lb
Soft red winter wheat	\$4.51/bu
Soybeans	\$9.19/bu
Spring Grain	\$0.0850/lb
Spring Wheat	\$5.91/bu
White Beans	\$0.3078/lb