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Chair

Mr. Paul Steckle

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• (1205)

[English]

The Vice-Chair (Mr. Gerry Ritz (Battlefords—Lloydminster, CPC)): Seeing a quorum, and it being 12 o'clock and a little bit past, I will begin our meeting.

This meeting has been called to consider the main estimates for 2004-2005 respecting the agriculture policy framework. I would like to welcome the officials from Agriculture Canada.

We have a bit of a change in our order here, since the minister is delayed. He will be with us shortly, and then we'll swap you folks at the table again, if you'll bear with us.

I understand there will be no opening statement; we're going with what you presented last meeting. We'll go right into questions.

Mr. Anderson, you have seven minutes.

Mr. David Anderson (Cypress Hills—Grasslands, CPC): Thank you, Mr. Chairman. I may be sharing my time with Mr. Bezan.

I want to begin with something we talked about previously. That's the requirement of the deposit for CAIS. We've talked about this. You've come back to us to say you're going to be discussing it, going to be taking it to meetings with the agriculture ministers. I have had some indication that may not happen until it's far too late for this year's program. Have you made any further progress on that issue?

Mrs. Mary Komarynsky (Assistant Deputy Minister, Farm Financial Programs Branch, Department of Agriculture and Agri-Food): As I indicated when we were here on November 4, ministers ordered officials at their P.E.I. meeting in September to do work looking at various deposit options. That work has begun. It is slated to be completed by December, at which time we would take it forward to federal-provincial discussions.

In terms of any changes in direction since the last time we met, no, there has been no change in direction.

Mr. David Anderson: I guess I'm confused. This is a fairly important issue and it seems to be taking forever. Isn't it something that could be done fairly simply in the conversations with the provinces, asking them if they would go along with it and reach an agreement on it? It doesn't seem to me it's something that needs to take.... It sounds as though it's going to be eight or ten months from the time it was first talked about to when it will be completed.

Mrs. Mary Komarynsky: I'll try to be clearer. What ministers directed officials to do was to look at alternative mechanisms for active risk management. While ministers agreed that the deposit

requirement is not doing what it was intended to do, we were asked to look at other mechanisms ministers may consider. We were asked to have that work completed by December, and it is under way.

Mr. David Anderson: Well, as that work continues, farmers are in more and more desperate situations. I think it's great that you're looking at alternate mechanisms or whatever, but the reality is there are a lot of folks who aren't going to be able to participate in this program because they don't have the money to put into those deposits.

Mrs. Mary Komarynsky: As I think I indicated as well at the last meeting, in P.E.I. ministers agreed to two things. One was they agreed they would continue the simplified deposit requirement, which is one third of the deposit, and that the deposits would not have to be made until March 2005. At this point in time, while some producers have made deposits, the majority of producers, if they have not made their deposit, can receive CAIS payments for 2003, and they are not required to put in their one third deposit until March 2005.

Mr. David Anderson: For those folks who have put their deposit in from NISA—who ended up putting the 100% deposit in—has the situation changed?

Mrs. Mary Komarynsky: Yes. What ministers agreed to is this. Since to make that change an amendment is needed, an amendment is, as I indicated, currently going forward that will allow those producers who have put in their full deposit to pull out the two thirds.

To have that amendment go through, we need the signature of seven provinces or 50% of the production. The amendment has been drafted, and we're going through the approval process now.

Mr. David Anderson: Has anyone signed up yet?

Mrs. Mary Komarynsky: Not to my knowledge.

Mr. David Anderson: Do you have cooperation from the provinces, as far as you know?

Mrs. Mary Komarynsky: I think at the September meeting there was agreement that a lot of producers have put in the full deposit. I can't speculate on the outcome, but that was discussed in September. I can't make any assumptions at this point in time.

Mr. David Anderson: What would be the timeline on that?

Mrs. Mary Komarynsky: The timeline is to have it done by the end of the calendar year.

•(1210)

Mr. David Anderson: So by December those folks should know whether they're going to be able to get their two-thirds deposits back again?

Mrs. Mary Komarynsky: That's correct.

Mr. David Anderson: And the only thing that's holding it up right now is that the provinces have to sign on to the agreement to see it through?

Mrs. Mary Komarynsky: Exactly. It's the provinces as well as ourselves. You have signatures from the provinces, and then we sign on.

Mr. David Anderson: So it would be appropriate for us, then, to go back and to begin to pressure our provincial governments to make sure it happens as quickly as possible?

Mrs. Mary Komarynsky: I think provinces are very much aware of the urgency of the amendment. As I indicated, we are proceeding with approvals now.

Mr. David Anderson: I'd like to take up a bit of a different issue. Can you tell me how much money went out to producers for the avian flu crisis? What was given to them in compensation?

Mr. Howard Migie (Acting Assistant Deputy Minister, Strategic Policy Branch, Department of Agriculture and Agri-Food): We'll have to get back to you on that.

Mr. David Anderson: Okay. My next question was going to be whether you felt it was adequate or not.

We have a presentation here that Randy White was good enough to deliver from a producer whose name is Ken Falk. It's a 15-page memo that everybody on the committee got, I believe. It's basically a condemnation of the government's BSE plan, and particularly of the way CFIA were treated by the bureaucrats, the fact that decisions were being made from Ottawa, and that people had no control on the ground. Politics governed a lot of the decisions rather than science.

He felt it particularly on his own farm. There are a number of other concerns, but the main problem he had, he said, was that his ducks and geese were actually put down. It turned out that the tests were negative, after the fact. The compensation he received was 24% of the value of his geese and 45% of the value of his ducks. Here is a farmer who is going along farming, and all of a sudden he's dragged into an emergency situation. His flocks are put down when they don't have the disease, and the compensation is one quarter to one half of what he should have received.

I'm wondering if you are aware of this. Are you dealing with that situation? Are you working to compensate producers so that they'll be taken care of fairly?

Mr. Howard Migie: Recently there was a meeting at Abbotsford that was taking stock of the entire experience with the avian influenza. It was really looking forward, but the issue of compensation came up, and a discussion about whether the legislation needed to be examined.

The outcome of that meeting was that we will take a look at the compensation levels as well as other aspects of how that particular legislation operates, and also how it fits in with the business risk

management programs that we have in total. There is a connection. For some producers it fits in well; for others it didn't.

Mr. David Anderson: This isn't the first time there's been a failure in that area. The elk is another example that happened two or three years ago. I've gone through it. They were not happy with the compensation that was provided; it wasn't market value for their animals. We turn around, and in the next emergency that takes place we have that situation again.

When do you expect you'll be able to resolve this problem, or have a different policy in place that will protect producers?

Mr. Howard Migie: The review is just starting, so I don't know when we'll have it finished.

Mr. David Anderson: Will it be retroactive? That's a good question from Mr. Bezan.

Mr. Howard Migie: Normally when we do a policy review, we don't make it retroactive to a particular case, especially if we're talking about changes in legislation.

Mr. David Anderson: Then Mr. Falk is out of luck?

Mr. Howard Migie: I don't know if there are any review mechanisms. I know CFIA was having meetings even on the edges of the meeting we had in British Columbia with individuals to deal with situations, so there is that possibility. I'll look into it to see if it is possible.

The Vice-Chair (Mr. Gerry Ritz): Thank you, Mr. Anderson.

We'll now move to Mr. Kilgour for seven minutes.

Hon. David Kilgour (Edmonton—Mill Woods—Beaumont, Lib.): Thank you, Mr. Chairman.

I was just looking at some notes from a meeting that was held in Alberta but that people from Saskatchewan and Alberta attended. The host of it was Don Hill from CBC Radio's *Wildrose Forum*. It's a phone-in show every day. He started by saying—this was in mid-October—"Listeners from across the province are telling me that we have a catastrophe, and nobody seems to be listening."

I learned this week of a third-generation rancher who is about to lose his feedlot farm because the bank is going to foreclose on him. I always get the sense when we're talking with you people from the department that you don't understand how seriously this BSE crisis is affecting many parts of Canada, but certainly prairie Canada.

Let me ask you a couple of questions.

I'm glad to see that the minister has joined us.

How much help did your department give to the farm producers of Canada last year overall for all programs?

Maybe the minister wants to answer that one.

•(1215)

Hon. Andy Mitchell (Minister of Agriculture and Agri-Food): The estimates show that for the last fiscal year it was about \$4 billion in transfers to producers for various programs.

Hon. David Kilgour: Those were to producers—not to the governments, but directly to producers.

Hon. Andy Mitchell: Yes.

Hon. David Kilgour: What, by the way, was the amount, if you happen to know it, Minister, that the United States government provided to their producers across the United States?

Hon. Andy Mitchell: I don't know the exact amount. I think their AMS, though—the envelope they're allowed to be within—is \$69 billion.

Hon. David Kilgour: Would \$68 billion surprise you?

Hon. Andy Mitchell: Let me check on it. There's a difference between what is allowed under their envelope and what they actually do. I'd like to get you the exact figure.

It is substantially higher than ours.

Hon. David Kilgour: I think you'll find it's about U.S. \$68 billion.

What was the net farm income, if you have the figure handy, for Canadian producers across Canada last year or this year, for the calendar year or the fiscal year?

Mr. Howard Migie: I don't have those numbers with me.

Hon. David Kilgour: It would be a minus figure. How big a minus figure would it be?

Mr. Howard Migie: I know it was negative, but I don't have the numbers, sorry.

Hon. David Kilgour: Nobody in the Department of Agriculture knows how much our farmers lost last year?

Hon. Andy Mitchell: No, in fairness, they have that figure. They just don't have it readily available. It was in the negative, yes.

Hon. David Kilgour: Would you happen to know what the net amount of farm debt is across Canada currently?

Mr. Howard Migie: Sorry, I don't have those numbers with me.

Hon. David Kilgour: It would be about \$46 billion, would it not?

Mr. Howard Migie: You have to look at assets as well as liabilities.

Hon. David Kilgour: I said net farm debt. Nobody from the department knows that figure either?

Mr. Howard Migie: We could get that number, but I don't have it at my fingertips presently.

Hon. David Kilgour: I would have thought those figures might be pretty close to your fingertips, if you don't mind me being so blunt.

Our farmers are in a terrible situation. One of the people at our meeting said the farmers in Saskatchewan had lost about \$20,000 per farm last year. I'm sure it was far worse for beef producers in Alberta.

Can the minister tell us what he plans to do with a program that has been universally condemned by I think every witness we've had, except those from the department, and that's the CAIS program?

The Vice-Chair (Mr. Gerry Ritz): Mr. Kilgour, before you can get down that line, maybe the minister would like to make his statement, and then we'll restart the program.

I realize your time is limited, sir.

If that's fine with the committee, we'll actually shift gears and go back to the first part of our list and allow the minister to make his statement, and then go back and start again with the questioning. Is that okay with everyone?

Yes, Charlie?

Mr. Charlie Angus (Timmins—James Bay, NDP): On a point of order, Mr. Chair, we've had two changes in the schedule this week. I was double-booked yesterday. I'm the only New Democrat here, and I can't find people to sub for me. We've changed the schedule for today. I have to be gone at one o'clock. I don't want to end up having to leave here at one o'clock because we've changed our schedule. I just want to make sure I'm heard, because I couldn't be here yesterday.

I really resent when changes are made. There are only nineteen of us, and I'm covering two committees. I have to be here for the New Democrats. If you change it, I want to be on before one o'clock.

The Vice-Chair (Mr. Gerry Ritz): I understand your concern, Charlie. I'll do my utmost to get you on before one o'clock—with the committee's approval, of course.

Is everybody fine with that? We will work that way then.

I will start by welcoming the minister here this morning, along with his officials. With him are Mr. Leonard Edwards, deputy minister; and Mr. James Roberge, director general of finance. We're studying the main estimates on the agricultural policy framework, and I will now call vote 1 and allow the minister to begin with his statement, please.

Hon. Andy Mitchell: Thank you very much, Mr. Chairman.

I appreciate Mr. Angus' concern. I'm a little late arriving because of commitments at cabinet.

I suspect colleagues are more interested in the business risk management component of the APF, rather than the other chapters. Perhaps we can save the other chapters for a different time and try to concentrate on that, if colleagues around the table are most comfortable with that.

The Vice-Chair (Mr. Gerry Ritz): I believe that's acceptable. Thank you.

Hon. Andy Mitchell: Let me just say a few things on business risk management. As colleagues are probably aware, it really has three components to it. We tend to concentrate on the one part, but let me just go through the three parts: the advance payment program, production insurance, and the CAIS program.

Regarding the advance payment program, both the spring advance and a fall advance, the spring advance basically assists with cashflows in terms of getting a crop in the ground, and the fall advance is basically to allow some flexibility in terms of marketing. We budget around \$60 million per year. That covers interest costs and defaults. In 2003-04, the spring advances totalled around \$644 million. The fall advances to date are around \$233 million. That's lower because, of course, we haven't gotten into all of the fall advances.

Production insurance is a program funded through payments from producers and from contributions from the federal and provincial governments. As the federal government, we've set aside in the estimates this year some \$400 million for production insurance. This year it's estimated that we have about \$7.4 billion worth of coverage. That's what's being covered. It's anticipated that payouts will be around \$990 million, so that's about \$1 billion to producers out of production insurance this year.

Then there is the CAIS program, which is an income stabilization and disaster protection program. As colleagues know, this is a brand-new program. It's covering the 2003 crop year, with the first payments occurring on that program in calendar year 2004. Colleagues are probably aware that the application timeframe has not yet closed. Applications are continuing to come in. They close only on November 30. This is a joint federally and provincially contributed to and administered program. In Ontario, Quebec, Alberta, and Prince Edward Island, the provincial governments in those jurisdictions deliver the program themselves. In the other jurisdictions, the federal government delivers it.

I'll give you an update. As of November 7, for CAIS, we've paid out about \$402 million, of which just roughly under \$3 million represents payments in respect of the 2003 crop year. The interim payments for 2004 are \$86 million.

Colleagues may remember the special advance in respect of the announcement of September 10. There have been advances under that of around \$20 million to date.

As I said, CAIS is a new program. It includes a learning curve for both the users and the administrators. I think it would be fair to say that in certain respects CAIS is a work in progress. We've seen a number of changes take place in the program since it was first put forward. We've seen changes in the coverage for negative margins. We've seen the percentage on the interim payments change. We've seen changes to the deposit component of it. We've seen the deadlines change. So a number of changes have taken place in the program. We will continue that process, because I am committed to making sure that we're responsive in terms of dealing with that process of bringing a new program on line.

As I mentioned, the CAIS program is not a stand-alone program. It's one part of the three parts of business risk management, which is one part of the five chapters of the APF, which is one part of the overall issues we deal with in the Department of Agriculture, including some of those structural issues I've talked to the committee members about before, and the issue of long-term farm income decline.

Let me deal with the issue of change. In my view, there are six particular areas we're looking at. First of all, I believe it's important to understand that CAIS deals with unexpected interruptions in income. It's not a program that's there to deal with the long-term historic decline of income that we've seen in some commodity areas—not that this isn't important, because it is critical. Mr. Easter, my parliamentary secretary, has been charged and is working with organizations, particularly the CFA, the Canadian Federation of Agriculture, who had a meeting this week on that very important issue, the long-term decline that is being experienced in certain commodity areas.

● (1220)

Also, CAIS deals with the result; CAIS does not deal with costs. CAIS deals with the decline in income, but declines in income come as a result of something. It oftentimes is something we have little control over—a frost or a drought. It can sometimes be caused by a structural issue or some disruption in the marketplace such as the BSE situation.

We are working with that, because in those cases where we have an issue we can in fact act on, we're going beyond the CAIS program. The programming that we put in place in respect of BSE is an example of us trying to deal with the cause, whereas CAIS is complementary and continues trying to deal with the result.

Thirdly, and I suspect every one of my colleagues around this table has heard this, it's a complicated program, difficult to use. You may have had people bring that to your attention. I think that's important for us to continue to work on. I'm committed to doing that. There is a review process, which I talked about last time. The industry is 50% of that process.

The industry has already made some things perfectly clear. I'm not trying to suggest to the industry that they have to redo their work. They've made it clear that they're not particularly happy with the deposit aspect of the program. I don't think I need to wait for them to do a review to tell me that again. They've told me that, and I understand that. That's something that as federal-provincial ministers we made a commitment to look at, at the last federal-provincial meeting that took place in September. It's something I'm doing within the federal government itself.

On the issue of it being costly to administer, we're in the process of trying to make sure that we build an efficient platform to deliver it. That's one of the reasons it's important that we put in place a program that has some longevity to it. We've gone through a series of programs over the years since, Mr. Chair, you and I have been in the House, and we've seen them. It's important that we get a program in place that producers and administrators are used to year after year so that we can drive down the cost of delivery and become comfortable in what we need to do to deal with it.

One of the issues with CAIS—and I'm sure you've all heard it—is that the money comes at the wrong time. Right? If you're experiencing the problem today, you may have cashflow problems today, whereas CAIS is going to pay you in the following year. That's why I think it was important to deal with advances, where you can put money in an advance into producers' hands now, when they're facing the cashflow problem, and not necessarily in the following year. So we're dealing with that in advances.

Then there's the issue of unrealized and realized losses, the whole issue of equity. That's being looked at. There is a group of individuals looking closely at that. As I mentioned last time, that issue cuts both ways, depending on how you want to look at it, but it's certainly something that needs to be looked at.

All that is to say that CAIS is a new program, a work in progress. I don't want to suggest that it's perfect. I don't want to suggest that it solves all the problems. I do believe, though, it does do important things for producers. I'm determined to make it operate in an effective and efficient way, and I'm determined to do that with the help of the industry, with the help of the provinces, and quite frankly, Mr. Chair, with the assistance of this committee.

● (1225)

The Vice-Chair (Mr. Gerry Ritz): Thank you, Mr. Minister. It seems like you have the problem firmly in hand. It's just a matter of solutions now.

With the consent of the committee, we will move to Mr. Angus for his opening round. I know he would not want to jump the queue in health care, but we'll certainly allow that at the committee here.

Charlie, you have seven minutes.

Mr. Charlie Angus: Thank you, Chair. I'll take that under advisement.

Mr. Minister, one of the things that has become very clear around this committee—and I think we've worked very well as a committee in terms of trying to address some fundamental problems with this BSE crisis—is the very clear sense we got from our last round of CAIS discussions that this program does not respond to a crisis of the magnitude we're seeing with BSE. It wasn't intended to do that and it cannot do that.

There are two examples—first and foremost, the lack of support for cull cows and dairy. We have no plan for that, and it's devastating our dairy producers.

The second element is, I think, just unacceptable. I'll give you an example. I have a 1,000-head steer operation in my riding that was unable to sell any cattle. There was no place to sell them, at the prices that were being offered. They put in to CAIS, and of course they don't trigger CAIS. They're not considered a loss, because they're holding their inventory. These are the people who are suffering the front-line effects. If this were 15 months ago, I would say let's give it a chance, but what we're seeing now is third and fourth generation farmers going under.

So I would ask you, do we have a plan to move ahead for disaster relief outside of CAIS?

Hon. Andy Mitchell: Let me answer the question...particularly with your initial comment, because I think you're absolutely accurate, Mr. Angus, when you say that CAIS in itself cannot deal solely with the BSE issue. That's the point I was trying to make at the beginning, that CAIS deals with result, not cost. I think you need to deal with both. I think CAIS is there, and it will deal with declines in income that beef and other producers are facing.

At the same time, you need to do some other things, and you point to that quite clearly. You need to have additional programming that deals with some of the specific component parts of BSE. That's why we've had four different initiatives to deal with exactly that. The total, when you count provincial and federal dollars, strictly dealing with BSE, over and beyond CAIS, is close to, when fully advanced, \$2 billion. That's a significant amount of money.

So you're really working on both levels, as you suggest we need to; you're working on the BSE cause, which is that \$2 billion, but you also shouldn't ignore the fact that there are going to be income disruptions, and you need to have the CAIS program to deal with those.

You brought up the issue of dairy and the issue of cull cows. There's a number of component parts to that. Some of the announcements I made on September 10 will deal with that. There is a need for additional capacity. That's part of the issue in dealing with cull cows, and there is programming there that will assist in that. There are additional things, though, that are likely necessary. That's why I've engaged very vigorously, and have had my department engage very vigorously, with the Dairy Farmers of Canada, with in-depth discussions with provincial governments, who also point out that particular concern.

We understand the need to do that. As I mentioned last time, the Canadian Dairy Commission, in setting the price of milk, has an obligation to deal with the value of the animals, as faced by those producers.

I agree with you that CAIS isn't the sole solution. There are other things that should be done, and there are other things that are being done, but CAIS does play a role in it. CAIS does play its role in terms of dealing with those income interruptions, and as I mentioned to you, it is in fact in the process of paying out money.

● (1230)

Mr. Charlie Angus: Again, this would have been a great discussion 12 months ago, but our people can't hang on any longer. When people get a rejection, they're getting a rejection and not being told there are a whole lot of other elements to the strategy. They're being told they don't qualify, end of story. The banks are moving in on these people.

I'd like to bring it to your attention, Mr. Minister, that they've just announced a possible case of mad cow in the U.S. You're probably aware of that.

Hon. Andy Mitchell: Yes.

Mr. Charlie Angus: This might throw all our scenarios of let's hope for the best and let's wait for the market to rise. What happens if this case is confirmed? Do we have a long-term strategy to turn on our heels and say, well, CAIS isn't enough, waiting for slaughter capacity isn't enough, we need to move? And we have to be ready to move if this case is confirmed.

Do we have that in the estimates, to be able to do that?

Hon. Andy Mitchell: Quite frankly, on this one, Mr. Angus, I don't agree with you, because we haven't had a policy of just sitting around and seeing what happens. We've had a very specific and targeted policy. On September 10 we said that we would put in place a repositioning of the industry so that it could be profitable with or without a border opening.

That's not sitting around waiting for somebody else somewhere to make decisions. That's all about Canada and Canadians, on behalf of Canadian producers, taking decisions in this country, and not waiting for decisions to happen elsewhere. That's what having an aggressive policy is all about, and that's what we are doing.

That program is in the process of coming forward in terms of trying to assist with building slaughter capacity, trying to bring some rationality to the market in the short place, waiting for that to come on. It's about trying to find additional markets beyond the United States.

I should comment on the other point you made. The USDA did announce that they had some testing that was inconclusive, that they were going to do some additional testing, and that they expect to see a result on that in some four to seven days.

Mr. Charlie Angus: Mr. Minister, we're talking about repositioning our markets, but the prices aren't rising. I'm talking to farmers from Alberta, and they're saying they're making donations now to Cargill with their cows, because the prices are still so low. We were hoping that the prices would rise—

Hon. Andy Mitchell: The prices have risen, Mr. Angus.

Mr. Charlie Angus: They're not rising enough, not for the farmers I'm talking to.

We're basing this strategy, Mr. Minister, on a plan that the market will regulate itself, that slaughter capacity will happen. We're not seeing the slaughter capacity except from the big packers. I don't see the small plants getting off in the meantime, with this border staying closed.

I'm asking you, given this threat that's facing BSE, is it not appropriate to be putting more emergency funding into getting some of these slaughter plants up and running?

• (1235)

Hon. Andy Mitchell: We are putting dollars in there, and as I said the last time, we're constantly reviewing our programming. If there are changes we need to make it more effective, then we'll certainly consider them.

I don't agree with you in terms of price. If you take a look at the Alberta market—and the chairman knows this as well as I do—back in August we were down around 65¢. It got up as high as 81¢ to 82¢. It's dropped back a little, which I understand is historic, that the week before the U.S. Thanksgiving you'll get a slight softening in the market. The amount of that increase on an annual basis is between one-half billion and three-quarters of a billion dollars into the hands of producers from the marketplace. That has to do with our willingness to undertake the kinds of programming we're trying to do.

Don't get me wrong; you're quite right, Charlie, in pointing out that our producers are facing very difficult times. A price increase, although welcome and positive, is not the end of the story. There is work that we need to do. I'm committed to working to help producers as we get through this, and as importantly, to working to try to resolve the long-term issues that are causing our beef producers to have this difficulty. I'll just try to put a little balance in here to say that this program is having some impact in terms of some of the prices, but let's none of us—and I'm sure none of us does—underestimate the challenges and difficulties our producers are facing.

The Vice-Chair (Mr. Gerry Ritz): Thank you, gentlemen.

We'll now move to Mr. Anderson, for seven minutes.

Mr. David Anderson: I will share this with Mr. Bezan.

I have a question that has to do with the estimates, not specifically with the APF. The Canadian Grain Commission has received a \$700,000 increase in their budget. They've said they're going to close the Edmonton office to save approximately \$500,000. They're talking about removing testing from the prairies, from the independent terminals and those kinds of places, and doing their testing on the coast. My question is why, and do you understand the implications of that for prairie farmers?

Hon. Andy Mitchell: The Canadian Grain Commission is undertaking a review of its overall operations. There are issues, such as can you accomplish the same thing you're doing now in some other way? I think that's a fair process to go through.

I think the point you're making is an important point. It needs to be more than just about an efficiency exercise. It has to be taken with a lens to understand how that's going to impact producers in the different areas of the country. As the minister responsible, I've made clear and I'll continue to make clear that, yes, I want to see us operate in as efficient a way as we possibly can. I think we need to understand how we can do the functions that are necessary in the best way. But we can never lose sight of the fact that we also have to understand the service that's being provided to producers and make sure that's put into the mix.

Mr. David Anderson: Producers can't afford to ship their grain before it's graded, because what happens is often they're given a different grade at the elevator from what they get when it gets to the port. They need some consistency in that. They can't afford a half-million-dollar loss. The terminals can't afford it and the producers can't afford it on those shipments. I think the testing needs to be retained on the prairies.

I have a second question, for Mr. Edwards. One of the employees who works for you came forward and said in mid-September that they basically got the message that the ADM is tired of staff complaining to politicians about problems in the department. They received instructions that they were not supposed to be speaking to elected officials. Have you ever sent out a directive like that, or has that come out from your department?

Mr. Leonard J. Edwards (Deputy Minister, Department of Agriculture and Agri-Food): No, I have not sent out a directive like that.

Mr. David Anderson: So your employees are, as far as you're concerned, free to visit us and talk to us about their job and what goes on.

Mr. Leonard J. Edwards: Like all government employees, they have certain rights and freedoms to behave the way they wish. I certainly haven't sent out any directive to tell them not to speak to the general public, politicians, or anybody, for that matter.

Mr. David Anderson: Good. They'll be glad to hear that.

Mr. Leonard J. Edwards: I hope the people they do speak to are the people they're there to serve.

Mr. James Bezan (Selkirk—Interlake, CPC): Mr. Minister, I just want to touch on the production insurance. We had a terrible crop year, as you know, across Canada, and I'm wondering if there are enough funds in the coffers, not just at the federal level, but also for the provincial commitment to the program, to make sure there's going to be money paid out. We're talking about \$7 billion worth of crops covered, and only \$400 million is estimated under federal costs. You did mention \$900 million as being the money spent so far.

• (1240)

Hon. Andy Mitchell: There are also provincial contributions and the premiums that are paid by producers.

I'll ask officials to correct me if I'm wrong, but my understanding is that there's an actuarial system put in place that deals with ensuring that there's sufficient funding for production insurance. My understanding is that it's monitored on an ongoing basis, and that we have in the past and will continue in the future to make sure the pool of money is actuarially sound, to be able to meet the potential demands that may be placed on the insurance plan.

The Vice-Chair (Mr. Gerry Ritz): As a point of clarification on that, if I might interject, gentlemen, is the production insurance, as you're calling it, the old crop insurance? The name actually changes in 2005?

Hon. Andy Mitchell: Yes.

The Vice-Chair (Mr. Gerry Ritz): And that is a 50% producer, 25% federal, 25% provincial split?

Hon. Andy Mitchell: I'm just trying to check on that.

The Vice-Chair (Mr. Gerry Ritz): It's 50-25-25.

Hon. Andy Mitchell: It's roughly that, yes.

The Vice-Chair (Mr. Gerry Ritz): Okay, thank you.

Mr. James Bezan: Right now, some of the producers in certain provinces are worried there isn't going to be enough money out there to cover their insurance. Can we be assured that, since they paid the premium, they'll get full coverage?

Hon. Andy Mitchell: My understanding is that it's actuarially sound, but if there's anything to the contrary, I'll get back to you, James.

Mr. James Bezan: Okay.

Under the discussion already today, you were talking about CAIS and the problems it has. You mentioned that there are some shortfalls. We want to make this a program that does work, that serves producers, and is there in the long term.

Wouldn't you think it prudent that we move ahead the annual review, from having it taking place this summer to actually getting it under way now, so that we can start making some of those changes and suggestions and bring in all the stakeholders?

Hon. Andy Mitchell: My intention is to have the annual review, the body, in place within the next very short period of time, certainly before Christmas. They will be able to begin their work immediately, and they're welcome to provide reports at any time they want. I don't think they have to just provide a final report. If they want to provide interim ideas as they go along, I think that would be fine as well.

The idea is that there is a federal-provincial ministers meeting scheduled for Alberta in July, so the idea was trying to fit that together. But that does not preclude federal and provincial ministers getting together before that—we informally were together about a week and a half ago—and it doesn't preclude the review folks coming forward with ideas before that time.

Mr. James Bezan: Do I still have some time?

The Vice-Chair (Mr. Gerry Ritz): You have time for a short question.

Mr. James Bezan: Larry can ask a question.

Mr. Gerry Ritz: Mr. Miller.

Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC): I'll get in a short one.

It goes back to slaughter capacity, Mr. Minister. We all agree that it's needed, and I think we're well on the way to addressing or partially addressing what I call slaughter animals. And it's not our cull cows. As Mr. Angus and a few others have kept reiterating, we're still lagging way behind in how to address cull cows.

I mentioned this yesterday when CFIA was here. We need to take a big and long look at the overall picture. What I mean by that is that right now we're encouraging our program of fulfilling slaughter capacity as a tendency to be pushing the expansion of existing ones. That creates an overall larger problem in the agriculture industry, where more and more our industry has ended up in the hands of large corporations and, in this case, packers.

I need you to make some comments on the kind of look that your ministry has given in terms of looking at that, addressing that overall thing, and putting more emphasis on making them new plants versus expansion of others.

Hon. Andy Mitchell: I think you make a couple of really good points here.

If I could just interject for a second, Mr. Chairman, one of the points is that there's a macro number that we need to achieve.

We want to get slaughter capacity roughly to what's available. But you're right, there are some dynamics within it that are important to understand. There are regional variations. You need to have an understanding that we need to have a plant not simply to get the total numbers up, but because there needs to be a plant in that area for geographic reasons. The fact that there's going to be a plant opening very shortly in Prince Edward Island is an example of that, so it can serve Atlantic Canada.

There's also the issue of large and small. That's why the programming that we've put in place is designed to deal with the medium and smaller size. There's a belief that the largest of corporations have the financial wherewithal, all on their own, to make those kinds of investments, and they should if they feel it's appropriate for them to make those kinds of investments.

And then you get to the whole issue of the different ages of the animals and the different types of animals. It's not just good enough to have the total capacity there, because it may not be the right kind of capacity. It's also important, as we're moving forward, that we understand that. On the point you make that it's more than just the macro, that you have to take a look at the individual component parts, we are in fact doing that as a department.

And, Mr. Chair, if I could, just on the production insurance—and I'm sorry to interrupt for a second, Larry—federal is 37, provincial is 28, and producers are 34. That's the breakdown on the production insurance.

• (1245)

The Vice-Chair (Mr. Gerry Ritz): Thank you.

Madame Rivard, seven minutes please.

[Translation]

Ms. Denise Poirier-Rivard (Châteauguay—Saint-Constant, BQ): Mr. Minister, at the meeting held from September 20 to September 22 in Prince Edward Island, the federal, provincial and territorial ministers of Agriculture agreed to create a structure for an annual review of the agricultural policy framework. Have details about this structure been made public?

[English]

The Vice-Chair (Mr. Gerry Ritz): There was a technical problem at the end of your question. Could you repeat it, please?

[Translation]

Ms. Denise Poirier-Rivard: All of it?

[English]

The Vice-Chair (Mr. Gerry Ritz): Just the end is fine.

[Translation]

Ms. Denise Poirier-Rivard: Has any detail on this structure been made public?

Let me ask you my second question right away. Will farmers and groups representing stakeholders from the agricultural sector have a voice in this annual review?

[English]

Hon. Andy Mitchell: I don't know whether we've done a formal release on it, but I'm happy to provide you with the... The review will be made up of 50% industry and 50% government officials. Provinces will have the ability to appoint people to the review panel—a producer and a government official, I think, from each province. The federal government has the ability to appoint a certain number as well. There will be a larger committee and then there will be a smaller steering committee. The committee has the ability to establish its own terms of reference, although its objective is to do the review of the APF. It can set up subcommittees if that's what it feels is necessary to do. It can access technical assistance to do that. As I mentioned earlier to Mr. Bezan, they can report as they feel it's important to report. That's generally how it's going to operate. We're very close to getting that put in place. As I said at the last meeting and I'll say again here, I'm anxious to see them start their work.

[Translation]

Ms. Denise Poirier-Rivard: Are you telling me that you've already determined the evaluation criteria?

[English]

Hon. Andy Mitchell: Not the evaluation criteria. The committee itself will set its terms and conditions for the review, although it has as its broad mandate the review of the APF. It will structure itself as the committee feels it's necessary to do its work efficiently.

[Translation]

Ms. Denise Poirier-Rivard: Could you tell me what Quebec's position is in this regard?

[English]

Hon. Andy Mitchell: My understanding is all the provinces agreed to the process when we were in Prince Edward Island.

• (1250)

[Translation]

Ms. Denise Poirier-Rivard: What is your plan should a large number of cull cattle have to be slaughtered, if the American border is closed?

[English]

Hon. Andy Mitchell: That's one of the issues we're working on right now. I think there are a number of things we need to take a look at. First of all, and I mentioned this before, as a longer-term solution, we need to have the necessary capacity in order to actually process those animals. Part of the problem now is the capacity isn't there, and it has a very dramatic negative impact on price from the producers' perspective. So I think we need to have increased capacity and we need to have it in the context of competitive capacity, which is also important.

There's the issue of the action that the Dairy Commission will take in terms of assessing as part of its pricing regime what's termed as salvage value of the animals. I think they're in the process of doing their work in that respect as well. There's also the issue of liquidity for the producers. That's where we're working very closely with suggestions that are coming forward from a number of groups, not the least of which is the Dairy Farmers of Canada, who we're working with very closely on that aspect of it. There are many parts to this, and I think all of them are important. We're committed to working on all of them and doing that with the industry, as I said, but also with my provincial colleagues who are implicated in this as well. That's something we're doing with the province of Quebec and with other provinces as well.

[Translation]

Ms. Denise Poirier-Rivard: If a great number of cull cattle have to be slaughtered, do you believe that the Quebec and Canadian consumer market will be strong enough to absorb all that meat?

[English]

Hon. Andy Mitchell: That's something we need to take a close look at. There are some variables that one would have to see. We would have to know what the size of it would be. We would have to see what the situation was vis-à-vis younger animals at the same time, because that would certainly have an impact on that. We'll have to see what our success is in the international marketplace in terms of our ability.

So there are a number of things to look at. But the point you make is a good point and one that needs to be looked at closely.

[Translation]

Ms. Denise Poirier-Rivard: When can we expect an answer on your assessment of the situation?

[English]

Hon. Andy Mitchell: We can certainly provide some information and do it relatively quickly. But I just want to put a caution on that, because there are certain intangibles. There are certain things you're going to have to do part of which are based on best estimates because there are certain events you may not be able to understand in advance. Any kind of work that would be done would have to be done with certain variables in there, certain estimates that may not at the end of the day be the ones that work out. Any evaluation is going to have a certain amount of uncertainty in it.

The Vice-Chair (Mr. Gerry Ritz): Mr. Gaudet, one short question.

[Translation]

Mr. Roger Gaudet (Montcalm, BQ): Mr. Minister, earlier Mr. Angus told us something that I was not aware of. If I understood correctly, it seems that during your last trip to Asia, Japan and Korea said that BSE was a North American problem.

In light of the discovery of a new case of BSE in the United States, as was announced this morning, are you planning on any specific measure in the coming days, and if so, what will you do to protect our producers?

[English]

Hon. Andy Mitchell: The first thing we're going to do is await the additional testing by the USDA to see their results and whatever situation that may exist from that. I think the appropriate and prudent thing to do at this point in time is to await the USDA to give us the results of their additional testing.

The Vice-Chair (Mr. Gerry Ritz): Very short.

[Translation]

Mr. Roger Gaudet: I agree with you but I would like to have something concrete even though the whole process has not yet been defined. I'm sure there are people in the department who are there to plan a response in case of another crisis. To me, that is very important. I know that food quality in Canada is better than in many countries. I would even say that food quality in Canada is twice that of the United States, which is why I can't consider this a North American problem. I believe it is the United States' problem, but we will be the ones who will suffer the most.

I would like your comment on that.

●(1255)

[English]

Hon. Andy Mitchell: The reality here is first of all I think that it's prudent before responding in any kind of concrete way to get the specific results. When we have those results, then we'll be prepared to act. And quite frankly, we've demonstrated that all along. This is an ongoing situation. We've been dealing with BSE back to May 2003, and we will continue to manage that very carefully and very vigorously. We're prepared to deal with the situation in whatever way it will be presented to us.

The Vice-Chair (Mr. Gerry Ritz): Thank you, Mr. Gaudet.

Just before we move to Mr. Kilgour for some questions, Mr. Minister, I would build on the comments that were just made about the new discovery in the States, if and when it is positive, if that happens. We're seeing Secretary Ann Veneman being moved aside, or stepping aside. Is that going to slow down some of the work you have initiated? I know we saw months of getting up to speed when we had our election here. Will we see that same delay from the American side? Have you had some discussions with her or her counterparts at this point?

Hon. Andy Mitchell: We're prepared to work with whoever is the Secretary of Agriculture.

The Vice-Chair (Mr. Gerry Ritz): I understand that.

Hon. Andy Mitchell: Our view is that there is a process and a department that's undertaking that process, and regardless of any particular change in personnel, the entity itself should continue to move forward with that process. That's our expectation.

The Vice-Chair (Mr. Gerry Ritz): My concern is that our entity on the Canadian side really stalemated the CAIS payouts, and so on, while we went through that election process, and I'm just hoping it doesn't happen from the American side.

Mr. Kilgour, for two minutes.

Hon. David Kilgour: Two minutes go quickly.

If the President were to announce, when he comes on the 30th, that the border is going to be opened, he'd get a standing ovation, I predict. Even Carolyn Parrish, I think, would get up.

I'll just go through some comments and leave half of the time for you, Minister.

We had a conference in Innisfree, Alberta, of cattle experts from Saskatchewan and Alberta. Some of my colleagues have heard this before, but an economist estimated that direct losses to the industry as of last fall were \$5 billion; meat sale losses of \$1 billion; live cattle sale losses of \$2.5 billion; and regional indirect losses to restaurants, and so on, of \$700 million.

One of the experts at the conference was Doug Livingstone, who's a former president of the Alberta Wheat Pool. He made these comments—which just sear your heart—“I'm going broke...spending more than I'm making for the past 16 months. I recently sold a 2,200 pound bull for \$300.” I'm quoting him here on CAIS: “It does not deliver and the measures intended to improve it are making it worse.... Six months ago, we applied under CAIS and nothing has been heard”.

Incidentally, Minister, CAIS clearly favours some regions over others, in terms of its being useful. I think you might agree with that.

Livingstone continued, “The financial institutions are now very nervous and will not continue to support us. January 2005 is the crunch.” They had drought in 2002 in northwest Alberta, BSE in 2003, and 2004 was the “hardest year in history.” And he noted that the Canadian Food Inspection Agency had nitpicked the new operation of Rangeland Beef.

Well that's been solved, and I salute you or the agency for having solved the Salmon Arm problem. But how many other new packing plants are going ahead, to your knowledge?

Hon. Andy Mitchell: Right now, as far as the CFIA is concerned, there is one other application that's pending. I understand that is moving through the system quite well.

Let me try to address the question, David. I think you're absolutely right when you make the point, which others have made here as well, that when you're dealing with the BSE situation—and it's true of other situations—you just don't say “I have one thing that solves all of my problems”, because it doesn't work that way.

Our approach that we announced on September 10, for instance, is a multi-dimensional type of approach, because there's a whole series of component parts to this problem, and that's what we're trying to do. We know that capacity is part of the problem or part of the solution, and we're dealing with that. We knew back in July and August, when the prices were really dipping down, that it was important to bring some stability back into the marketplace, so we felt it was important to put in place that set-aside program. We've seen some price recovery—not as much as any one of us would like to see, but we certainly are pleased to see some price recovery.

We understood the importance of having markets that are beyond simply the United States, so we've done an extensive amount of work trying to do that as well. We also understand that the U.S. market continues to be important to us, and we want to continue to try to open it.

We understood there was a liquidity issue with producers in the short term, so we brought forward that special CAIS advance for beef producers. Through all of this, we understand that losses are occurring and that the CAIS program needs to come into play in terms of dealing with those year-over-year losses.

The reality, though, is that it's not a one-dimensional problem and it can't have a one-dimensional solution.

• (1300)

The Vice-Chair (Mr. Gerry Ritz): Thank you, Mr. Kilgour.

We move to Ms. Ur.

Mrs. Rose-Marie Ur (Lambton—Kent—Middlesex, Lib.): Thank you, Mr. Minister, for appearing once again.

It was music to my ears to hear in your opening statement that you understood—and I underline, understood—that CAIS is not one-size-fits-all and that you understood we need to do the review. So I congratulate you on that.

On Madame Rivard's question as to the committee set-up to review the program, are you setting a timeframe for those individuals to report back to you?

Hon. Andy Mitchell: We've certainly said that when the ministers come together in July, we would like to see a report. I've signaled that to them. I can't do that directly because the actual members of the committee aren't there, but I will certainly pass it on.

But I'll also say to them—and I think this goes to James' point—that if there are component parts they want to report on in advance, give them to me. I'm not going to say “Don't give me a report”; but if they have some conclusions and it's only February or it's April, I want to hear those conclusions.

Mrs. Rose-Marie Ur: Okay. I only have a quick question.

We've had several calls in our constituency offices, or mine has, that what is wrong with CAIS is there is no element that addresses trade injury. In the working plan, do you see where that could be addressed through program funding? You indicate that the cause is not addressed. The farmers say the cause is trade injury.

Hon. Andy Mitchell: Let me answer that in two ways. On trade, our long-term objective is to have a rules-based trading system. Canada benefits from a rules-based trading system, and we're trying to pursue this through the WTO. The reality is that since we sell so much more of our production than we can possibly consume in this country, we need good solid rules.

In our negotiations in Geneva, we are trying to obtain that. I suspect I know what members are thinking. For whatever we agree to, it's important that it's done in a verifiable and transparent way so the commitments of all 147 countries will be honoured as they go forward. It's one of the reasons I was pleased in the framework agreement. It said there had to be a 20% down payment in the first year in the reductions. It's not the never-never plan, and I think that's important.

Again, this is another example where CAIS isn't the whole story. CAIS wouldn't deal with it by itself. If we weren't dealing with the WTO negotiations to try to deal with the long-term situation, CAIS wouldn't deal with it, but CAIS will deal with the short term. If somebody faces a short-term interruption in their income for whatever cause, then CAIS can be there to deal with it.

Again, it's back to the fact that you need to have both. You need to have a program that deals with the result, the disruption in the income, but at the same time, you need to have an initiative that's trying to deal with the specific issue. In this case, it's trade. That's why we're fully engaged at the WTO.

Mrs. Rose-Marie Ur: When you were designing programs for funding with BSE, was it taken into consideration to ensure that the funding that went out to the various bodies, feedlots or whatever, was funding Canadian producers?

Hon. Andy Mitchell: Let me say that as we developed new generations of programming, our thoughts evolved to make sure that we did it as clearly as we could. In this most recent program, the payments are to producers.

Mrs. Rose-Marie Ur: I know that production insurance and market revenue in Ontario are provincially administered. The number of federal dollars in the program is still there. How can we ensure those dollars start moving to our grain people? Is there anything we can do?

• (1305)

Hon. Andy Mitchell: I can certainly speak to my colleague. At the official level, as well, we will try to bring haste to that process, but I will report to you on the results of those conversations.

Mrs. Rose-Marie Ur: Right. With the CAIS administration, some of the programs are administered federally and some are administered through the provinces. Is there any data on the turnaround time as to whether it's administered by one over the other?

Hon. Andy Mitchell: I know we have our own turnaround times federally. I don't know whether we have the breakdown for the provinces. Do we?

Hon. Wayne Easter (Parliamentary Secretary to the Minister of Agriculture and Agri-Food (Rural Development)): I'm sad to say that P.E.I. is the worst and Alberta is a close second.

Hon. Andy Mitchell: I will table that with the committee.

Mrs. Rose-Marie Ur: Do I have any time left?

The Vice-Chair (Mr. Gerry Ritz): You have a little time left.

Mrs. Rose-Marie Ur: Our farming sectors have been in great decline with commodity prices forever. There are only so many dollars, and we have to understand that we can't compete against the U.S. treasuries or the EU. As a minister, looking down the road at the different venues, do you see looking at how we could get more money for our primary producers through marketing, rather than from government subsidies?

Being a farmer in my previous life, I didn't take any great pride in receiving a subsidy cheque. I presume it's still the same way. We would like to have it from the consumers.

Hon. Andy Mitchell: Yes, I think you're addressing very clearly the other dynamic that I've talked about many times now, and that is the long-term decline in farm income in certain commodities. That's what I've asked Mr. Easter to work on, on my behalf. I'm going to follow it very closely, but as I think all committee members know, Mr. Easter is a very experienced parliamentarian and former farm leader, and farmer, and will be doing that.

He's going to be doing it in conjunction with the industry, and there are four specific parts to that. One is quantifying the issue,

getting one's mind around the fact that there is a lot of anecdotal evidence and also a fair amount of research. The second part is determining what some of the causes are. That needs to take place. The third is developing some of the solutions, such as the ones you're suggesting, that can address this. Finally, where does that action lie, in whose purview? Is it provincial, is it federal government, is it producers, is it the industry, is it society in general?

Those are the kinds of things we need to do. As important as all of the other things are that we do in terms of our business risk management and everything else, it's also important to take that longer perspective, that longer view, and deal with that issue as well. I'm prepared to do that. I know the industry is prepared to do that. We see ourselves doing that together.

The Vice-Chair (Mr. Gerry Ritz): Thank you, Ms. Ur.

Mr. Minister, can you spare us a few more minutes? A couple of points still need to be raised. I'll try to keep the time down, if you can give us a few more minutes.

Hon. Andy Mitchell: I should leave at a quarter after, if that's possible, Mr. Chair.

The Vice-Chair (Mr. Gerry Ritz): Okay.

Mr. Miller for two minutes, Mr. Easter for a minute, and then Mr. Drouin, to wrap up.

Mr. Larry Miller: Thank you.

Andy, perhaps I can follow up on where I was going before on the slaughter plants. There are provincial plants out there, and I'm hearing that there are two standards for their inspection. Some are maybe subpar and some are pretty close to the federal level. Would you consider licensing the ones that are up to standard basically without the consent of all the provinces?

I fail to see too many negatives in this. Yesterday I used the example, only fictitious, that Prince Edward Island has one that's up to par and Nova Scotia doesn't. In that case there, the plus I see is that not only are we getting rid of some of the glut of these overage cows and what have you, but the live ones in Nova Scotia could still be trucked there.

Would you consider looking into that because of the situation?

Hon. Andy Mitchell: What I think would be required—and I'll have my officials correct me if I'm wrong—is that CFIA, who is the regulator, would have to ensure that it was meeting the federal regulatory standards and legislative standards in order to be able to license the plant. So that would be a requirement. I suspect as well that the owners of the plant would want to have the federal designation and would have to come forward to try to do it. But there is a regulatory and a legislative standard we have at a federal level, and we would have to insist that something met those standards.

•(1310)

Mr. Larry Miller: But the very question, though, is around the ones that are close. If the willingness was there by that plant to upgrade it to the federal level, which is very small, would you, rather than wait for the agreement of all the provinces, go ahead and individually support the licensing of the ones that would be willing?

Hon. Andy Mitchell: Let me look into it for you, Larry. I don't know where I would need, or anybody would need, that permission. If a Nova Scotia plant wants to bring itself up to federal standards and get a federal licence, I think that's between the federal government and those plant owners. I don't see where the other provinces would have to do that.

If everybody was trying to collectively accept a lower standard... but if a plant meets federal standards and wants a federal licence, I think that's between us and the owners of that plant.

Mr. Larry Miller: But it's also for along the lines of a domestic market.

Hon. Andy Mitchell: And the province in question, yes. I don't think it would involve another province, but let me check into it and make sure that's absolutely accurate. I believe it is.

Mr. Larry Miller: Thank you.

The Vice-Chair (Mr. Gerry Ritz): Thank you, Mr. Miller.

Mr. Easter, a quick point; you're cutting into Mr. Drouin's time.

Hon. Wayne Easter: Mr. Miller was cutting into mine, Mr. Chair.

There was a question earlier from Mr. Kilgour, before you arrived, which I think has to be cleared up. It related, I think, to figures that George Brinkman put before the CFA symposium the other day, which in the last fiscal year showed that from the market—not inclusive of government payments—the income for farmers was minus \$2 billion. The debt loads in current dollars are at \$47 billion.

Yes, that's a serious situation. The line of questioning from members opposite is along the lines that CAIS is not doing everything we had hoped it would do, and so on. But the fact of the matter is, and I think it has to be put on the record, I think you have to recognize what the government is doing positively. We have contributed far more in terms of ad hoc programming than would have been attendant a year ago. I wonder if you could table those figures before us.

That's not to say that the income situation isn't serious. It is. But from a federal government perspective, the federal government has been there to try to backstop that decline in a more substantive way than it ever was before.

I wonder, could you...?

Hon. Andy Mitchell: You're right, Mr. Easter. I think that's clearly shown in the estimates with the \$4 billion that was paid out. You'll see that a large amount of that came through supplementary estimates. The government was responding to the reality as it began to exist as the year went along. I think you're quite right.

An addition to that—if this isn't happening, it should be happening—would be to supply the committee, at whatever frequency it wants to receive them, with updates on the payouts of CAIS, so that the committee can track that. As I mentioned, between

our 2003 year and our advances in 2004, we're \$400 million over and beyond that \$4 billion we had talked about in the last fiscal year. That doesn't count the amount that's going to go out in production insurance and what we're doing in our advanced programs.

The government is designed to provide that kind of assistance. But you're right in pointing out that this doesn't alleviate the need for us to deal with those longer-term issues. It's not for a moment to suggest that producers are not facing serious challenges. They are. And we have obligations collectively, all of us around this table, not just me as minister but all of us as parliamentarians, particularly the agriculture committee, to deal with those issues.

The Vice-Chair (Mr. Gerry Ritz): Thank you, Mr. Easter.

Mr. Minister, those numbers would be helpful with a provincial breakdown, if you could, so that we could track them. That would be very helpful.

One other number that came out of that study Mr. Easter was quoting was that it now takes \$300 of capital to earn one dollar on Canadian farms.

Mr. Drouin.

[*Translation*]

Hon. Claude Drouin (Beauce, Lib.): Thank you very much, Mr. Chairman.

Mr. Minister, I would like to thank you and the members of your team for appearing before the committee. We know of the work you do and we greatly appreciate it. However, farmers, and those in Quebec in particular, are in a terrible situation. Many of them have told us that they recognize the efforts made by the Government of Canada and that they do not necessarily want more money. They just want the money to go where it is needed most. They recognize that the Government of Canada has earmarked \$2.1 billion to resolve the mad cow crisis and they greatly appreciate it, but the money doesn't always end up where it should. You told us that the situation seemed to be improving in the west. However, the last I heard was that this was not necessarily the case for cull cattle, at least in Quebec. Producers' revenues have been greatly impacted. There is a lot of desperation. There was even a television show on Radio-Canada about the increase in the suicide rate of farmers. The people who are most affected are young people, the next generation, who don't have the deep pockets needed to ride out the crisis.

I am pleased to see that a review committee will determine how to improve programs and make sure the money is spent more efficiently. We talked about this two weeks ago, when you were before the committee. You said that might be a solution, but there are others. Several farmers suggested setting a minimum income threshold. Such a measure would not affect the government's budget but it would help producers obtain a reasonable basic price to help them cope with this crisis.

I know it's not easy, because if the situation is stabilizing in one part of the country and not in the other, that type of solution might not be the right one. In the meantime, what about increasing flexibility? I hope that Agriculture Canada officials will be able to find a solution to help our farmers.

I have a final question for the minister, because I know that he is very busy. We hope that no case of mad cow disease appears in the United States, but if it did, how would that affect us? As far as I know, we import meat from the United States. If a mad cow case was detected south of the border, Canada would stop importing meat from the U.S., and that may have a positive impact on our agricultural sector.

• (1315)

[English]

Hon. Andy Mitchell: Let me answer that in a couple of ways. First of all, you asked about this in the context of Quebec. Those cattle producers in Quebec are just as eligible for the programming we put out across the country for cattle producers. That's a reality, and we've worked hard with the Province of Quebec to make sure they can use their delivery systems for that money.

There's another issue, and it's not just in Quebec, it's in other parts, and that's the dairy industry. Using averages is tough, because operations are different, but generally speaking, they get about 85% of their income out of the dairy part of their operations and about 15% of their income from other streams, primarily their cull cows or their heifers.

On the dairy side, there's not been a direct effect on their income from milk, but there has been a very significant impact on the 15% part, and it's that part we're trying to deal with. It's different from the beef part, and we recognize that. That's why it's important that we deal with that specifically, and that's what we're in the process of doing. You suggested a minimum price as one of the options. I'm pleased that you also reflected upon some of the challenges that are involved in doing that, and I think that's something we continue to need to look at closely.

As I said before to Madam Poirier-Rivard, there's the issue about what the Canadian Dairy Commission is going to do in terms of taking into account the salvage value of the animals and how that's going to find its way through to any kind of pricing adjustment. That's been worked on.

Then there's the whole issue of whether there's something directly beyond this that you may want to consider. That's an issue in Quebec and it's an issue elsewhere too. There's big dairy in my own province of Ontario, there's dairy in the Atlantic, and there's dairy in the west too. There aren't just Quebec producers, but there is a preponderance of the dairy industry in Quebec. It's an important issue in your province; I know that.

Hon. Claude Drouin: With respect to the U.S.A. and mad cow disease, do you think it's positive for us?

Hon. Andy Mitchell: I'm not going to speculate on anything until such time as we have some conclusive results from the U.S.

[Translation]

Hon. Claude Drouin: Thank you.

[English]

The Vice-Chair (Mr. Gerry Ritz): Thank you, Mr. Minister, and your associates for being here today.

We will interrupt the meeting for a couple of minutes while we shuffle the chairs at the head table again.

I know you are busy, gentlemen, and have to rush off to question period to get ready for all those answers.

Thank you so much.

• (1320)

Hon. Andy Mitchell: Thank you very much, Mr. Chair.

Again, I'd like to express my appreciation to the committee for being flexible about my tardiness in arriving here.

The Vice-Chair (Mr. Gerry Ritz): I didn't realize we had a choice.

Some hon. members: Oh, oh!

Hon. Andy Mitchell: There's always a choice.

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(Pause)

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• (1325)

The Vice-Chair (Mr. Gerry Ritz): We will continue with the second half of our meeting, which was the first half but is now the second half.

Joining us today we have Mary Komarynsky, assistant deputy minister, farm financial programs—I know you're busy these days; Andrew Marsland, assistant deputy minister, market and industry services branch; and Howard Migie, acting assistant deputy minister, strategic policy branch. He's the guy with all the ideas. And James Roberge, director general, is staying with us.

Thank you.

If you folks don't have any more statements to make, we will start with five-minute rounds.

Mr. Bezan.

Mr. James Bezan: Let's talk a little bit more about production insurance, especially future production insurance. We want to look at the agricultural policy framework and make sure this thing is going to be sustainable longer term than what farm policy programs have been in the past. We're starting to move away from just crop production, and the ideas—although nothing has been really circulated yet—as to what other commodities are going to be added under the umbrella of production insurance and how we plan on insuring these other commodities. I'd like to hear what the ideas are and what the timelines for implementation are.

Mrs. Mary Komarynsky: In terms of some of the things we're planning, you're correct in saying we are looking at other commodities as to whether production insurance could be expanded. One of the pieces of work we're doing right now is that we're looking at whether or not we could move forward with production insurance for livestock. That's probably the key commodity that is missing.

In addition, we're looking at other types of program options for production insurance. For example, we're looking at a basket of crops, so instead of covering X, Y, and Z, a producer could actually cover a basket, and that may lower his cost, because some crops may be higher risk than others.

We're looking at another option called "spot loss". For some crops a producer may want to have very specific coverage for a particular field of, for example, a very high-priced commodity. We're looking at a number of options for providing different types of coverage or at more options producers can choose, then, as to how they would like to be covered.

Mr. James Bezan: What kind of timeframe are we looking at for the implementation, then, specifically on the livestock side, since those producers are the ones who are feeling the biggest pinch right now?

Mrs. Mary Komarynsky: The plan is now that some of these program options may be in place for the 2005 crop year and some will be in place for the 2006 crop year.

Mr. Howard Migie: It's not across the country, but a couple of provinces will be trying them out first, we think, in 2005.

Mr. James Bezan: Which provinces are going to be testing?

Mrs. Mary Komarynsky: I just want to be clear on this. As I think the minister indicated, it's the provinces that actually deliver and administer production insurance, so it's really their decision as to which of these program options they would like to consider.

I don't have the list of who's going where; I think it's a little bit early to say. But Howard is right; it won't be a national application. It will be a provincial choice as to the options.

Mr. James Bezan: With the estimates, how confident are you in the numbers this year that you're projecting? Last year they were significantly short of where actual spending ended up, largely due, of course, to BSE, but there was a significant increase in operational costs as well.

• (1330)

Mr. James Roberge (Director General, Finance and Resource Management Services, Corporate Management, Department of Agriculture and Agri-Food): Last year there was a requirement to bring in, as an information item, additional funding for production insurance. That's because it was in excess of our authorities. However, this year the expectation is that we will federally manage within the \$400-million estimate that's included in the estimates process. We're not anticipating at this time any additional requirement; hence there's no inclusion in supplementary estimates this year.

Mr. James Bezan: One thing in the budget—and this is for the entire department—is grants and contributions. In the early part of this decade, that was well over \$1 billion. It fell off significantly over the last number of years. Last year I think grants and contributions were somewhere around \$170 million. The estimates are projecting a \$334-million expenditure this year. What has contributed to the rapid decline, and then, all of sudden, we're doubling the grants and contributions this year?

Mr. James Roberge: Again, it's largely the result of an accounting change. We have now moved away from it in terms of the business risk management envelope. These funds are now deemed statutory as a result of some legal decisions. So what you're seeing on the grants and contributions side are the voted grants and contribution programs, which do not include the \$1.1 billion per annum of BRM programming, or virtually none of it.

You're just really seeing a shift. That's why total spending continues to rise, and the bulk of that again is transfers either to the provinces or directly to producers.

The Vice-Chair (Mr. Gerry Ritz): Thank you, Mr. Bezan.

Mr. Kilgour.

Hon. David Kilgour: I wonder if one of you would tell us why it is that countries like Holland and Mexico are so conspicuously successful with their exports. I know Canada is very successful too, but can we learn from countries like Mexico and Holland?

Mr. Andrew Marsland (Assistant Deputy Minister, Market and Industry Services Branch, Department of Agriculture and Agri-Food): I think we can always learn from other countries, and we should keep a close eye on what's going on there.

I think you're right. Canada has been successful over the last ten years. We've doubled in nominal terms the value of our exports to somewhere around \$25 billion. We've seen a shift in the composition of those exports. Whereas bulk exports have remained flat, virtually all the increase has been in value-added exports.

I can't comment specifically on Mexico. I guess the Netherlands has a tradition of working very closely across the value chain, and that's something we're trying to do, particularly through the value chain round-table exercise, where we bring together producers and other players in the value chain to look at developing strategic approaches to exploit the global markets over the medium and long term.

Hon. David Kilgour: Canola, for example, is a huge success story for Canada. I think it's a \$6-billion industry now. But the producers in the canola industry claim that soybean is getting all kinds of subsidies. Can you share any thoughts you might have on how we can help the canola industry become even more successful?

Mr. Andrew Marsland: I think it's true that the canola industry faces significant challenges, not only from subsidies but from massive ramp-ups in production from low-cost countries, and South America particularly.

How can we work with the canola industry? We are working with them. They face a number of issues ranging from the need to do more research and to develop specific attributes, particularly as the trend away from transfats is becoming more and more evident. We are working with them on research, and I'm sure Dr. Archibald can explain in more detail.

We're also working with them on market access issues that they face around the world. And on market development, we provide support to the canola industry through the Canadian agriculture and food international program.

Hon. David Kilgour: You mentioned market access. You probably know there are half a million Kenyans who are now producing cut flowers and vegetables for Europe, basically. A few weeks ago they were complaining that our pesticide code is keeping vegetables from coming into Canada, whereas the same vegetables can be sold in Europe in the EU.

We all want to increase the profitability of farms in Canada, but do you have any comments? They see this as being a non-tariff barrier to people who desperately need employment as well.

• (1335)

Mr. Andrew Marsland: I can't comment on the specific case. Perhaps you'd like to direct that question to the Canadian Food Inspection Agency, who are doing this on a day-to-day basis. But it's certainly true in some cases.

The Vice-Chair (Mr. Gerry Ritz): You are fading a little away from the APF here, David.

Hon. David Kilgour: All right. I thought we were having a philosophical discussion.

Then I'll ask just one final question on CAIS. I'll try to be in line with a very cruel chairman we have here.

CAIS is accused of favouring some regions over others, such as where you have vegetables and can grow all kinds of things. You can have the whole farm concept, but when you just have wheat or you just have cattle, it's not very helpful.

Does anybody have any comments on that, or is Mr. Marsland having to answer all the questions today?

Mr. Mary Komarynsky: We're starting to do some analysis by commodity of what kinds of payments are going out on CAIS. I don't think CAIS was designed to favour any specific region or any specific commodity. As you know, if your income drops from a historical level, there's a payment that's triggered. We have no evidence at this point that it's favouring, and it was definitely not designed to favour, any region or commodity.

It is possible that some commodities or some producers who have experienced a greater drop will receive a greater payment from CAIS.

I'm wondering, Mr. Chair, if I could at this point clarify and put on record something. The honourable Mr. Anderson had asked a question about the deposit: when we would have the amendment through so that producers could get their two-thirds deposits done. I said December. I'd like to put on record that it would be by the end of December, if I could just clarify that for you.

Thank you.

The Vice-Chair (Mr. Gerry Ritz): Would they get the money back, then, in this tax year? They would be paying tax on it, but they would get it back after the end of the tax year and still pay tax on it this year and not have the money to pay the tax.

Mrs. Mary Komarynsky: Let me ask Danny Foster, because that's a fairly technical question.

Mr. Danny Foster (Acting Director General, Farm Income & Adaptation Policy, Department of Agriculture and Agri-Food): The deposit is after-tax already, so it has no impact on their tax position.

The Vice-Chair (Mr. Gerry Ritz): If it's a NISA rollover, there's a tax implication.

Mr. Danny Foster: No, the money coming out of NISA going into CAIS is taxed. There's no further deferral of paying tax on NISA money going into CAIS. It's already taxed going into CAIS.

The Vice-Chair (Mr. Gerry Ritz): I'll follow that up with you after, Danny.

Mr. Danny Foster: That money in the CAIS accounts is after-tax already.

The Vice-Chair (Mr. Gerry Ritz): Okay.

Mr. Kilgour, your time is up.

Gentlemen, is there anyone, please?

Mr. David Anderson: Can I follow up on that for a minute?

The Vice-Chair (Mr. Gerry Ritz): Yes, you have five minutes.

Mr. David Anderson: The money coming out of NISA is taxed when it comes out of NISA. The point is that we don't want farmers paying tax before they put it into CAIS. They don't have the money to pay the deposit anyway; now you're taxing them to put it in. Are you saying that money is not taxable?

Mr. Danny Foster: There are two accounts for NISA. There's a Fund 1 and a Fund 2. The Fund 1 is already after-tax. The Fund 2 is the government's contributions.

As soon as that money comes out of Fund 2, it's taxed. We don't get further deferral of the tax portion of Fund 2 NISA going into CAIS. It's taxed. If producers decide to pull the money out of Fund 2 and put it into CAIS, they're paying tax on it.

Mr. David Anderson: What's happened, though, is that these folks did not plan on putting all of that deposit in. Half of two-thirds of it has come out of Fund 2; they're having to pay tax on it and don't have the money to pay the tax. They don't have the money to make the deposit, never mind to pay the tax on the money you've put into the program. They do not have the choice of how to spend that money because of a mistake that has been made that you folks haven't been able to correct.

Do you understand? The money comes out of NISA. Everything that comes out of Fund 2 is taxable. But that money has already gone into the CAIS deposit, and they don't want it there. They're paying tax on that money that they can't get access to and don't want in that deposit situation, and they have no money to make their payments anyway.

Mr. Danny Foster: I think the issue really is the money's sitting in the CAIS accounts, and the producers want access to that money. In terms of what they put into the CAIS accounts, they can pull the Fund 1 money out, which is already after-tax, and put it into the CAIS, or take the Fund 2 money, pay the tax, and put it into the CAIS.

Mr. David Anderson: You are talking about the folks who have voluntarily removed their money and then put a deposit into CAIS. What I'm talking about is that there are some farmers who have had their money moved from NISA to CAIS and have a 100% deposit down now, and 50% of that deposit is taxable. They don't want the money in....

Are you saying it's not taxable?

• (1340)

Mr. Danny Foster: I'm saying all the money that's in the CAIS account is after-tax.

Mr. David Anderson: And I'm telling you the reason it went in there. They don't want it in the account, because they.... They want access to that money; they don't want it sitting after-tax in CAIS. They want two-thirds of that deposit money back, and it needs to be done before December 31 or the government will be hooking them for the tax.

Mr. Danny Foster: They're paying the tax on any money they took out of their Fund 2 on NISA in the year they moved it into their CAIS account, which is this year, whether or not it sits in the CAIS account.

Mr. David Anderson: But these folks did—

Hon. Wayne Easter: I wonder if I could have a clarification.

The Vice-Chair (Mr. Gerry Ritz): David has the floor.

Hon. David Kilgour: Did he just say—?

Hon. Wayne Easter: A point of clarification is what I'm asking for, David, and I'm asking for that point of clarification.

David, if I'm correct, are you saying there are some people out there, now that we've changed the deposit to later, who have paid 100% deposit and feel that the system has changed and that they shouldn't be left in that position, because they are in fact, according to Danny's answer, going to have to pay tax on some of that money if they've paid 100% deposit when it was unnecessary to do so?

Mr. David Anderson: Those folks felt they had an indication from the department that they could move that money into CAIS, and then the deposit system changed so that only a third of it needs to be put down. They cannot get their two thirds back. They are paying money on half of it, because half of it comes out of Fund 2. That's correct.

Hon. Wayne Easter: In effect, then, we have to try to deal with that two thirds of the problem. That's a fair request, because the system has changed since they originally deposited. That is a fair request.

The Vice-Chair (Mr. Gerry Ritz): My question is, will they have the money back in time to pay the tax that's going to be triggered? If you're saying it is going to be "by the end of the year" and they really don't get a cheque from the government until March and the government wants their cheque for the income tax up front, these guys are taking a double hit. That's the concern. You may have to do some head-scratching and sharpen some pencils to figure out how you're going to do that one, and not have angry farmers coming after us so that we come after you.

Thank you.

Mr. Anderson, you have about a minute and a half left.

Mr. David Anderson: Mr. Miller had a question, but thank you. That needs to be taken care of quickly.

Hon. David Kilgour: Could we get an undertaking, please, Mr. Chair?

The Vice-Chair (Mr. Gerry Ritz): I think anything the committee does is an undertaking.

Mr. Danny Foster: I think the idea here is to get the amendment through as quickly as possible so that the producers can withdraw the money from their account. If they took money out of Fund 2 in NISA, they're paying tax this year, so when they file their taxes in

the spring of 2005 there's going to be a bill. It's to have the money out of the CAIS account so that they can pay the bill.

The Vice-Chair (Mr. Gerry Ritz): Right, and that takes their deposit back to one third, which it has to be by March 2005.

Good. It's as clear as mud. Thank you.

Mr. Miller, there's one minute left.

Mr. Larry Miller: I just want to clarify what I was talking to the minister about before, concerning the approval of provincial plants. There are two components of it. The one I didn't explain very clearly is we still have the national domestic code, which we need. I'm still a firm believer that it needs to go ahead without the agreement of all of them, and I don't see that many negatives in it. I needed to stress that, and I will speak to the minister personally on it.

I need some comments on that. I heard some from CFIA yesterday.

Howard?

Mr. Howard Migie: I doubt there's someone from CFIA here, but on the idea of how many provinces you would need before you could put in place a national meat code to make it really a viable and reasonable approach, I don't know the answer. What you're saying is you don't think it should be all of them, and therefore you'd like to make progress.

Mr. Larry Miller: Under normal circumstances, sir, yes, it should be all, but these are not normal circumstances, and a policy decision needs to be made. Not everyone will agree with it. I need you to comment on it, or basically find out if you even have the willingness to consider recommending something like that.

Mr. Howard Migie: I'll have to take that and speak to CFIA, because I just can't answer the question of what the appropriate number is and what percentage of production you would need to have before you could even go there.

•(1345)

Mr. Larry Miller: CFIA told us that they needed policy direction, so let's get together on this.

The Vice-Chair (Mr. Gerry Ritz): Thank you, Mr. Miller.

Mr. Kilgour, five minutes.

Hon. David Kilgour: Taking up on that again, I don't think, Mr. Migie, you understand what a crisis is out there. Why haven't you inquired into what production is done in these different provinces?

Mr. Howard Migie: We have. We've talked with all the people in Atlantic Canada who are looking—from the point of view of the three maritime provinces—at a standard within the Maritimes to allow for some trade that could improve things. We're looking at that, and some of it is possible within the legislation, but there hasn't been any government policy decision that would say we should have a standard put in place for either a region or one that doesn't have less than 100%.

Hon. David Kilgour: You don't have to tell us, of course, but has any recommendation been made? If you produce something in a plant in Saskatchewan you can't sell it in Alberta right now if it's a provincially licensed plant, and that is crazy.

Mr. Howard Migie: There's been lots of discussion, but there hasn't been a proposal that's gone forward in the last few months that would be different. There's been lots of discussion of how we can do it, but there have been no policy decisions. That's all I can really add.

Hon. David Kilgour: Mr. Chairman, I'd like to propose that this committee make a recommendation on that.

The Vice-Chair (Mr. Gerry Ritz): We'll take it under advisement, Mr. Kilgour, when we're doing our report.

Thank you.

Hon. David Kilgour: Just one other thing: in terms of the Department of Agriculture, how many of your employees work in the different provinces, starting with B.C.? How many employees are there in the Department of Agriculture?

Mr. James Roberge: Roughly 6,000.

Hon. David Kilgour: How many work in the national capital region?

Mr. James Roberge: I'm afraid we don't have that data with us.

Hon. David Kilgour: You don't know how many people work in this region?

Mr. Howard Migie: We wouldn't want to give an incorrect answer.

Hon. David Kilgour: An estimate.

Mr. Howard Migie: We can get back to you with this information.

The Vice-Chair (Mr. Gerry Ritz): Ms. Ur.

Mrs. Rose-Marie Ur: I have a couple of questions regarding the APF. Are there benchmarks in place for evaluating whether indeed the APF is achieving what it was set out to do? Surely we had a goalpost we wanted to reach. Is that benchmark there, and how close? What have we done? You have to have some idea of where you want to go.

Mr. Howard Migie: As part of the framework that we developed in every chapter—environment was the one that was most developed—we put in specific targets for various goals we would try to achieve at the end of the five years. We're getting to the point of doing our first check in terms of how much progress we're making.

We did two types. One is looking at quantitative measures that we have as well on what we call management targets in terms of environment farm plans, how far we're getting there. But the real interest is whether we are making improvements in terms of environment in that case. It's the same with business risk management: we have a long list of targets and goals we're measuring ourselves against. Part of the APF is to be indicating to Canadians how we are doing as we go along.

We're doing the first report now because, as you know, we were late in getting started in terms of getting programs up and running. We are planning to do a report to Canadians that goes through all of the targets and how we're doing in terms of meeting them.

Mrs. Rose-Marie Ur: As officials, with the report in progress or tabulating information, how are you looking at the possible outcome of that report? Are you thinking that you're on target? You mentioned environment.

Mr. Howard Migie: We did not get the programs in place as quickly as we had expected at the beginning. In some ways, if you look at when these programs did come in place, it really is too soon in this first-year report. We're going to have to wait at least one more year before we'll get a sense if we are making good progress toward those goals.

Mrs. Rose-Marie Ur: As you can understand, there is frustration at this table among all political parties with what is going on within our agricultural sector. I hope you can understand the frustration is quite real, and it's not, hopefully, political. It certainly isn't, hopefully, on this side.

That being said, we certainly need the dollars and we need the programs there, but we also need to have people at the table within departments who understand the crisis value. We're looking at 18 months, we're looking at 24 months, we're looking at 36 months, we're looking at five years. Farmers can't survive those kinds of numbers.

A voice: Hear, hear.

Mrs. Rose-Marie Ur: And I think it's really important that we have people, whether they're elected as we are around the table or people such as yourselves, officials, understanding the crisis.

That being said, and you won't have this information with you today, it would certainly be interesting to find out how many people have actual agricultural backgrounds so that they can really relate to what is going on. We can push numbers, and we need those kinds of people, we need legal people, because I'm certainly not, but we need to have a basis of people who understand the grassroots situation. I think that is where our void is presently. We can have all kinds of programs, but if you don't have the people who are understanding what is happening out there.... It's totally frustrating as a politician—and I'm a farmer in my previous life—to hear some of the comments. And I'm not saying they came here this morning, but continually at this committee. So I think it's important to look at the dynamic of the department and background, if you can provide that.

● (1350)

The Vice-Chair (Mr. Gerry Ritz): Any comments, ladies and gentlemen?

David.

Hon. David Kilgour: I would certainly comment.

How many people have an agricultural degree in the Department of Agriculture? I bet you don't know. Right?

Mrs. Rose-Marie Ur: I don't have a degree either.

The Vice-Chair (Mr. Gerry Ritz): Ms. Ur has asked them to find that out, and certainly they will and they will get back to us.

I know, as a producer myself, I'm a little bit concerned that the goalpost you have established and are working on is the environment file and not the keeping the farm gate sustainable file, and that's a bit of a concern.

Mr. Bezan.

Mr. James Bezan: To follow up, as a producer and talking to people out in the rural areas, I find they often look at it and wonder why there's that lack of, in their opinion, compassion, and often it's related to the difference in professions to their own.

I want to go back to CAIS, because we're here to discuss the agriculture policy framework. One of the concerns that of course revolves around CAIS is that it's not a WTO green program, that there are some changes that have to be made to the program to make it work for WTO. Do you know what those changes are that we have to tweak it to make sure we can get it into the green category? Some of the speculation out there is that the reason we flooded so much money with the BSE compensation through CAIS was to try to make it into more of a green program, but my fear is that we've just made all the disaster assistance a countervailable program.

Mr. Howard Migie: Maybe I can at least start on that.

A portion of CAIS, a large portion of CAIS, the disaster portion, would be green. The issue really is what people call the stabilization tier, and under the criteria that we have now it would not be green. There are issues technically around crop insurance where you can see some very minor tweaks to the criteria that would be accepted in WTO for green where crop insurance programs could clearly be green. But one component of CAIS is just offside the current criteria for green. You'd have to have at least something like a 30% drop in order to meet the green criteria.

The Vice-Chair (Mr. Gerry Ritz): A short redirect?

Mr. James Bezan: No, I'm good.

The Vice-Chair (Mr. Gerry Ritz): Thank you.

Mr. Drouin.

[Translation]

Hon. Claude Drouin: Thank you very much, Mr. Chairman.

A little earlier, the minister said that the possibility of setting a minimum price was being studied, as well as other solutions. In your opinion, do you think that a decision will be made quickly with regard to the minimum price? There are many farmers who are hoping this will happen.

Perhaps you may not be able to answer my second question. I learned something this morning and I haven't had the opportunity to speak with representatives from the Canadian Food Inspection Agency. This morning, I met with apple growers from the Horticulture Council of Canada. We import apples which have received certification in the U.S., which is not available here, and we don't provide the same service to our Canadian apple growers. There is no harmonization process. As a consequence, our apple growers are penalized. How do you intend to help our apple growers and to ensure that they can compete with American and Asian apples? As you know, more and more American products are being imported into Canada. It has been a growing trend. So it's very difficult for the growers.

No need to reply to my second question now; you can take it down and send us your answer later.

•(1355)

[English]

Mr. Howard Migie: Let me start with the question of the floor price that you've raised. We've been looking at it for the last several weeks in particular, because it's been raised as a way to address the concerns in older animals. There is a mechanism in place where you can set a price at the provincial level. If a provincial government or a provincial association of producers of some form or some body is there, we do have a mechanism where, yes, you can set a price, a province like Quebec could set a price for the older animals. We also have a mechanism at the federal level, our APMA, where we can grant authority to make it possible for a system to work nationally by giving the power to that agency for trade export outside that province.

The difficulty is that to make it effective in the marketplace you probably need more than one province, or you would need to have transport costs being substantial from a province that wasn't a participant, because we can't in any way block trade coming into a province.

So to answer the question, it is possible. It's largely in provincial jurisdiction to at least start in terms of wanting it, because it's priced within the province. The mechanisms are there. It's hard to make it effective unless you have a way in which several provinces or neighbouring provinces are part of it, and there is a danger that the higher the price that is being set in a market where there are more animals than demand it may deter slaughter and sale of animals. That's a judgment call to be made.

As the minister was indicating to another question, there are good possibilities that if we are successful in being able to export the younger animals, under 30 months, there will be opportunities for the meat from the older animals to have some extra market there.

To finish with it, the mechanism is in place. It needs the support of several provinces to make it work, and it's a judgment call as to whether it is the right policy, depending upon what the effect would be on consumption and production of the animals.

I don't know if you can answer the apples question, Andrew.

[Translation]

Mr. Andrew Marsland: I'm not intimately familiar with the apple situation. It may have to do with the registration or management of chemical products or pesticides. I know that the Pest Management Regulatory Agency, the PMRA, has improved its approval procedure for products. If you have any other details, I could...

Hon. Claude Drouin: We can get back to that later. Thank you, sir.

[English]

The Vice-Chair (Mr. Gerry Ritz): Good.

Thank you, ladies and gentlemen of the panel. Thank you to the committee for the great work we've done here today.

We just have one little housekeeping item, and that is of course unless we want the report deemed on the main estimates, we can go through the voting procedure. We shall do that? All right.

Shall votes 1, 5, 10, 15, 20, 25, 30, 35 and 40, less the amounts granted in interim supply under Agriculture and Agri-food of the main estimates, 2004-2005 carry?

AGRICULTURE AND AGRI-FOOD

Department

Vote 1—Operating\$563,213,000

Vote 5—Capital expenditures.....\$36,631,000

Vote 10—Grants and contributions.....\$334,955,000

Vote 15—Pursuant to Section 29 of the Financial Administration Act, to authorize the Minister of Agriculture and Agri-Food, on behalf of Her Majesty in Right of Canada, in accordance with terms and conditions approved by the Minister of Finance, to guarantee payments of an amount not exceeding, at any one time, in aggregate the sum of \$1,700,000,000 payable in respect of cash advances provided by producer organizations, the Canadian Wheat Board and other lenders under the Spring Credit Advance Program.....

Vote 20—Pursuant to section 29 of the Financial Administration Act, to authorize the Minister of Agriculture and Agri-Food, on behalf of Her Majesty in right of Canada, in accordance with terms and conditions approved by the Minister of Finance, to guarantee payments of amounts not exceeding, at any time in aggregate, the sum of \$140,000,000 payable in respect of Line of Credit Agreements to be entered into by the Farm Credit Corporation for the purpose of the renewed (2001) National Biomass Ethanol Program.....

Canadian Dairy Commission

Vote 25—Program expenditures.....\$3,211,000

Canadian Food Inspection Agency

Vote 30—Operating expenditures and contributions.....\$390,981,000

Vote 35—Capital Expenditures.....\$14,494,000

Canadian Grain Commission

Vote 40—Program expenditures.....\$19,245,000

(Votes 1 to 40 inclusive agreed to)

The Vice-Chair (Mr. Gerry Ritz): Shall the chair report votes 1, 5, 10, 15, 20, 25, 30, 35, and 40, less the amounts granted in interim supply, to the House as carried?

Some hon. members: Agreed.

The Vice-Chair (Mr. Gerry Ritz): Thank you, ladies and gentlemen. That will be done on Tuesday, probably when Paul is back.

This meeting stands adjourned.

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