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Chair

Mr. Paul Steckle

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• (1535)

[English]

The Chair (Mr. Paul Steckle (Huron—Bruce, Lib.)): I'd like to call our meeting to order.

Before we get into the real reason for us meeting today, there are a couple of housekeeping items to deal with.

Madam Poirier-Rivard.

[Translation]

Ms. Denise Poirier-Rivard (Châteauguay—Saint-Constant, BQ): Thank you, Mr. Chair. Ladies and gentlemen, good afternoon. I would like to introduce a motion.

That, in the committee's opinion, the government should increase its contribution for agriculture indicated in the 2005 budget, in view of the crisis facing farmers in Quebec and throughout the country.

[English]

The Chair: Are you serving notice of motion?

[Translation]

Ms. Denise Poirier-Rivard: Yes.

[English]

The Chair: We'll deal with that when we come back, thank you.

There was another motion, which is not on for today, so unless there are other matters before we get into the meeting, we'll move to the presentations.

Yes, Mr. Gaudet.

[Translation]

Mr. Roger Gaudet (Montcalm, BQ): Mr. Chair, I would like to make a comment. Yesterday, I was quite surprised to find that the Minister of Finance had nothing to offer to agriculture. I was even more surprised when I saw the chairman of the Standing Committee on Agriculture and Agri-Food congratulating him. I hope he was not acting as chairman of this committee, but as a liberal. I was extremely disappointed. I am quite shocked by the situation.

This committee went on a tour with Mr. Easter in 2003 and there was a deficit of \$2.1 billion—

[English]

The Chair: Mr. Gaudet, let me point out that I would entertain a point of order, but that isn't one. Those matters that pertain to budget will be dealt with when the minister arrives here at some future time, and there'll be opportunities within the House to debate those matters. We need to get on with the business at hand and will do so now.

We just have one matter here on which I need unanimous consent. In fairness to the presenters today—we have a presentation by the Inland Terminal Association of Canada. It's been presented to the clerk's office in error. It was not translated. We have it in English only, and I would need unanimous consent for it to be distributed to the table. I would seek that consent, and if it's not given, then we can't put it on the table.

In fairness to them, it was given but it was not translated—there are apologies for that—but we would need your consent. Do we have consent?

Okay, it will be distributed accordingly. We apologize, and you'll get your copies in the translated form.

We will move then to the witnesses who have come to us today as we look into grain testing and inspection regarding the WTO ruling on the treatment of foreign grain. We have many things on our plate right now, and this is one of them. We want to look to the Canadian Grain Commission for some input, and we want to have you people questioned, of course.

I should first of all point out that from the Canadian Grain Commission we have Chris Hamblin, chief commissioner. From the Inland Terminal Association of Canada, we have with us Garry Petrie, chair, and Garth Gish, director, Prairie West Terminal. From the Western Grain Elevator Association, we have Murdoch MacKay, vice-president, terminal services division, Agricore United; and we have with us also Wade Sobkovich, executive director.

I believe that takes care of everyone. Have we missed anyone? I think we have them all.

Ms. Hamblin, you are the first person on. How many more are going to be speaking?

Ms. Chris Hamblin (Chief Commissioner, Executive, Canadian Grain Commission): I believe I can be the first. It's just me from the Grain Commission.

The Chair: The other operators want to have their input, so it would be, what, three inputs? Okay.

Perhaps we could have those limited to eight to ten minutes, at most, and keep within the time that we have available to us.

Thank you.

You're on, Ms. Hamblin.

Ms. Chris Hamblin: Thank you.

I was just waiting for the overhead to come on as I have a PowerPoint presentation, but I'll start without it. I think everyone has a circulated copy either in French or English.

First of all, thank you for the opportunity to address the standing committee and to brief you on grain testing and inspection and the WTO ruling on the treatment of foreign grain. I think these questions are best addressed within the context of an understanding of the Canadian Grain Commission, its mandate, vision, organization, and operations. I will therefore make a brief introductory presentation about the Canadian Grain Commission.

The guiding vision of the Canadian Grain Commission is to be a leader in delivering excellence and innovation in grain quality and quantity assurance, research, and producer protection. We seek to achieve this vision quite simply because it gives our grain producers and industry an advantage in markets at home and internationally. With our relatively short growing season and long distance from markets, we have learned that we cannot compete effectively on price alone. Over the years this emphasis on quality has enabled Canada to rank highly among the world's principal grain exporters.

For example, in a survey of wheat importers, customers ranked Canada highest in the world in the following categories: intrinsic quality, cleanliness, consistency of quality, technical support, customer service policies. While the Canadian Grain Commission cannot claim all of the credit for this rating, virtually everything we do is dedicated to supporting the quality strategy that makes this reputation possible. In a few minutes I will outline our principal activities in this regard.

First, some background. The Canadian Grain Commission is a federal agency reporting to the Canadian Parliament through the Minister of Agriculture and Agri-Food, Mr. Andy Mitchell. We were founded in 1912 with two principal objectives: first, to regulate grain handling in Canada; and second, to establish and maintain standards of quality for Canadian grains. Our principal mandate then and now has been to work in the interests of grain producers. Since 1912 our mandate and our activities have grown substantially. We see ourselves as working on behalf of all participants in the grain industry, from producers to marketers and customers alike.

The CGC, the Canadian Grain Commission, is organized into four main divisions. The first division is corporate services, which licenses grain companies and dealers, allocates producer cars, publishes statistics, runs a website, and operates the CGC library. The second division is the grain research laboratory, which conducts the research that provides the scientific underpinning of our grading system, and which monitors grain shipments for safety from toxins and chemical residues of all kinds. The third division is industry services, which is by far our largest division. It grades, weighs, and inspects grain on the west coast, the Prairies, the Great Lakes, and along the St. Lawrence Seaway. And our fourth division is finance. Our annual budget is about \$63.5 million. Of this, approximately \$20 million comes from federal government appropriation, and the rest from fees-for-service, which are paid by grain producers.

The Canadian Grain Commission has five regions, plus our headquarters in Winnipeg. These regions are shown on the map: the Pacific region, which includes Vancouver and Prince Rupert ports; the prairie region, Alberta, Saskatchewan, and Manitoba; Thunder

Bay, which has a port and also looks after the Churchill port; bayport, the southern lake region; and then the eastern region, which includes the transfer elevators and terminals in Montreal, Quebec City, Trois-Rivières, Baie-Comeau, Port-Cartier, and some others as well.

We have approximately 700 employees working in the Canadian Grain Commission from coast to coast. The policy direction is provided by the three commissioners—me and two others. Traditionally the commissioners have been appointed to the commission with a producer background.

My background is in Manitoba. I was born and raised in Manitoba, and my husband and I have a farm just south of Winnipeg, so we are grain producers and seed growers in southern Manitoba.

● (1540)

We also have five assistant commissioners whose role is to liaise with producers and industry in their respective regions.

The grain standards committees are made up of marketers, scientists, producers, and other industry participants with the purpose of advising the Canadian Grain Commission on quality standards. We have two standards committees, one representing the eastern grains and one representing western grains.

And finally, we have the Grain Appeal Tribunal, the chair of which reports to the chief commissioner, me. The tribunal is an independent committee appointed by the CGC to rule on appeals by those dissatisfied with a grain grade.

Our objective is grain quality assurance. We achieve this through a variety of programs and services that result in consistent, reliable shipments of grain that meet contract specifications for quality, safety, and quantity. Quality and quantity assurance services include inspecting grain to certify quality, and this includes all grain received at and shipped from terminals, all grain exported from transfer elevators, and also samples submitted by producers and the grain trade.

Certifying weights for grain exports, supervising weighing at terminals, conducting audits of terminal and transfer elevator stocks, and inspecting terminal and transfer elevator scales compose some of the activities under certifying quantity.

We participate in the system for registering varieties that can be grown in Canada by evaluating the end-use quality of varieties that are being considered for registration. We conduct end-use quality research to identify and explain the relationships between the physical and biochemical properties of grain and its end-use value. We do research into fast, accurate, economical, and meaningful methods for evaluating grain quality.

We develop and set grain quality standards. We support the sale and market development of grains and oilseeds by giving technical advice and by evaluating the quality of plant breeders' lines to ensure they have the physical and quality criteria needed for success in the marketplace.

We provide information to marketers and processors of Canadian grain on the quality of commercial grain shipments and of each new harvest.

We inspect grains and grain-handling facilities to ensure freedom from insect infestations. We screen, monitor, and certify grain shipments to ensure they are safe and meet strict international tolerances for toxic contaminants.

We investigate and resolve complaints related to the quality of Canadian grain and we provide other specialized services when requested by the grain industry or by individual companies.

The CGC is mandated as a neutral third party. It is generally accepted that the integrity of our system protects the interests of all participants. We regulate the grain industry to ensure fair treatment of producers and the integrity of grain transactions.

Regulations include licensing grain dealers and elevator companies, obtaining security from them, and making sure they meet all of the licensing requirements. We do audits to make sure that licensees have enough security to cover their liabilities. Producers are paid out of this security if a licensee defaults on its financial obligations.

We allocate railcars to producers so that producers have the option of loading their own railcars and shipping directly to terminal elevators or to domestic markets.

We collect and publish statistics on grain handling, storage, and movement. Our website is a major source of statistics for the grain industry in Canada.

And finally, we mediate producer complaints concerning grain transactions.

Now I will give you some background on the WTO panel ruling.

In 2002, the United States government filed a complaint with the World Trade Organization on a variety of issues related to grain trade in Canada. While the Americans were not successful in getting everything they wanted, they did succeed in their argument that certain parts of the Canada Grain Act and regulations discriminated against foreign grain under the terms of GATT. The CGC, AAFC, and DFAIT have been working on how to comply with the WTO ruling without compromising the effectiveness of the grain quality assurance system.

● (1545)

The WTO panel found that certain Canadian grain handling and transportation measures violated national treatment obligations of the General Agreement on Tariffs and Trade. The WTO panel found that U.S. grain is treated less favourably once in Canada due to the requirement to seek permission from the Canadian Grain Commission before foreign grain can enter licensed grain elevators, and also the requirement that transfer elevators must seek CGC permission to mix foreign and eastern grain with western grain.

From our point of view, those provisions were developed to ensure that foreign grain is not misidentified as Canadian grain, and that Canadian grades are applied only to Canadian grain. Because the Canadian quality assurance system starts with registered Canadian varieties grown in Canada, we need to find another way to achieve this objective.

We are proposing to amend the Canada Grain Act and regulations to remove the discriminatory provisions and introduce new requirements that will enable us to certify the country of origin of grain in a non-discriminatory way and also in a way that minimizes the additional administrative burden on Canadian producers and the domestic industry.

So I will conclude with that, and I thank you once again for the opportunity to speak to the standing committee about the work of the Canadian Grain Commission. I look forward to questions, Mr. Chair, Will that be now or after the other presenters?

● (1550)

The Chair: Once the other presenters finish.

Ms. Chris Hamblin: Thank you for your time, and I look forward to your questions.

The Chair: Thank you, Ms. Hamblin.

We'll move to Mr. Petrie from the Inland Terminal Association of Canada. I think he's prepared to make a presentation

Mr. Garry Petrie (Chair, Inland Terminal Association of Canada): Thank you, Mr. Chairman, and committee members.

My name is Garry Petrie. I'm a farmer from northeast Saskatchewan. I am chair of the board of North East Terminal, a grain company that has operated for 12 years. North East Terminal was built by farmers to encourage efficiency and to provide farmer representation in the grain handling industry. My company has about 800 shareholders and somewhere in the area of 2,000 customers.

I am here today to represent the Inland Terminal Association of Canada. The Inland Terminal Association of Canada represents a group of 13 inland terminals, all of which are majority owned by farmers. Cumulatively, ITAC represents about 6,000 shareholders and a much larger number of farmers in Saskatchewan and in Alberta.

Our company exemplifies the entrepreneurial spirit of prairie farmers. These producers invested their own hard-earned cash to build facilities that would provide the service they felt they needed in the grain handling system. For the most part our members' terminals ship grain from a single high-throughput facility, and therefore these facilities are captive to individual railroads and are sensitive to market impacts that can be imposed through the actions of that railroad, and also the actions of the Canadian Wheat Board and the Canadian Grain Commission through their regulatory powers.

We have issues with all of these items and are managing and adapting our business practices to deal with them. Today we would like to bring to your attention the issues we have with the inspecting and grading of grain in the Prairies. Before the days of independently owned inland grain terminals, all the grain was cleaned and blended at the port terminals. The revenue from this was generated at the ports. One of the main ideas for building inland terminals was to capture that revenue from cleaning and blending on the Prairies and therefore direct more of that revenue back to the hands of the farmers.

For the most part our companies have been successful at this. In my area, as it is in most areas, there's ample competition for the farmers' grain. The competition is beneficial to the farmers because it tends to keep handling margins narrow. However, it also means there's little room for loss in the small grain company. All grades of grain have a range within each grade, although you would not find this in any written specifications in the case of the number two Canadian western red spring wheat. Even the Grain Commission inspectors will verbally refer to this grain sample as a good two, a two, or a poor two.

As a farmer and a director of a small grain company, I have learned that if a company's successful at shipping grain at the bottom grade, then a large percentage of that grain in the area is bought at a higher grade than it normally would have been. In order for the farmer to receive the best grade possible for his grain we must be able to ship our grain at the lower part of the grade range.

As in any business, when the risks are higher the margin of profit must be higher in order to cover the losses that accompany those higher risks. In the grain handling business, as the risk increases on the commodity, then the handling charge will go up and the margin of that commodity will be higher. We must be able to get a certified grade on grain as it leaves our facilities in order to minimize our risk and to allow us to give the farmer the best possible grade.

I will now turn the presentation over to my co-presenter, Mr. Garth Gish, and allow him to introduce himself and expand on the topic.

Mr. Garth Gish (Director, Prairie West Terminal, Inland Terminal Association of Canada): Thank you, Mr. Chairman and committee members.

My name is Garth Gish. I was born to a farm, have farmed my entire life, and have been in the grain business, working for farmer-owned inland terminals, since 1978. Currently I am the chief operating officer of Prairie West Terminal at Plenty, Saskatchewan. Today I'm here representing the Inland Terminal Association of Canada.

There are two significant CGC issues that are extremely important to our business and the financial well-being of farmers.

First, the CGC level of service in the prairie region is inadequate. The CGC has not supplied sufficient resources to adequately staff the prairie region to provide inspection on all grain leaving inland terminals. In some areas of the prairie region, the CGC has entirely discontinued services, as is the case with the closure of the Edmonton office. This action, coupled with the reluctance of the CGC to fill vacant positions, leads us to believe more closures are contemplated. Additionally, it should be noted that the prairie region has never been staffed adequately. Shipping without the benefit of on-site inspection causes grain companies to ship at the top of the grade, with blending opportunities lost to farmers and therefore a significant negative financial impact to the farmer.

Second, the CGC will not provide a guaranteed certified grade for grain leaving our terminals. Specifically, a car could be graded at one of our facilities in the prairie region by the Canadian Grain Commission, and that grade can be changed by the Canadian Grain Commission when it arrives at port. At present, the CGC is not held accountable for its inconsistency. The consequences accrue to the shipping company that suffers the financial loss; that loss, in turn, is passed on to the farmer. This apparent lack of consistency and accountability within the CGC demands attention.

The cost of a grade change from a 3CWRS to Canada feed wheat currently stands at \$47.10 per metric tonne. On a 112-car unit train, this can turn into a loss of almost \$530,000. Confronted by this grade risk, elevator companies such as ours stop blending and ship to the top of the grade rather than the bottom. The cost to farmers is in the form of lower grades and lower financial returns, as the grade risk is passed on to them. Hundreds of millions of dollars in grade losses can accrue back to Canadian farmers.

As an example, consider the average farm size of 3,000 acres, growing about 800 acres of wheat. Given a yield of one tonne to the acre, with a wheat grade change from 3CWRS to Canada feed wheat, the loss to this single farm is in the order of \$38,000. If only 1,000 farms are affected, as definitely could be the case this year, this would translate into a loss of more than \$37.5 million to the Canadian farm economy.

It is our understanding also that the Canadian Grain Commission is lobbying to be required only to provide inspection on export movement at the port terminals. Should this be allowed to happen, there would be disastrous consequences to farmers in all regions of Canada. At present, there is no accountability on the part of the CGC. This action would magnify that lack of accountability. Allowing the CGC only at the very end of the inspection process puts the CGC in the position of never being wrong, and the whole industry will need to ship to the top of the grade. Canadian farmers simply cannot afford the consequences of having to ship to the top of the grade.

The actions of the CGC affect every farmer in every province in Canada. The Canada Grain Act is largely unchanged since the original enactment in 1912 and in many respects is out of step with today's market realities. It's time to make the necessary changes to the Canada Grain Act. From an ITAC perspective, this means the following points need to be accomplished.

First, the CGC must be mandated to provide an acceptable level of service in all areas of Canada, including the prairie region.

Second, the Canadian Grain Commission must be made accountable and must eliminate grade changes from one inspection to another inspection. If this cannot be accomplished, a less desirable alternative would be to change the Canada Grain Act to allow Canadian Grain Commission inspections to be optional from the farm gate right through to export destination. Private sector alternatives already exist to provide this service.

I thank you very much for the opportunity to speak with you here today on this issue.

● (1555)

The Chair: Thank you very much, Mr. Gish.

We move to the Western Grain Elevator Association. The executive director, Mr. Sobkowich, will address the group.

Mr. Wade Sobkowich (Executive Director, Western Grain Elevator Association): Thank you, Mr. Chairman, ladies and gentlemen of the committee, for giving the Western Grain Elevator Association the opportunity to speak to you today on this very important subject.

I'm Wade Sobkowich, the executive director of the Western Grain Elevator Association. To my left is Murdoch MacKay. He is the vice-president of terminal services for Agricore United. He has 25 years in the business and is responsible for terminals in Thunder Bay and Vancouver. He's on the board of directors for Prince Rupert Grain, he is the chairman of the Terminal Elevators Association, and he represented the TEA on the Western Standards Committee for seven years. I've been with the WGEA for eight years.

The Western Grain Elevator Association is an association of nine farmer-owned public and private grain businesses operating in Canada. They own country elevators across western Canada and port terminal facilities in Thunder Bay, Vancouver, and Prince Rupert. They collectively handle in excess of 90% of western Canada's bulk grain movements.

With that, I'll turn things over to Mr. MacKay to give you some of our observations.

● (1600)

Mr. Murdoch MacKay (Vice-President, Terminal Services Division, Agricore United, Western Grain Elevator Association): Thank you, Wade.

Good afternoon, ladies and gentlemen.

We, the WGEA, understand that your committee has received some producer concerns regarding the Canadian Grain Commission and the grading system, and you have taken steps to hold these hearings to better understand and address these producer issues. I might add that at the recent Agricore United annual meeting that was held in Regina, we had resolutions from our delegate body—farmers in western Canada—who had the same concerns about some of the grading and changing of grades within the year. Those issues were discussed at our annual meeting by our delegate body. They are very concerned about these same issues. So we understand what they're about and commend you for your efforts.

We agree with and share some of the serious concerns raised by farmers about consistency of grading throughout the crop year and throughout the grain handling system. In order to address these problems and others, we feel that the Canadian Grain Commission should be looked at more deeply and more closely as an organization. Grading problems are symptomatic of deeper issues and require a fundamental change in perspective about how we look at the grading of grain and the role of the Canadian Grain Commission generally.

The Canadian Grain Commission is an important regulatory body and is required to assure the integrity of the grain handling system. It should also provide Canada with an advantage over other grain-producing countries by administering a system that ensures the delivery of quality grain to end-use customers, which would ultimately benefit all industry stakeholders, especially producers. In recent years, the Canadian Grain Commission has had difficulty achieving this effect on Canadian agriculture.

The CGC has had challenges in enhancing Canada's position internationally. It has been unable to keep pace with the significant and rapid changes occurring within the grain industry, including both grain handlers and farmers. The marketplace has changed from a supply-push system to one where customer demands for quality, service, and value are the driving factors. However, in its current form the Canadian Grain Commission continues to impose requirements, such as grading factors, that are largely irrelevant to the expectations and needs of end-use customers. The industry, including producers, can no longer afford to have mandatory services and charges by the Canadian Grain Commission that do not add value. The Canadian Grain Commission cannot continue to be the sole judge of what adds value. Customers' needs determine value, and the Canadian Grain Commission must be able to accommodate those needs.

In our view, the Canadian Grain Commission must become more committed to facilitating trade and accommodating the requirements of its customers—its grain industry stakeholders—rather than adopting a restrictive approach that is currently creating profound dissatisfaction by all industry participants, including producers and grain companies.

More specifically, the Western Grain Elevator Association believes the role of the Grain Commission must be reviewed in several areas, including the areas of governance and mandate. The commissioner and assistant commissioner positions should be replaced by the position of a president-CEO. This position would report to a board of directors, to be appointed by the governor in council. The role, duties, and areas of responsibility and accountability of appointed directors should be made very clear in advance of their appointment.

In its mandate, the Canadian Grain Commission should be either a producer advocate or an impartial adjudicator of grading in the industry. Currently it claims to be both. This is like being both the prosecutor and the judge. We suggest the mandate of the Grain Commission be amended in the act to recognize that the interests of grain producers are also served by having a healthy and vibrant grain handling sector. It should state: “the Commission shall, in the interests of grain producers and the grainhandling industry, establish and maintain standards of quality for Canadian grain and regulate grain handling in Canada, to ensure a dependable commodity for domestic and export markets”.

Another area is the grain grading area. We have listed in our report, which we have provided, a number of recommendations on the CGC's role in grain grading. They are in the areas of establishing grades; arbitration of grades; inspections; certificate final; end use certificates; and restrictions on blending, weigh-overs and terminal overages.

●(1605)

In the area of licensing, all entities engaged in the grain business should be licensed according to established, understandable criteria. Similar conditions should be developed and applied to the ability to issue exemptions from licensing.

The CGC should perform only one of the following three functions: issue a licence, enforce a licence, or provide the judicial function. And CGC services should only be available to those facilities that are licensed by the CGC.

With regard to funding, WGEA strongly believes costs for activities undertaken by the Canadian Grain Commission for the good of the country or the grain industry as a whole should be funded by Agriculture and Agri-Food Canada. An example of a function of this nature is the grain research laboratory.

Specific services required by various industry participants should be provided on a fee-for-service basis. However, such services should be optional. The grain industry should have the option of using another party to provide the services or do it themselves where their contract with the customer allows. Industry participants should not be obligated to pay for services that they are legally obligated to obtain only from the CGC.

With regard to accountability and dispute resolution, the industry recognizes the need for an independent certifying body. We must review the role that the CGC plays as it relates to creating value for the industry and, ultimately, producers. The Canadian Grain Commission should be accountable for its declarations of product quality. It concerns us when we see the CGC trying to distance itself from these types of issues. Accountability is a means to efficiency.

As currently structured, the regulatory decisions of the Canadian Grain Commission are not subject to appeal. These decisions can and do have far-reaching financial and operating consequences for producers as well as for the entire grain sector.

Nearly all commercially oriented transactions have dispute resolution mechanisms. A dispute resolution mechanism should be established to provide members of the industry with the ability to appeal decisions of the CGC in a quick and cost-effective manner.

The government has been down the path of reviewing the Canadian Grain Commission in the past. There have been a number of studies. The most recent one was done in 2002 by a review panel comprised of three producers from each of the three prairie provinces. We, the WGEA and others, have provided input but have not seen the results of this review.

What do we see as a solution or the next course of action? We would encourage this committee to obtain a copy of that report as a starting point and recommend to the federal government that it commence the long overdue regulatory change process to which the industry, producers, and the Canadian Grain Commission can respond. There is an important role in the industry for the Canadian Grain Commission to play. We must begin the process of determining how to adapt the organization to the changes in the industry.

Thank you very much for allowing us to make this presentation. We look forward to answering any questions you might have.

The Chair: Thank you, Mr. MacKay.

We'll move right into questioning, with Mr. Ritz for the first seven minutes.

Mr. Gerry Ritz (Battlefords—Lloydminster, CPC): Thank you, Mr. Chair.

Ladies and gentlemen, thank you for appearing here today.

Of course we're all concerned about the plight of farmers out there. Grains and oilseeds have been struggling for years, and anything we can do to put more dollars into their pockets we certainly need to do, especially from a government perspective.

You can make the argument that programs have worked or not worked. I'm looking at a lot of the things in here, and I guess I'd start at the end.

Regarding the report that was done in 2002, has anybody seen a copy of that or know what the status of it is? Have any recommendations come out of that at all, or has it just disappeared?

Mr. Murdoch MacKay: As far as we know, it has just disappeared.

Mr. Gerry Ritz: Would it be possible, Mr. Chair, to get copies of that, to have a look and maybe find out what the status is and what the government has done in light of that 2002 report?

The Chair: Absolutely. This committee can ask for anything it wants.

•(1610)

Mr. Gerry Ritz: Good. I would make that motion. If we could possibly get a copy of that to look at as we make a report on this, it would certainly be helpful.

Ms. Hamblin, there was discussion, too—and there are so many points to go over here in just seven minutes—that the weights and measures department has the overall jurisdiction on scales and so on, and you folks go in and it seems like an overlap there, a doubling up. Is there any particular reason their reports aren't good enough?

Ms. Chris Hamblin: I don't think there's a lot of duplication. Our role is a little bit different from theirs. They are responsible for certifying the scales. Prior to providing a certificate on weights, we will verify that the scales are operating properly within the terminal. But the actual certifying of scales in elevators is done by the weights and measures department.

Mr. Gerry Ritz: Okay.

There are a lot of concerns that the Canadian Grain Commission is systematically withdrawing services, especially in the prairie region. Would you argue that point? You closed the Lethbridge office. The Edmonton office is now closed. You seem to be withdrawing services at the point of purchase and putting all of the emphasis on the terminal at the port.

Ms. Chris Hamblin: The CGC does not inspect producers' grains upon arrival at primary elevators. We never have been on-site at primary elevators to grade producers' grain. Our role is to ensure or to verify the quality and quantity of grain that's moving through the system, and traditionally that had been done at the port location, as it's moving into port.

A number of years ago we did move and do some of that inspection on the Prairies. What you're referring to is the reduction of ability to do that if we're closing offices. We have looked at some of the efficiencies in the system and the costs of providing those services, and we have been forced to make some decisions. With Edmonton, which is the most recent, we were in a situation of needing to either substantially staff up... And we looked at the overall efficiencies and decided it made more sense to have those services provided at port.

Mr. Gerry Ritz: So it was monetarily driven. You just couldn't afford to do what was required?

Ms. Chris Hamblin: We didn't feel it was efficient.

Mr. Gerry Ritz: Okay.

In the budget yesterday there was a \$21-million windfall to your organization. Will you be restaffing those offices?

Ms. Chris Hamblin: The \$21 million is going to enable us to continue operating. Because of the fee freeze of a number of years ago—1991, I believe it was—we have not increased fees since that time.

The government has recognized the need to provide the services to producers and the industry, has seen fit to see that our operation continues, and has put the \$21 million into the budget for that purpose.

Mr. Gerry Ritz: But you're not looking to restaff those offices and get back to grading at terminal positions? Grain on the Prairies is now handled through terminals. That's just the way it's done, so it would not take that great amount of staffing to do that. And I think \$21 million would more than offset and still give you room to move.

However, grain in the prairie region is treated a little differently from western grains and eastern grains. Eastern grains are all done at port, according to your map here that I'm looking at, and your presentation.

Ms. Chris Hamblin: Yes.

Mr. Gerry Ritz: You have 700 employees. Can you give us a breakdown as to the percentage of grains that you handle that are western grain and eastern grain, and then a breakdown of the employees as well? Can that be done?

Ms. Chris Hamblin: I can't give you that offhand. I can find that for you.

We are involved primarily in western grains. I will tell you that. Our eastern locations are moving western grain. So the ports are primarily transferring grain from the west into vessels for export.

But I can provide a more detailed breakdown of that to the committee, if you like.

Mr. Gerry Ritz: The dispute seem to be.... You're taking hits and complaints from all sectors. Whether it's the people you grade for or the customers at the other end, they all seem to have some concerns. And it's western grain—those are my guys. We're quite concerned that you've become an impediment and not a help in getting that extra dollar into my producers' pockets.

I guess what we're after here today is, how do we address what changes need to be made, especially in light of the WTO challenges and changes that need to be made there? Can we incorporate everything into that new, improved Grain Commission or is it time to move the Grain Commission aside and let private sector take over in certain aspects?

Ms. Chris Hamblin: I'm not sure I follow the question.

•(1615)

Mr. Gerry Ritz: Well, I'm just saying if we can't make all of the changes the WTO is requiring of us—okay, you guys are not that flexible or cannot be that flexible—and we cannot incorporate producer-friendly direction by the Grain Commission, is it time to move the Grain Commission out of sectors, out of testing, and allow private sector to do it at the terminals on the Prairies, recognize that grade at port, and carry on? We have private sector testers that are recognized internationally. We really don't need you in certain aspects. That's harsh, but it's true.

Ms. Chris Hamblin: No, that's fine. Let me separate WTO from the second part of your question, though, because the WTO ruling was very specific. It was referencing how we deal with foreign grain that comes into Canada. What we've been asked to do is to treat foreign grain in a non-discriminatory way. We have provisions in the act that require companies to notify us if they're receiving foreign grain and to notify us if they're blending foreign grain, and we need a better way of doing that. The changes to the act to address the WTO panel will be very specific to deal with those issues. They will be minor changes. They will not affect the quality control system we have in Canada.

Mr. Gerry Ritz: Foreign grain that's coming in, is it coming in across the country, or the majority of it in one area?

Ms. Chris Hamblin: It varies. Certainly a lot of feed grains come into all areas of Canada. There are grains that come primarily through the eastern area to be exported out. So it varies. There are a number of different ways it comes in.

What we feel we need to be able to do is to ensure that when we're putting Canadian grades on grain, we know in fact that it is Canadian grain. And the changes that we proposed are to address that and to ensure that we can stand behind the Canadian grade names that are applied to grain.

Mr. Gerry Ritz: Thank you.

The Chair: We are moving to Madame Rivard.

[Translation]

Ms. Denise Poirier-Rivard: Thank you, Mr. Chair.

Madam, gentlemen, last year, the WTO ruled on several points in favour of the United States, who were accusing Canada of violating article III of the GATT (national treatment), and of granting imported grain a less favourable treatment than to domestic grain. Would you explain to us in a larger context how these allegations by the United States regarding Canadian policies could have an impact on Quebec. Would Quebec be subjected to dumping if the WTO prevailed? Do you anticipate other job losses in the various sectors that are impacted by this policy of the WTO? Finally, if local producers wanted to defend themselves against American control, do you believe that Canada would support them?

[English]

Ms. Chris Hamblin: You're referring to the WTO panel ruling that suggested that the Canada Grain Act—

[Translation]

Ms. Denise Poirier-Rivard: Yes.

[English]

Ms. Chris Hamblin: The changes that we're making will not impact the handling of grain. It should not change any employment. The jobs will still be there. It merely means that we will be able to identify that grain in a different manner so that we can be assured that when we're putting a Canada grade name on grain, we know it in fact is Canadian grain. So there should not be an impact on producers or on employees within the Canadian Grain Commission or in the handling system.

[Translation]

Ms. Denise Poirier-Rivard: Do you believe that Quebec would be subjected to dumping if the will of the WTO was to prevail?

[English]

Ms. Chris Hamblin: I guess I'm not clear. The dumping measures? This ruling was not a ruling around dumping, so I'm just not sure whether I've got the question quite right.

•(1620)

[Translation]

Ms. Denise Poirier-Rivard: I was asking you to explain to us the impact of Canadian policies on Quebec. Would Quebec be subjected to dumping if the WTO prevailed? Do you understand my question?

[English]

Ms. Chris Hamblin: Yes, I think I do now, thank you.

That's a difficult question to answer, because we obviously would have to see into the future to know for sure, but we don't anticipate much change in grain. Currently, American grain has come into some of the facilities along the St. Lawrence Seaway, along the Great Lakes. Companies have requested that permission, and it has come in fairly freely. So we don't anticipate there being much change in how the grain comes in, or the quantity, more specifically, that will come into those facilities.

So I can't give you a guarantee, but I do not anticipate that there will be an impact with more grain coming in than what we've seen in the past.

[Translation]

Ms. Denise Poirier-Rivard: Let's talk now about hopper cars that belong to the State. Would the new owners prefer to transport more foreign grain in order to make more money and what would the consequences be for producers of domestic grain and for consumers? Should the sale of these cars be subjected to a special condition?

[English]

Ms. Chris Hamblin: That may depend somewhat on who owns the hopper cars. We're not involved with the hopper cars in any way other than through producer cars. The Canadian Grain Commission allocates producer cars to producers who request moving grain on a producer car rather than going through a facility. When producers submit their applications to us, we will allocate the cars to the producers as much as possible on a first-come, first-served basis, according to the cars available for that kind of movement, while also recognizing logistics. That will not change. While it may change in terms of how many cars become available, the process otherwise will not change.

So your question really needs to be addressed to the potential owners of the hopper cars, not the Grain Commission.

[Translation]

Ms. Denise Poirier-Rivard: Thank you.

[English]

The Chair: Thank you.

Mr. Garth Gish: I'd like to speak to that.

The Inland Terminal Association of Canada has put forward a producer-oriented proposal, a producer-industry proposal, that has been reviewed by the Standing Committee on Transport. Let me tell you that from our perspective, and I believe from that of the other participants in that group, it is not our intention to have those cars used to import grain into Canada. Our orientation is to serve the producers of Canada, which would include Quebec, and to enhance our ability to export and work for the benefit of all Canadian agriculture.

The Chair: Okay, we'll move to Mr. Easter, for seven minutes.

Hon. Wayne Easter (Malpeque, Lib.): Thank you, Chair.

First to the Grain Commission, on the WTO panel ruling, from my own perspective, there's no question that one of the reasons that our credibility is high in the international arena—when people talk about grades, the Canadian grades are respected—is the good work of the Canadian Grain Commission. I don't think we should ever lose sight of that, because we do have credibility worldwide. When your commission standard goes on it, that is recognized worldwide.

One of the concerns that I heard in the hearings I did in western Canada was whether the WTO panel, and the decision being considered by the Government of Canada to meet the requirements of the WTO panel, could affect the quality assurance system we have. What are your thoughts on that? As I understand it, you believe we can meet those with minor regulations. But let's hear that specifically from you.

Ms. Chris Hamblin: We believe the system can be maintained with very minor act and regulatory changes. We have a compliance timeline for having those changes in place by August 1, 2005. We think we can do that. There will be some changes in the reporting required, and so we do need some time to put things in place, but we think that's manageable.

There has been discussion about having a border notification. We feel that's not necessary to maintain the quality system we have, but that it could be a useful tool to enhance our quality system. We are

currently looking at that and have already started some discussions with some of our other departments to move along that direction.

● (1625)

Hon. Wayne Easter: On the border notification system, one of the concerns expressed to me by producers—and I would agree with them—was that it must be brought in quickly. Between the Canada Border Services Agency, CFIA, you, and the Canadian Wheat Board, we're dealing with six or seven departments. So let's not drag this out for two years. I'm telling you specifically what producers told me: if you're going to do it, get on with it and get it done, and let's have it in place within a very short timeframe.

To the Inland Terminals Association, Mr. Gish, you revealed that if you were to take them to their full extent, a \$38,000 loss per farm, and Canadian red spring wheat downgraded from 3CWRS to Canada feed wheat—at \$135,000 per car, I believe you indicated.... How many times has that happened specifically?

Mr. Garth Gish: I've had a career in the grain business since 1978, and it has happened several times in that timeframe.

The fact is that it only happens to you once. The first time it happens to you, you make adjustments to your grades, you move the target for the grade up. The farmer gets less, and you don't generally take a second one. But I've had two 100-car trains in a row, and probably 80% of the cars change from one grade to another. I can think of several examples.

Just recently I shipped some grain into Thunder Bay, and 12 out of 50 cars...four of them were appealed in one, and so we wound up with eight cars, and at \$4,300 a car, we wound up with about a \$35,000 hit. So there again, we adjusted, and the farmer is paying.

When you get a year like this, where we all know there's been a significant negative impact because of the frost, a very significant amount of lower grades, when I talk about \$37.5 million, I think I'm very much understating what the potential impact of a year like this is.

Hon. Wayne Easter: So from what you've said, Mr. Gish, Ms. Hamblin, why is this happening? Why do grades change this much? I think you said eight out of 50. Why is that happening? Why do the grades not remain the same?

Ms. Chris Hamblin: Much of the grading system is based on visual factors, and visual factors tend to be subjective. Two different sets of eyes will see things slightly differently. The Canada Grain Act has recognized that and has put in place an appeal mechanism that allows for parties to appeal a decision made by the initial inspection.

What has happened is that the initial inspection has happened, in these cases, on the Prairies. When the shipment is received at port, the terminal has appealed the grade, and the sample gets reinspected. And in those cases that Garth is referring to, there were some downgrades.

I would like to point out that there are also changes in grade up. It's not always down. Certainly, the downgrades are the ones that have the most significant impact on the shipper, but there are cases when they go up as well. The act has, as I said, contemplated that subjective factors will require different viewpoints, and that's why we have the appeal mechanism for second looks.

Hon. Wayne Easter: This is my last question, Mr. Chair, if I have time.

I don't know which one of you made this presentation—I don't see the name on the top—but your point was that the Canadian Grain Commission's level of service in the prairie region is inadequate, from your point of view. I think you're talking about human resources, basically staffing.

There certainly was the increase in the funding to the Canadian Grain Commission in the budget last night. But let's lay it on the table: are we short in terms of the human resources to get the job done? I can't see it being one of the reasons why you would get into the grade changes, but where are we at in terms of resources to do the job? We need to be assured the resources are there to do the job.

If from your perspective we are short of resources, is the additional money going to help in that regard?

I would ask all parties that question, I guess.

•(1630)

Ms. Chris Hamblin: The additional resources will enable us to continue our operations. It does not give us a cushion that allows us to expand our operations, but it does allow us to continue doing what we're doing.

As I said earlier, we have made our decision on the Edmonton office closure based on the economics of running the office and the efficiencies we feel we can gain by having those services at port.

Mr. Garth Gish: If I might add the ITAC perspective, yes, we are short of staff out there. Let me say that we as a group—and I think this is shared by the WGEA—believe that the commission people who are out in the country are very good people. They do a terrific job—maybe I should have said that earlier—and I'm not criticizing them one bit.

You ask whether it affects the change in the grade. I say yes, it does have a direct impact because these poor guys are being overworked. We call them up, and it's not just us. There are several people calling the office. We're trying to get these guys out, and they have been working overtime. They're working Saturdays and Sundays because the railway runs 364 days a year. If someone is overworked and has worked too much overtime for too long a stretch, the person is not going to be up to snuff and is going to have some failures. We sympathize with that, and we're very much on the side of the inspectors. They need some help out in the prairie region.

The Chair: Mr. MacKay, do you have any comments?

Mr. Murdoch MacKay: Yes, will \$21 million help the Canadian Grain Commission? I think that will help the Grain Commission survive for another year. It's just another injection of money. Are they short-staffed in the country? Are they short-staffed in terminal operations? As in our presentation, we think that the Grain Commission has to come out from 1912, when it originated, out from an act written for that time, and come into the year 2000 to provide the services that we—whether the Inland Terminal Association, the port terminals, or the exporters—require. If it can be optional, it can be optional. If it can be done by another party, it can be done by another party. I think that's what we need to get to in this industry, because right now what the Grain Commission is doing is forced by the act, both administratively and by regulations, and they can't change what they're doing. It creates problems for all of us—a country terminal elevator operator, a port terminal operator, an exporter of grain, or a person who is just a producer.

There are lots of things going on that need to be changed. If you take a look at the review that was done and you get the government to try to move forward with this review, it will be the best for producers, grain handlers in the country, grain handlers at the port, and for the commission themselves. That's what we would encourage the standing committee to look at.

The Chair: Mr. Bezan.

Mr. James Bezan (Selkirk—Interlake, CPC): Thank you.

I want to go back to this issue on grading and timing on some of the grading issues that have come out over the last while.

You were saying, Ms. Hamblin, that in the rating of the commission and the job it's doing, it rated quite highly for the grades it has and the consistency of it. Yet I'm hearing from producers this past fall that in the middle of the harvest the percent of sprouts that were allowed in a sample changed. If we're going to be consistent, why are we changing the percentages?

Ms. Chris Hamblin: We rarely change in the middle of the year. This was an extreme situation. When I was talking about how we're rated, I was talking about our customers. Our foreign customers have rated us very highly. What we hear time and time again is that they like our product, not only because it's good quality, but more importantly because they can rely on it being consistent from one year to the next.

The change you're referencing in winter wheat that was put in this fall for severe sprout was put in place to protect those markets so that we wouldn't have product going into those markets and having customers dissatisfied because they were now getting a product that didn't meet their expectations. Sprout of any kind has traditionally not been an issue in winter wheat.

Winter wheat is usually harvested in very dry conditions. This past year, I don't think I have to tell any one of you, was a disastrous year weather-wise across the country, so for the first time probably ever we saw sprout in winter wheat. This led to the change we made so that customers would continue to respect and appreciate the consistent quality that we deliver.

•(1635)

Mr. James Bezan: As you can appreciate, though, because of the timing of that announcement, there were harvests midstream. There were guys who had already taken their winter wheat and had dumped this crop on old crops in storage and screwed up the perfect wheat that was sitting in the bin. It cost them a pile of money.

Ms. Chris Hamblin: We recognized it was difficult for producers. We knew it was a tough decision. We do not make those decisions lightly.

We relied very heavily in this case on our subcommittee that works on wheat with regard to our standards committee. The standards committee, the subcommittee for wheat, was called together to review the decision, and unanimously supported making this change.

Mr. James Bezan: Mr. MacKay, you talked about wanting to make some changes in governance to the Grain Commission. Can you just touch on that a little more, on how you see that evolving? And what exactly do you think would bring about the changes you want if you change governance?

Mr. Murdoch MacKay: As I said in my presentation, we'd like to see the positions of chief commissioner, assistant chief commissioner, and the third commissioner, plus the position of the assistant commissioners, the five that are in place today—I think they have the ability to have six of them—done away with. We would like to see a CEO, a president, who would operate and run the Canadian Grain Commission, and a COO too, a chief operating officer who would work with the CEO, and then have the staff report to them.

One of the reasons we believe that is that if you look at the Grain Commission and how it operates today, you have the chief commissioner, the assistant chief commissioner, and the other commissioner. If they're going to be making any decisions, the three of them will get together and make a decision. If one of the commissioners is away, then they would put off making a decision.

A good example of that goes back to the licensing of facilities, when it had to deal with producer car facilities. In the end that decision was put off for quite a period of time until they had appointed another commissioner. Then the three of them could make their decision.

We've seen situations in the country where commissioners have actually been out lobbying for different positions, etc. Where we're at is that we'd like to see that type of scenario change and move forward.

Mr. James Bezan: You're not suggesting here that those directors would be appointed through order in council?

Mr. Murdoch MacKay: We're just saying that's a proposal we have: the CEO would report to a board of directors and it would be appointed by order in council. We're still thinking that the selection process for the CEO would be the responsibility of the board of directors. Then we'd pass on the board's recommendation to the government, with the final appointment decision made by the Governor in Council.

Mr. James Bezan: They'd be picked on a political level by going with that process.

Mr. Wade Sobkovich: I would like to step in here. I think the message we're trying to convey in terms of governance is that it needs to be looked at. If what we've proposed is along the line of the right solution, then great. If it's not, then what is it? Maybe it's something different. Maybe the government can take a look at the review that's been done and come back and recommend something to the industry based on what's been done. It's not a hard and fast recommendation, by any means.

The Chair: Okay, you're out of time.

Ms. Ur, five minutes.

•(1640)

Mrs. Rose-Marie Ur (Lambton—Kent—Middlesex, Lib.): Thank you, Mr. Chair.

Mr. MacKay, you have indicated that there's a lack of inspectors. What numbers would be needed to fulfill the void that's presently out there that you indicated?

Mr. Murdoch MacKay: I'm not saying that there is a lack of inspectors. I think Garth and the Inland Terminal Association are saying there's more a lack of inspectors out in the country. You have a lot of facilities. The number of country elevator facilities has been reduced dramatically over the last 10 years, but railcars are arriving at the same period of time. If you're in the Edmonton area, there are quite a few facilities, but there's only probably, I'm not exactly sure, three or four inspectors in that area, and their services are being demanded on a regular basis.

What is the number? I don't know what that number would be. I can tell you that even at the port position, there are times when we work around the clock, 7 days a week, 24 hours a day.

Mrs. Rose-Marie Ur: That's 364 days of the year.

Mr. Murdoch MacKay: Exactly.

They're putting the people to work. Those people work long and hard, and they're good employees. But when there's a downturn, there are problems, etc. They're restricted by some of the rules and regulations within the collective agreement that they have with their employees in Vancouver with regard to overtime and the amount of overtime those people have to work.

That's why we're saying, as the WGEA, we need to look at what is required, at what we need going forward that will keep everyone happy.

Mrs. Rose-Marie Ur: I have to admit my ignorance on some of this; I'm not on top of it. Is there a particular training program these inspectors take so that they're all able to evaluate, since there seems to be a bit of discrepancy sometimes as to the evaluation of the grains from one source to the other? How do you ensure...? When you say "visual", I can see it can be a very broad spectrum for some individuals as to how we will judge this today. There must be some criteria, rather than just visual, for how we're going to address whatever comes before us today in a hopper car.

Ms. Chris Hamblin: We have a very extensive training program. When inspectors come on staff, they start as what we call a PI-1. The PI-1 does very basic chores—dividing samples, dockage; it's very basic. Over time, they will be trained and will be eligible to take testing to move up to higher levels. It takes several years to become a top grader; it's very difficult, and experience is the best teacher. They need to be looking at samples over and over again. It's not a quick... It's not going for a one-year matriculation course, and then you're done; it's a very extensive program.

Mrs. Rose-Marie Ur: Also, Western Grain Elevators, in your presentation you said, "The industry, including producers, can no longer afford to have mandatory services and charges by the CGC that do not add value." How much is this a financial detriment to our producers?

Mr. Wade Sobkowich: Mr. Gish alluded to it earlier. I can't put a dollar figure to it. Perhaps one of the other gentlemen can, but the extra costs put on the shoulders of the grain companies eventually get passed down to producers. And when extra risk is put on the backs of grain companies, they eventually work in a risk premium, and it gets passed down to producers.

So any extra costs that are not necessary or are not optional, where the company has another choice to use a different provider, or where the introduction of competition is an element—if that's not a component of the system, it has the potential of putting huge costs on the companies, and those costs will eventually get passed through the system.

Mrs. Rose-Marie Ur: With the presentations here today, I sense—and I could be wrong, and you can correct me on this—an animosity amongst the group. Grain farmers have enough problems these days, with the price of grain; I would hope that we, as ladies and gentlemen, can work through differences to the benefit of the grain growers.

I'm not here to lecture you, and I'm including myself in this as well. I'm not as well informed as my western colleagues here, but I would hope we can.... Perhaps you and individuals across the way can understand this situation, and let's be productive here. I'm saying this sincerely: what can we do to make a difference for our farmers? My farmers, our farmers, Canadian farmers are my sole cause here.

•(1645)

The Chair: Mr. MacKay first, and then Mr. Gish.

Mr. Murdoch MacKay: We all have our beliefs and we all have to work with each other. Whether we're talking about grain companies, producers, or the Canadian Grain Commission, we have to work together for the benefit of the producers, for the benefit of the export of grain in this country. We don't hate each other but we have jobs to do, and we respect each other for the job that has to be done. But as the Western Grain Elevator Association, we have strong beliefs.

What can you do? We've said it. You can get this report, and you can get the government to start to move forward. We have been involved in numerous reviews of the Canadian Grain Commission, the Canada Grain Act, and the regulations. We have been talking about changes to the Grain Commission, changes to the act, and changes to the regulations for a long time. Nothing has happened. As

I said, I've been in this business for 25 years but I have seen no change. But the industry has changed.

The grain companies, be they representatives of ITAC, which has large terminal elevators out in the country and has the ability to handle a lot of grain while loading a hundred cars in 24 hours, or companies like Agricore United, which has 25 or 30 facilities that can do things like that, we have changed. The Grain Commission has not been able to change. Why? Because they're hamstrung. They have to change the act.

What we're saying to you is to start the review and change the act so that the Grain Commission can get into the year 2000. That's all we want. That's all the producers in western Canada want.

We have in our report things about grading. There should be one standard. We have two standards, primary and export. They were set back in 1912. We're loading hundred-car trains. We have different grains and they have to go on a boat, but we have two standards. If it means one standard, the terminal elevator can't put it on a boat, and that creates a problem. If we put it on a boat and it doesn't meet the grade, then take some of the things that Mr. Gish has talked about and multiply them by 8,000 tonnes. And what happens if it's a 40,000- or 50,000-tonne vessel?

All we're asking for is to move forward, adapt, change to the year 2000, and let's get on with it. And I think the Grain Commission recognizes those things and they want the same opportunity.

So that's where we're coming from.

The Chair: Mr. Gish.

Mr. Garth Gish: I'd just like to echo what Murdoch has had to say. It's not animosity that you're seeing here, it's frustration. I think the people at the commission are frustrated, the people at ITAC are frustrated, the Western Grain Elevator people are frustrated, and producers are frustrated. The source of that frustration, as Murdoch pointed out, is the act. It is out of step. It's from 1912, but we're in the 21st century. I think we have to give it a good serious hard look. Let's start to diminish the frustration of every player, to the benefit of all.

We all want the same thing here at the end of the day. We aren't at odds. We all want to preserve Canada's reputation in the world as a producer of quality grain and quality assurance. Nobody at this table or anywhere in the industry wants to see that lost.

Mrs. Rose-Marie Ur: Ms. Hamblin...[Inaudible—Editor]. The chair will cut me off shortly, I'm sure.

Ms. Chris Hamblin: I agree with everything. We try to work very cooperatively with all players in the industry.

Mrs. Rose-Marie Ur: What would you like to see changed then?

Ms. Chris Hamblin: Well, I think there are elements in the act that are probably outdated, but there are also elements that probably need to be enhanced. We have some very strong producer protection elements in the act that I think need to be maintained, but perhaps we do need to look at some of the other aspects that give some flexibility to the handling system.

Mrs. Rose-Marie Ur: For example?

Ms. Chris Hamblin: I think we can look at some of the quality parameters around inward inspection. I think it's very critical that we maintain the ability to control our inspection on the outward side. That's what our customers are relying on. That's what gives us the reputation for quality. I think we need to maintain the ability to do that, but perhaps there are some other efficiencies that can be gained.

• (1650)

[Translation]

The Chair: Mr. Gaudet.

Mr. Roger Gaudet: Thank you, Mr. Chairman.

Do we produce enough grain to be self-sufficient?

[English]

Ms. Chris Hamblin: We are substantially more than self-sufficient. We export in the ballpark of probably 80% of all the grain that we produce. So we're well above sufficiency.

[Translation]

Mr. Roger Gaudet: In that case, why do we import grain from other countries? Is their grain of better quality?

[English]

Ms. Chris Hamblin: In specific areas, we'll be importing specific types of grain. It's usually to fill local markets.

If an ethanol plant can import corn to process cheaper than it can buy wheat or corn in the local area, then that's what it chooses to do. So I think it's a situation of economics.

[Translation]

Mr. Roger Gaudet: The United States have won their case at the WTO. Could you tell us about this case going back to 2002-2003? It was stated that the Canada Grain Act was discriminatory against foreign grain. What was the nature of that problem?

[English]

Ms. Chris Hamblin: The Americans have a habit of challenging our grain system, particularly the Canadian Wheat Board, on about an annual basis, or if not, then every second year. I think this was a symptom of one of those challenges. They wanted to challenge the Canadian Wheat Board, they brought that challenge forward, and in doing so, they included certain aspects of the Canada Grain Act and also aspects of the Canada Transportation Act.

They were successful on certain elements of the Canada Grain Act and also on the revenue cap with transportation, but they were unsuccessful on the Canadian Wheat Board. The Canadian Wheat Board maintained their status of being a fair trader.

The Chair: I'll just intervene for a moment and suspend the discussion here.

We need to pass a motion to send a letter to the minister to retrieve this report that we asked for earlier. That's basically the motion. I need concurrence when we have quorum. One of our members has to go to another meeting. Can we do that now?

Are we all in favour of the motion to send a letter to the minister?

(Motion agreed to)

The Chair: Thank you very much.

Carry on, Mr. Gaudet. I won't take any time away from you.

I'm sorry about that, Ms. Hamblin.

Ms. Chris Hamblin: No problem at all.

So the Wheat Board was successful, but at the same time, they recognized that there were some provisions of the Canada Grain Act and the Canada Transportation Act that needed to be adjusted so that we weren't treating or weren't seen to be treating foreign grain in a discriminatory fashion. That's the process that's under way, to make some changes to address the requirements under the WTO panel.

[Translation]

Mr. Roger Gaudet: Thank you, Mr. Chair.

[English]

The Chair: We'll turn to Mr. Menzies.

Mr. Ted Menzies (MacLeod, CPC): Thank you, Mr. Chairman.

First of all, I would like to get it on record that despite an earlier comment today, it's indeed the grain and oilseeds producers across this country who produce the high-quality grains, not the Grain Commission. We would just like to recognize our producers for the fine work they do.

It's not to take anything away from you, Ms. Hamblin, but we do need to qualify that.

The Chair: I might also add, since we're in the moment of making corrections, that you had earlier said \$21 billion. I know you meant \$21 million, and you corrected yourself later. We'll make sure that the blues reflect the accurate statement that you intended.

Mr. Ted Menzies: I'm sure Ms. Hamblin was only dreaming when she said the billion-dollar number.

I'd first like to direct a question to you, Ms. Hamblin. I have some pretty upset producers in my riding and all across western Canada who sold what should have been \$24,000 worth of grain and ended up getting \$6,000. It's a bonding system. Maybe the bonding system worked at some point, but it sure didn't work for these producers. I want to know how you're going to change that. Do you increase your audits?

I've heard all the arguments that there's an auditing system in place to catch that. We all know it didn't catch it. What are we going to do to fix that? I have some guys who are hurting badly enough without this kind of a hit.

I'm approximating the numbers. Your last communication to them, I believe, suggested they were going to get 28¢ on the dollar. That's unacceptable, when we claim that we have a system in place that will cover those losses.

•(1655)

Ms. Chris Hamblin: We continually encourage producers to deal with licensed facilities so that they have protection.

Mr. Ted Menzies: And they did.

Ms. Chris Hamblin: I agree, they did in this situation. We are very sympathetic to the problem they're faced with now. It is a very hard hit; there's no question. Twenty-eight cents on the dollar is nowhere near what they would be expecting.

We are increasing our monitoring. We are going to be doing more audits of companies that have any indication that there may be a problem. With this particular company, when they did go into default, we went out and did audits and we did find some information that suggested there were some irregularities in reporting. We have turned that over to the RCMP for investigation. It's not going to help this particular situation, but suffice it to say that we recognize that there were some inappropriate things happening. We are going to be increasing the monitoring, and we are staffing up some increased resources for auditing, so that when we see something that looks even slightly out of sync with the requirements, we will be able to send people out and have these checked to ensure we have adequate security.

Mr. Ted Menzies: Can you tell me then how the bonding system is going to change? Because it was the bonding system that failed. The auditing system may have contributed, but it was the bonding that failed. My understanding is that there are some fairly recent audits on that. If irregularities were found, why were they allowed to continue purchasing?

Ms. Chris Hamblin: The irregularities were found when we went to do the audit after the failure of the company. Obviously they did not have adequate security. By doing more monitoring and audits, we will be able to see when a company doesn't have adequate security and request more security so that we can prevent this from happening again by following up on that request for more security so that we have that available.

It's not the actual bond that was the problem; it was the fact that we hadn't asked for money because we didn't realize they had more producer liabilities than we had bond to cover. The monitoring and auditing are to find out if they are reporting accurately, what their level of liabilities is, and whether it matches their security.

•(1700)

Mr. Ted Menzies: It's a bonding issue, there's no doubt about it, and I would certainly look forward to seeing some reports on that.

Can I ask a question to all three? Murdoch, Garry, and Garth, would you rather sell to customers based on an arbitrary Canadian grade or would you rather sell to customers based on what the customer actually wants, as they do in the rest of the world? You get away from all the issues of whether it is a good number two or a poor two. Why don't we adapt to what the consumer wants? If the consumer wants a specific falling number, a specific ash content, a specific trait, why don't we go to that system? Is that not a more effective way to deal with it?

We don't have a Canadian potato chip commission, and yet we sell potato chips around the world. It's a huge industry in my part of the world. What service is this commission providing us by saying this is a number one hard red spring wheat when the rest of the world really doesn't care, because they want to buy a trait?

Mr. Murdoch MacKay: To answer your question of their wanting to buy a trait, we need to make sure we have the ability to test for the trait effectively, efficiently, and quickly. Today, for a falling number, we don't have the ability to test efficiently, effectively, and quickly.

Mr. Ted Menzies: Who is we? The grain companies?

Mr. Murdoch MacKay: We the industry. I'm talking about the industry as a whole.

Mr. Ted Menzies: The private sector, SGS for example, doesn't have the capability?

Mr. Murdoch MacKay: No, it does not. It does not have something that is effective, efficient, and accurate. The industry is trying all sorts of different devices at this time. We have an RVA machine. Cognos is working on a machine to do falling number, etc. The Wheat Board sells on the basis of falling number. What they do is they get the Canadian Grain Commission to do a Hagberg test. They make up a mill, grind up the wheat, mix it with some water, and then measure how fast the rod will fall through this slurry. That's how the Canadian Grain Commission will do the falling number test that goes on the documents the board uses for their end-use customers all over the world. That's what we're using.

Is it reliable? Is it slow? It sure is. Are there other systems that we're trying or have been working on? As an industry we've been working with the Grain Commission, the Inland Terminal Association, Country Elevators Association, terminals, and the Canadian Wheat Board to try to develop these things.

Would we like to do it your way? That's how we sell malt barley. Malt barley is sold basis specs: thin, plump, foreign material, protein, moisture. That's how we sell it and that's how the buyer does it. And if you miss on one of those, then there are discounts that have to happen. We can do it as an industry, but we have the ability to do those types of tests, and we can do those and we have faith in them.

On the other side, we need to get the technology in order to be able to do some of these things. It would be a wonderful way to do it, and this is what people would like to see, getting rid of the KVD system. But can we get there? If you want to get there, you have to have the technology to get there. That's what the industry is facing and that's what the industry is working at very diligently—to try to get there.

Mr. Ted Menzies: Maybe we should explain what KVD is for the blues. It's kernel visual distinguishability.

How does the rest of the world do it? What are we doing different from the rest of the world? Who is Ms. Hamblin's counterpart in Australia, for example, or in China?

Mr. Murdoch MacKay: Some things are different in all systems. I think Australia has the ability to take a lot of their grain in and take it into storage in the grain handling system, and then it can go out from there, whereas we produce so much grain and we have to move it. And as we say, we export a lot of our grain. It's a matter of the board, the non-board markets, etc., and the grain companies knowing the quality that exists at that point in time.

Are we going to go down the road of selling basis specs? I think so, but they have different capabilities at this time. As we say, what are we bound by right now? We're bound by the Grain Commission, the act, and the regulations. Until you get some change... I keep coming back to it, right? Let's get on with the review, and as Garth has said, as Chris is saying, and as we're saying, let's move into the 21st century and not live by something that was written in 1912.

You can probably get there. It will encourage people to do things faster if we can get there. But we have some antiquated things in there—primary standard, export standard. Why are they there? I keep going through all of these things. It's changing of grades. Everyone has a concern. Why can't we have a consistent grade and say here's what it is?

Mr. Ted Menzies: That also begs the question, why is it we export wheat and not flour? It would be easier to grade flour, wouldn't it? Oh right, we have a wheat board, sorry. Where was I going with that?

Do you have any other comments, Garth?

Mr. Garth Gish: Let me put into perspective what Murdoch is saying about cost and timeliness. At our inland terminal facilities, when we get a lineup, our expectation is to have one truck leaving every two minutes and certainly not beyond three minutes.

There isn't a test out there that could comprehensively test for all of the variable specifications that might be asked for. Near infrared spectrometry is used for doing protein. Perhaps calibrations could be developed so that would determine ash. Maybe the technology is not even applicable to some of those characteristics we need to measure. But we do need something that will work like near infrared spectrometry, and it's just not there. There is nobody in this room who wouldn't love to be grading with a machine, but it's just not on.

There is a vast difference between us and Australia. Once you have everything in a bunker, you can get an average sample of that, you can determine what the quality factors are, and then you can go out and sell that quality factor in the world.

Not all of our grain, but a significant portion of it, is held on farms in various sizes of bins. There is a fairly significant degree of variability even within a bin. Being able to call in specific factors is really difficult. We need to invest some money in technology that gets us to a test we could do in, I would say, a maximum of one minute. That would be the timeframe I would look at favourably in terms of having the right kind of technology.

● (1705)

The Chair: Your time has expired, Mr. Menzies.

Did you have any comment to make, Ms. Hamblin?

If not, we'll move to Mr. Ritz.

Mr. Gerry Ritz: Thank you, Mr. Chairman.

Ms. Hamblin, you made the comment that not every time does the grade go down. There have been instances where the grade has actually gone up. How tough would it be to get documentation, say, for the last three years on how many times the grade has changed going down and how many times it has changed going up? Would that be possible?

Ms. Chris Hamblin: I can certainly get you the results on that from the grain tribunal, and I can bring that forward for you.

Mr. Gerry Ritz: That would be excellent.

That leads me to my next question, which is on the makeup of the tribunal and the standards committees: who sits on them, what are their qualifications, how often are they changed, and how do they get there? I'm interested in that type of thing. These are nameless and faceless entities. I would really like to know a little more about them.

Ms. Chris Hamblin: I'll start with the grain tribunal. The grain tribunal chair is appointed by the Canadian Grain Commission. So we appoint the chair, who then coordinates—

Mr. Gerry Ritz: By “we” do you mean the top three commissioners?

Ms. Chris Hamblin: Yes. We run a process with regard to qualifications for understanding the grades, how the tribunal works, and so on.

The tribunal chair has a list of industry inspectors whom they call on, and they have to be appointed by the commission as well. They have, I think, 12 different industry inspectors. When an appeal comes forward, the chair looks at who has any interest in the sample, and they are automatically stroked off the potential list of who can be called to do an appeal. They then go to the remaining inspectors, and they pick two inspectors to come in and review the sample and make a decision as to what the grade is. So that's the tribunal.

As chief commissioner, I chair both the western and eastern standards committees. We have a scientist from the grain research laboratory on each committee, and we also have one of our head inspectors. Our chief inspector sits on one, and another high-ranking inspector sits on the other. In the case of the western standards committee, we have 12 producer representatives. That is made up from western Canadian wheat growers, each of the prairie producer groups, and so on.

Mr. Gerry Ritz: There is a cap on those.

Ms. Chris Hamblin: Yes. Counting our inspectors and our scientists, we have 14 others, which include grain handlers, processors, the Wheat Board, and I think we have someone from Agriculture Canada.

Mr. Gerry Ritz: It's a cross-section of the whole industry.

Ms. Chris Hamblin: And the eastern standards committee is of a similar composition. The numbers are a little bit different, but it's again producers, industry, processors.

•(1710)

Mr. Gerry Ritz: Mr. MacKay and folks, you've been saying we have to get our hands on that report to have a look at what was done in 2002 and start to build from that. Are you saying it's politics that's roadblocking this? The industry seems to want to go forward; the Grain Commission realizes they need to make some changes or they're going to be irrelevant. So is it the political process that's stopping it right now?

Mr. Wade Sobkowich: I can speak to that.

I think so. We sat down with these three producers—and we spent a lot of time as a group of grain companies putting our concerns together. We met with them on numerous occasions. We spent a whole summer telling them our concerns and explaining to them what we thought needed to be done. They went away, they did a report, and nobody saw it. So what is holding it up? The report stopped once it was submitted.

Mr. Murdoch MacKay: As I said earlier, this is not the first time a review's been done of the Canadian Grain Commission where the companies and producers and people had an opportunity to have some input into change and review of the Canadian Grain Commission and the act and the regulations. Nothing. As I say, in 25 years very little, if any, change has been made to the act or to the Canadian Grain Commission and its operations.

Mr. Gerry Ritz: Other than \$21 million more this year.

Mr. Murdoch MacKay: Well, they got \$30 million last year and \$80 million two years ago, so they'd tell you it's going downhill.

Mr. Gerry Ritz: I'm afraid not.

At what point is the grain I deliver no longer mine? I ship a car of malt and I get three or four phone calls a year from producers who delivered the malt barley. It was tested, it was graded, it was shipped, and six weeks later they get a letter saying, oops, it didn't make malt, wherever it got to, and here's your cheque for feed. And usually it doesn't even cover the freight.

At what point is that producer no longer on the hook?

Mr. Murdoch MacKay: It all depends on how the producer goes about it. If a producer delivers to a grain company at a country elevator and it is accepted and selected, the producer will get paid right then and there for malt barley. This isn't an ad, but at least at Agricore United you will get paid your malt barley, and then it becomes the responsibility of Agricore United. So the producer has received his initial payment for malt barley, and that's where it changes.

If it's a producer car, then the producer maintains ownership of that malt barley until such time as it is unloaded, graded by the Canadian Grain Commission, or the maltster, or whoever is the receiver of it. If it's a maltster who's receiving it and they reject it, then that's what happens. If it's the Grain Commission and they turn it down, the producer can then go through the appeal process. If he wins and the board or the grain company accepts it, then it becomes malt barley.

Mr. Gerry Ritz: Is the Grain Appeal Tribunal friendly enough, or is it too convoluted a system to actually get any kind of positive results out of it?

Mr. Murdoch MacKay: I guess it all depends on how many times you win and how many times you lose.

Is it friendly or is it convoluted? There's a process, and personally I think it takes too long and they should try to tighten it up. As Garth will tell you, he's purchased it. He's bought it, it's been shipped, it's been unloaded, and sometimes by the time they finish the whole appeal process the thing's already milled and somebody's eating it in a hotdog bun. So why can't it be faster?

Mr. Gerry Ritz: I'm asking you.

Mr. Murdoch MacKay: Well, it should be faster, right?

Mr. Gerry Ritz: Good.

Thank you, Mr. Chairman.

The Chair: Do you have anything more, Mr. Bezan?

I almost hesitate to ask Mr. Menzies, but I need to do it: do you have anything else? Be very quick, because people have to leave this meeting.

Mr. Ted Menzies: I have one quick question about your allocation of resources, Ms. Hamblin. Where do the finances come from for your identity preservation or IP programs in Ontario and Quebec? I didn't hear that commented on. You said the majority of the resources are based in western Canada, and yet you have an extensive IP program.

Ms. Chris Hamblin: We work in facilities that we have all along the St. Lawrence Seaway—but my comment was that it's primarily western grain they're handling.

The Canadian Soybean Export Association came to us and wanted to work with us to create an IP program.

Actually, I should step back; it came through the Canadian Seed Institute to have an IP system. To have a body with a recognizable name, it was decided that the commission would be the appropriate place to go. So they approached us about working with them. So we developed the program working with the Seed Institute and the soybean exporters.

We now have two staff persons, whom we are funding, in the Canadian Grain Commission to facilitate that program. Audits of the program or the processes in place are the responsibility of the companies who are using those programs.

•(1715)

Mr. Ted Menzies: So it's basically a self-sufficient body then?

Ms. Chris Hamblin: Aside from two staff persons, yes.

Mr. Ted Menzies: Okay, thank you.

The Chair: Thank you, Mr. Menzies.

Thank you all for appearing today. I think this is something you've given us a lot to think about, and certainly a lot to look at, as we go forward. Possibly, because of your presence here today, we're going to be able to take some steps in finding new directions for the

problems that seem to exist and that we need to address. This has been the reason for our meeting today, and if that results from this meeting, then it's been a fruitful meeting.

Thank you once again for appearing. We look forward to seeing you again some time.

The meeting stands adjourned.

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