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Mr. Paul Steckle

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•(1530)

[English]

The Chair (Mr. Paul Steckle (Huron—Bruce, Lib.)): The chairman is calling the meeting to order.

Pursuant to Standing Order 108(2), we want to continue our work on the study on agricultural income stabilization, the CAIS program, this afternoon.

I should serve notice before we get into the meeting that, following the question period of the committee this afternoon, we want to deal with two motions that are before the committee, so we ask for your indulgence to remain at the table. I suppose everyone is returning for the vote tonight; those who wish not to return for the vote should indicate so to the chair—for good reasons. Anyhow, if we could, we'd like to have your indulgence to stay with the committee until we have dealt with those resolutions later on in the meeting.

We have with us this afternoon, from the Department of Agriculture and Agri-Food, Mary Komarynsky, assistant deputy minister, farm financial programs branch; Danny Foster, acting director general, farm income and adaptation policy; and Michele Taylor, executive director, farm income programs directorate.

You people are now before the committee, and we want you to do your presentation. Mary, you're going first? We'll have you do your submission, and then we will begin the questions to you.

Mrs. Mary Komarynsky (Assistant Deputy Minister, Farm Financial Programs Branch, Department of Agriculture and Agri-Food): Thank you very much, Mr. Chairman.

I am once again pleased to accept the committee's invitation, with my colleagues Michele and Danny, to discuss the CAIS program, the Canadian agricultural income stabilization program. My colleagues and I had an opportunity to meet with you on a number of occasions last fall to discuss this program, and I assume today we will continue.

As you know, CAIS represents—and I've mentioned this before—a long-term commitment by governments that for the first time responds to producers' needs for a comprehensive program that effectively protects farmers against both small and large drops in farm income.

[Translation]

The CAIS program combines the income stabilization and disaster relief components into a single integrated program.

[English]

To date, as of March 1, over 49,000 producers have received in excess of \$787 million in benefits for the 2003 program year, with 65% of final applications processed. Over 28,000 other producers have received in excess of \$338 million in interim benefits for the 2004 program year, so in total, more than \$1.1 billion has been paid out under the CAIS program to date.

Our most current forecast for the 2003 to 2005 program years estimate payments in excess of \$1.3 billion for each year.

•(1535)

[Translation]

CAIS obviously provides considerable assistance to the agricultural industry at the moment and will continue to do so.

The governments will work together to bring the CAIS program even more in line with producer's needs. Governments have listened to the comments from the industry and the suggestions made concerning certain aspects of CAIS, and they have reacted to these suggestions by making changes to the program.

[English]

One of the most discussed topics has been the deposit requirement under CAIS. Industry has made it well known that they are in favour of eliminating the deposit requirement. As you already know, last September ministers agreed to extend the one-third simplified deposit requirement for 2004 to respond to pressures like BSE, record low farm income situations, successive droughts, and avian influenza that are being faced by producers across Canada.

Amending agreement number four was ratified last week at the ministers' meeting in Ottawa. Eight provinces have now signed the agreement, and Quebec and Newfoundland-Labrador are expected to sign shortly. Among other things, amending agreement number four provides for producers to withdraw any amount already on deposit above the one-third and provides for the extension of the one-third deposit to 2004.

As the recent 2005 budget announcement made clear, the federal government agrees with Canada's farmers that producers should not be required to put funds on deposit annually in order to be eligible for the CAIS program.

[Translation]

The government fully intends to cooperate with its partners and provincial stakeholders in order to find a better way to engage producers in jointly managing business risk under CAIS.

[English]

At the federal–provincial–territorial ministerial meetings on March 2 and 3, ministers committed to working together to find a better means of effectively engaging producers in joint management of business risk under CAIS, and of working toward a sustainable solution for future program years. Officials were directed to develop alternatives to the current CAIS deposit, to be presented to ministers at their annual meeting in July 2005, along with a plan for consulting with industry.

In the meantime, ministers agreed to extend enrolment for the 2005 program year to May 31. Ministers agreed that there is a need to deal with the deposit deadlines for the 2003 and 2004 program years, and they plan to announce further details in this regard before March 31.

In order to enhance the CAIS program during these difficult financial times for producers, governments agreed to increase the level of interim payments for 2004 from 50% to 70% of a producer's estimated payment. For those who had already received interims at the 50% level, top-up cheques were issued. Today all provinces except Ontario will provide interims for 2004.

As of March 1, over \$178 million in 2004 interim payments have gone out to nearly 10,000 producers. A CAIS special advance payment has also been made for the 2004 program year to cattle and specified ruminant producers impacted by BSE. Over \$159 million in special advances have gone out to over 24,000 producers.

[Translation]

Since CAIS is an ongoing program, we need to make every effort—which is what we are doing right now—to develop processes that will lead to continuous improvements in the program.

[English]

These processes will include, among others, an annual review by an independent panel of experts; ongoing monitoring of operations through the national CAIS program committee, composed of producers and government officials; surveying of producer program awareness and satisfaction to identify areas where improvement is needed; and ongoing consultation by the minister with his advisory committee.

The national CAIS program committee is currently being established to assist in the administration of the CAIS program and to implement an appeals process. This committee will be comprised of four federal officials, one aboriginal, and ten producer representatives to be identified by Agriculture and Agri-Food Canada. The aboriginal and producer members will be representative of the commodity groups in regions across Canada.

• (1540)

[Translation]

Every province and territory will designate a representative from the government and from producers. Nearly all the members have been designated at this point. The governments are working to set up the national program committee as quickly as possible.

[English]

Ministers discussed the annual review of the agricultural policy framework, and they committed to working with industry to move the sector forward and build a strong and sustainable agricultural industry for the benefit of all Canadians. Under the proposed structure, the APF review panel will be comprised of a 32-member steering committee, which will direct the work of subcommittees, and an executive committee drawn from the steering committee to guide the overall direction of the review. The first steering committee meeting is expected to take place in the near future.

In all cases, these processes involve consultations with stakeholders, with the goal of ensuring that programs continue to comply with the underlying targets and principles of the APF and improve the ability of the BRM programming to respond to the needs of producers.

Thank you very much, Mr. Chairman. Dan, Michele, and I are now welcoming questions and comments.

The Chair: Thank you very much, Ms. Komarynsky.

We now go to Mr. Ritz for the first seven minutes.

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

Ladies and gentlemen, it's good to have you back before us.

It's the new year. I suppose your resolution was to get rid of the deposit, and apparently we've done that. There's still some concern as to when that will actually happen. I understood from your remarks, Mary, that there will be an announcement before the deadline at the end of the March.

Mrs. Mary Komarynsky: Yes, what ministers agreed to last week at their federal–provincial ministers' meeting was to ask their officials to develop an alternative to the deposit and to come back at the July annual conference to present the alternatives for decision. They've also asked that we develop a consultation plan to work and consult with stakeholders so that, by the July meeting, the work will be done in order for ministers to decide.

In terms of the comment I made about an announcement shortly, as committee members know, March 31 is the deadline for the 2003-04 deposits. Ministers therefore agreed that details will be coming out shortly as to what will happen to that deposit.

Mr. Gerry Ritz: Great. Better late than never, I guess.

The concern I have is that the government, and provincial ministers maybe, seem to think that somehow producers need to be engaged, and it's going to take cash, or it's going to take some commitment by producers to pony up for this program. The engaging that producers do is a \$44-billion debt that they're carrying, plus the risk they take in seeding and harvesting a crop every year, whether it's livestock or grains. So I'm not sure why you have to have producers engaged in a way that ties up capital, or cash, or anything like that.

I'm hoping the review process that is supposed to take place will address this issue. The cash on deposit is one thing, but the other thing is this review that is supposed to have started December 1. Could you give us a rundown on the status of that? Are you folks involved at all?

Mrs. Mary Komarynsky: I think what I mentioned in my opening comments is that there would be an executive committee and a steering committee, x number of representatives. I think Danny, Michelle, and I will probably be involved in the background in terms of providing either to a subcommittee or to the steering committee any information they require.

In terms of when will the annual review actually start, ministers had discussed that, and as I indicated in my opening remarks, it is anticipated that the review will start very shortly.

Mr. Gerry Ritz: So we'll be reviewing 2003, which is two years ago, in 2005. When that review is completed and there are changes made, will they be retroactive and benefit a lot of...? A lot of the numbers that I'm seeing in this encapsulation I have of spending.... You talk glowingly about how many files and how many farmers who applied—39,000 participants for 2003 received \$676 million—but how many actual applicants were there? So 39,000 triggered some money, but I know in my case, in my area out there, there is maybe one in three, or one in four, who actually trigger a CAIS payout of any type. So if there are changes made during the review process, will I see more of my guys getting a cheque from 2003, or will none of that be retroactive?

•(1545)

Mrs. Mary Komarynsky: At this point, I am not able to answer the question as to whether it's going to be retroactive. That will not be my decision to make. The outcome of the review will be presented to federal-provincial ministers, and it will be ministers who make decisions on whatever comes out of the review.

Mr. Gerry Ritz: The concern I have is one of expediency. The longer it takes to get this review started, the longer it's going to take to get it completed. We'll also lose a lot of people in 2004 then, because that year will be done, and we can never go back and bring these people to the table to collect their share of the money. In the worst-case scenario they'll be broke and gone. We should have been doing this yesterday, there's no doubt in my mind—or anybody else's, for that matter—but it's not happening. So I think any pressure we can put on, any pressure you can put on, to get everybody to the table and get this happening yesterday would be much appreciated.

The minister today—and we're going to have an emergency debate tonight—alluded to the fact that there was \$1.9 billion allocated to BSE in this country over the last little while. I can't seem to make those numbers work. When I total up what actually has gone out, it's nowhere near that. So I suppose announcements aren't delivery. I know he also talked in terms of \$4.9 billion going to the agricultural sector in this country. I can't make those numbers work. Announcements are one thing, but actual delivery of the dollars and cents don't seem to follow through.

So the longer we take to get this review in place, the worse off my guys get, and they never will get a chance to catch up.

Mrs. Mary Komarynsky: I'm not sure how many questions have been asked.

Mr. Gerry Ritz: It was more of a rant.

Mrs. Mary Komarynsky: Then I won't say anything.

Mr. Gerry Ritz: I'm not sure you can help.

Mr. Danny Foster (Acting Director General, Farm Income and Adaptation Policy, Department of Agriculture and Agri-Food): In terms of the first question about CAIS participation, in terms of the actual number of applications for 2003, we've had 128,000-plus producers file applications. As Mary mentioned, over 49,000 have received payment. I don't know how many applications have actually been processed. I think it's probably in the neighbourhood of about 70% to 80% of those.

Mr. Gerry Ritz: It's 65%.

Mr. Danny Foster: So a large number of those producers are receiving payments.

With respect to the \$1.9 billion, I don't have the numbers in front of me, but I think about \$520 million under the BSE recovery program, the \$680 million under the transitional industry support program, \$488 million under the repositioning strategy, and a cull animal program as well.

Mr. Gerry Ritz: But, Danny, you're going back to the announcements of those moneys. I'm saying, what has actually flowed?

Mrs. Mary Komarynsky: Maybe I can begin to answer that. I'll just go through some of the programs Danny announced. The largest sum of money is in the transitional industry support program, which was called TISP for short; there was almost \$600 million in direct payments that went out to cattle producers. The cull animal program was about \$106 million. The BSE recovery program was almost half a billion dollars. As to the repositioning strategy the minister announced in September, the \$488 million, I must indicate to the committee that I don't have the numbers with me in terms of how much of that has gone out in the set-aside programs for cattle. I don't have that with me.

Mr. Gerry Ritz: But it can be had and sent to the committee?

Mrs. Mary Komarynsky: Yes.

Mr. Gerry Ritz: Thank you.

The Chair: Thanks, Mr. Ritz.

Madam Poirier-Rivard.

[*Translation*]

Ms. Denise Poirier-Rivard (Châteauguay—Saint-Constant, BQ): Good afternoon, ladies and gentlemen.

In Quebec, FIS, the Farm Income Stabilization Insurance Program guarantees a positive annual net income, and producers are quite willing to contribute fairly high premiums, since the provincial government doubles that contribution.

Isn't one of the problem with the CAIS program that producers feel that it is not worth it to make a deposit, given what they get back from the government?

[English]

Mrs. Mary Komarynsky: I think ministers very much agree that the deposit is flawed in terms of its intention. As a result, last week they agreed a replacement is needed. I think the federal budget very clearly indicated the federal government will work with provinces to find a more effective alternative to the deposit.

Is that the reason producers are not coming in? No. If you look at how many producers—and I'll look to Michele or Danny for the stats—were involved in the 2003 CAIS program year and how many have come in for the 2004 program year, you'll see the numbers have actually gone up. Is there a reason for that? Is the deposit in any way taking away from more producers being in it? We have not seen any evidence that the deposit itself takes away from producers coming in. In fact, as I've just indicated, we've seen an increase in participation from year one to year two.

I'm not sure if that's answered your question.

• (1550)

[Translation]

Ms. Denise Poirier-Rivard: Do you know the number of participating producers in Quebec?

[English]

Ms. Michele Taylor (Executive Director, Farm Income Programs Directorate, Department of Agriculture and Agri-Food): For the 2004 year the number registered in Quebec to date has been 23,500, and for the 2003 year it was a similar number. By comparison, the number registered for 2003 CAIS nationally, as Mary mentioned, was about 138,000, compared to the next year, 2004, when we had 144,000 registered CAIS applicants.

[Translation]

Ms. Denise Poirier-Rivard: CAIS is managed by the federal government in British Columbia, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, and Newfoundland and Labrador. In Alberta, Ontario, Québec and Prince Edward Island, it is provincially managed.

Do provinces administering the CAIS program themselves have more flexibility to use their own administrative procedures? How much flexibility do they have?

[English]

Mrs. Mary Komarynsky: In terms of the CAIS program itself, first of all, our idea was that it would be a national program with the concept that all producers would be treated equitably. So whether you're a producer in Quebec or whether you're a producer in B.C., the benefits you are entitled to would be exactly the same. The amount of payments you are entitled to would be based on the same premise.

The CAIS program nationally is guided by program guidelines that all provinces must agree to. They essentially lay out the rules for how the program will be carried out. There is some flexibility in provinces, as you know. Ontario, Alberta, P.E.I., Quebec...as does where we deliver on behalf of six provinces. If you look at each province, you will see some flexibility in there, but the key thing is that the benefits that producers are entitled to are the same.

[Translation]

Ms. Denise Poirier-Rivard: Can you elaborate on this issue of flexibility? I find it hard to understand how this works.

[English]

Mrs. Mary Komarynsky: I'll give you one example. There is a deposit requirement for CAIS; however, in provinces that have chosen to deliver the CAIS program, some provinces, such as Ontario and Alberta, required that the deposit be in the bank before a producer actually received a cheque.

In the provinces where we deliver—and I'm not 100% sure about Quebec—there is flexibility. We will actually issue a payment and expect the deposit to be put in at a later date. That is some of the flexibility. But the deposit requirement in those provinces is identical, and other than one little blip in Ontario, the amount the producer receives as a payment is identical.

Ms. Michele Taylor: Where you see the greatest flexibilities, in the first two years of the program—the 2003 and 2004 years—it's primarily in the deadlines that were set for when you make the deposit and when you select your coverage. That's where you would see the greatest differences in the first two years of the program.

• (1555)

[Translation]

Ms. Denise Poirier-Rivard: CAIS payments are based on the producer's historical income data or the reference margin. The reference margin is calculated using an "Olympic" average of production margins from the previous five years, which means that the highest and lowest years are dropped.

Does the department have any plans to extend the period used to calculate the reference margin? And why is a five-year "Olympic" average being used?

[English]

Mrs. Mary Komarynsky: I'll begin and then I'll let Danny complete this for me.

Essentially under WTO rules you have two choices. You can either use an Olympic average or you can use a three-year average. In the analysis that was done prior to CAIS being implemented, the department with the provinces did quite a bit of analysis as to which one would be more beneficial for producers. Our analysis showed at the time that using the Olympic average would actually be more beneficial for producers.

The second part of your question is whether we are considering any changes. We know that industry, whether it's through the safety net advisory committee or advisory committees in provinces, has indicated they would like more flexibility. What I have heard, and perhaps Danny has heard other things, is that they would like to be able to choose from one year to another whether they use the Olympic average or whether they use the three-year average.

At this point in time we chose an Olympic average and said it will be the process for each year. That's to ensure consistency from one year to another in terms of how we determine reference margins and how we determine the income drop for a producer.

Do you have anything to add?

Mr. Danny Foster: I would just add that those criteria are defined by the WTO. The program is designed to be WTO-compliant. As Mary said, there were two options: looking at the straight previous three years, or looking at the previous five years and dropping the high and low years. As Mary said, based on the analysis we did at the start of the program, we said the Olympic average generally gives producers more support.

But as Mary also said, the national safety net advisory committee to our minister raised the possibility of giving producers the option, a one-time selection to choose Olympic average or a previous three. That's very difficult, because the situation a farmer faces is different from year to year. But we are going to include it as part of the annual review process of the program this year; we'll look at that option.

Giving producers the option is still in keeping with the WTO criteria, but as I think I've said before at the committee, the more options you give, the more complexity you add to the program. We know that the complexity and administrative practicality is an important issue we have to keep in mind with the program as well.

The Chair: Thank you, Madam Rivard.

Now we move to Mr. Kilgour for seven minutes.

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

The budget that was just released agreed that producers should not be required to put funds in deposit. When will the farmers who have paid their deposits in good faith receive a refund of those deposits? You might have already mentioned this. I may have missed it.

Mrs. Mary Komarynsky: What I mentioned was a ratified amendment—which means we have the required provinces agreeing to it—will be announced shortly, so producers will be allowed to take out any deposit that's over the one-third requirement.

Hon. David Kilgour: What's the point of that?

Mrs. Mary Komarynsky: Ministers did discuss the issue that there is still, because of the one-third requirement, quite a bit of money in producers' accounts. As I indicated, details will be announced shortly on how to deal with that, as well as any deadlines for the 2003-04 year, which is at the end of this month.

Hon. David Kilgour: Why not get rid of all of the deposits?

Mrs. Mary Komarynsky: Ministers agreed to find an alternative to deposits, so federal and provincial ministers—as well as what was announced in the budget—have agreed the deposit itself is a flawed mechanism, and that it doesn't do what it was intended to do, so they've asked us to find an alternative and to consult with industry.

• (1600)

Hon. David Kilgour: What alternatives are you looking at?

Mrs. Mary Komarynsky: First of all, we need to discuss the principles under which an alternative would be found. I think one of the other members here at the table talked about active engagement in business risk management. If you go back to the policy framework, to what it was actually intended to do, it very clearly states producers should be actively involved in the business risk management within the program, meaning that currently, with the deposit option, producers select the coverage—they determine how much risk they want to assume on their own, and how much they

want to be covered by in the program. That is active participation within the program.

The other principle is, in terms of active participation, what cost should producers bear in terms of the program? So that is the second principle. It's an important point.

Hon. David Kilgour: The fact is that the producers lost \$2 billion last year, so many of them don't have the money to be an active participant, as you put it. What's your answer to that?

Mrs. Mary Komarynsky: We acknowledge—and I think ministers, as well as officials, acknowledge—that producers currently, in terms of their participation, do share in the losses that have occurred.

Hon. David Kilgour: In the registered education savings plan, which I hope everyone who has children participates in, you don't have to make a deposit; the government can make a deposit for you, if you have a plan, can they not? Isn't there an analogy there to the situation we're talking about?

Mrs. Mary Komarynsky: I don't participate in that program.

Hon. David Kilgour: No, I wasn't trying to push that.

Mrs. Mary Komarynsky: No, but just as a point, if you go back to the principles of producers actively being engaged in the program, then governments making the deposit on their behalf does not have a producer actively engaged.

Hon. David Kilgour: So it's a question of degree, is it, how much they have to participate?

Mrs. Mary Komarynsky: It's a question of active participation.

Hon. David Kilgour: What is active participation?

Mrs. Mary Komarynsky: Active participation up to now has meant that, if you look at the deposit requirement now, a producer must decide how much coverage he or she wants. They can decide to have the maximum coverage of the program; they can decide to have the lowest amount. They personally decide how much risk they want to bear. Once they've made that selection, then they make the corresponding deposit, so there's an active participation.

Hon. David Kilgour: We all have to understand the concept. The Quebec program, the ASRA, seems to be providing a positive net income. Isn't it true that one of the problems with the CAIS is that farmers don't want to make a deposit because the return from the government isn't worth it?

Mrs. Mary Komarynsky: Our forecast for 2003, as I indicated in my opening remarks, is that by the end of the program year, we will be paying out a forecast \$1.3 billion of government money, both federal and provincial. In terms of how that equates with the amount of the deposit—can you help me with that, Danny?

Mr. Danny Foster: What we're saying is that the deposit is really at no cost to the producer. He puts the money in, makes a selection, gets the money back at the time of the income disaster. The benefit of the CAIS program is that it covers up to 70% of a producer's losses and that translates into those numbers that Mary mentioned, not just for 2003 but for 2004 and 2005, so there is going to be, and there is, substantial assistance going out to producers.

Hon. David Kilgour: But there is the problem, Mr. Foster, the perception that the shift from NISA to CAIS has left some producers worse off. Do you agree with that? And how many producers are worse off, would you say?

Mr. Danny Foster: I don't agree with that. I think some of the reaction we're seeing with respect to the implementation of the CAIS program is based on the fact that you've lost the entitlement program under NISA, where producers received money each year, whether or not they incurred a farm income disaster or suffered a loss of income, and we're now for the first time dealing with a needs-based business risk management program set, which includes production insurance and cash advance programs and the CAIS program.

So I think what we're seeing is the transition from having NISA, under which governments were putting money—big and small amounts—into NISA accounts whether or not producers had an income disaster in a year, and producers being able to withdraw that and use it for farm income stabilization or savings for retirement.

• (1605)

Hon. David Kilgour: Why was the five-year Olympic average chosen?

Mr. Danny Foster: As mentioned earlier, the basic criteria are in accordance with the WTO criteria that give the program its green box designation for the disaster portion of the program.

Hon. David Kilgour: Thank you.

The Chair: We move to Mr. Angus for seven minutes.

Mr. Charlie Angus (Timmins—James Bay, NDP): Thank you.

I normally like to keep my questions short, but I feel I have to say a few things off the top. I just have to clarify or put on the record two things that you people have said today.

One is that the deposit is at no cost to the producer. Six hundred million dollars is sitting in accounts, \$600 million that farmers had to go out and borrow from the banks. That's a major cost to the producers. The producers I know have gone to the banks. They've gotten piss-poor back half the time from CAIS, and they're saying, if I had kept that money out and put it onto my farm and paid off my own debts I would be better off today than where I am at.

So I guess I have to ask you, where did you come up with the principle that this doesn't cost the producer?

Mr. Danny Foster: You're right, there is a cost. There's an interest cost, and there's an opportunity cost. What I was trying to reflect is that the deposit isn't a premium cost. If the producer does not have a disaster in 2003, the deposit isn't lost; it's there to provide the income assistance in 2004 if they suffer an income loss.

So you're right, there is a cost associated with the deposit. What I was trying to say is the deposit itself does not represent a total cost to the producer.

Mr. Charlie Angus: Okay. And then also you said that a fundamental principle of this process is that the producer must be actively engaged in business risk management. I think in any other business the farming cycle would be considered insane. Talk about risk management—I don't know of any other business where people have to go and get full-time jobs just so they can go to work. I mean, that seems to be what we're asking.

So I'd ask you, what other possible alternatives are you considering imposing on the producers to ensure that they meet your standard of risk management?

Mrs. Mary Komarynsky: I think we all agree, as do ministers, that producers are engaged in their own business risk management. We also agree that producers have a lot of participation in that they are the ones who keep their reference margins up. They are the ones who have to make business decisions in terms of their production cycle.

I think their participation within the program is one of the principles that need to be looked at. And right now the way the deposit is designed, as I indicated earlier, producers select a coverage—so there's a decision about how they wish to participate within the program—and then they make the corresponding deposit that we agree needs to be replaced, and that's their active participation within the business risk management program. I think there is total agreement by my colleagues, as well as ministers, that the industry does actively participate in the risk on their farm.

Mr. Charlie Angus: The last time we met, we were all agreed that the deposit needed changing and recommendations were going to be brought forward in July, which would be past the deadline for this coming fiscal year. Now we're three weeks away from the end of this fiscal year and the beginning of the new one, and farmers are considering and are meeting with banks, and now we're hearing that there's talk about an announcement. Does that mean farmers will not have to be making the deposit for this coming year?

Mrs. Mary Komarynsky: First of all, I'm not able to answer your question. The reason I'm not able to answer it is that in terms of the outcome of the discussion, and to have federal-provincial agreement, many times we have to seek authority. Some authority has to be sought, so it's very difficult for me to answer your question.

• (1610)

Mr. Charlie Angus: I don't want to put you in a hard position here, but we're three weeks away from the end of the fiscal year and it seems as though we're flying by the seat of our pants. All of rural Canada is hanging on, wanting to know, should they go the bank or shouldn't they?

Mrs. Mary Komarynsky: Ministers are very aware of the deadline that's coming up at the end of this month and, as a result, have agreed that they will deal with this as quickly as possible. In the communiqué that was released last week, they indicated that an announcement will be coming out shortly that will reply to your question.

Mr. Charlie Angus: There's \$600 million of farmers' income sitting in accounts right now. What we've got clear today is that any of that money that's above the one-third deposit they'll perhaps be able to take out, meaning that the rest of that money is going to stay in accounts?

Mrs. Mary Komarynsky: No, what I said was that, first of all, there was an amendment that has now been ratified by both provincial governments and by the federal government. What that will allow producers to do is to take out, now, anything over the one-third deposit. The announcement that will be coming out shortly will be about what happens to that one-third and the March 31 deadline that's before us.

Mr. Charlie Angus: I understand there's, what, \$2 billion still sitting in NISA?

Mr. Danny Foster: That's right.

Mr. Charlie Angus: What's happening with that money?

Mr. Danny Foster: Producers have the option to pull that money out from their fund one and fund two in equal proportions. They have to be at a certain level at the end of each year. All the money has to be out by March 31, 2009. They have flexibility to pull the money out of their NISA accounts, but when they take the money out of fund one, they also have to take the money out of fund 2 in equal proportion.

There was an additional provision that allowed producers to take more money out of fund one without having it matched by fund two money, which is the before-tax money, if they put it into their CAIS account. As you mentioned, we have in excess of \$640 million currently sitting in CAIS accounts. If we draw down to the one-third, I think we're looking at something like \$270 million that would have to remain in the accounts. Most of that's been rolled over from the NISA accounts. So there is approximately \$2 billion still in the NISA accounts.

Mr. Charlie Angus: The number I'm hearing is \$1.9 billion that's gone out in, what, the last year?

Mrs. Mary Komarynsky: No. What you heard was that for the 2003 program year—so that's money that's gone out in interim payments as well as final payments—there's been almost \$788 million in benefits. Then an additional \$338 million has gone out as interim payments for the 2004 year. In terms of when all that money has gone out, it's been over the past 14 months.

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

Mr. Charlie Angus: Just a quick one?

The Chair: The problem is that it takes a quick response and we're not likely going to get it. You'll get it on the next round.

We have to go to Mr. Bezan, for five minutes.

Mr. James Bezan (Selkirk—Interlake, CPC): This whole discussion around deposits is frustrating. The biggest complaint I get at my constituency office is CAIS, even more so than the border issue, and I'm in a huge cattle-producing area. I'm getting told from farm groups that there isn't enough money in farmers' pockets right now to put the crop in the ground. You're saying there's \$600 million sitting in deposits. You said \$200 million represents a third?

Mr. Danny Foster: Yes, \$270 million would represent about a third. From the producers who have actually made a deposit, the minimum deposit would be \$271 million. There is actually \$640 million sitting in those accounts, and as Mary mentioned, we now have authority to allow producers to bring those extra funds down to the minimum one-third.

Mr. James Bezan: What's ludicrous about the deposits, though, is that it's like my going and buying a new tractor and just leaving it at the dealership, not even bringing it home to use it. You can't use that money. It provides you no benefit sitting in the account. There's no reason to have a deposit.

I thought that through the budget the minister was committed to moving ahead on this, and definitely the provincial agriculture minister has swayed him to go a different route. It has nothing to do with making the program green. The program's not green, Danny. If you look at it, you'll see it's an amber program. The income-triggering portion of this thing is an amber program. So let's take out the deposit and put it back in the hands of producers, so they can do the right thing.

• (1615)

Mrs. Mary Komarynsky: Actually, the federal budget indicated...there were two sentences in there. One was the agreement that the deposit does not work. The second part of the budget speech was that the Government of Canada would work with its provincial counterparts in industry to find a replacement for the deposit.

At last week's ministers meeting, provincial ministers agreed that they would work together with our government as well as industry to find a replacement.

In terms of it being amber, I'll let Danny respond.

Mr. Danny Foster: It's just that for reporting purposes, with respect to our aggregate measure of support commitments, any payments triggered from the disaster portion of the CAIS program are reported as green.

Mr. James Bezan: But it's income support. That's amber, and that's not available.

We're still talking 2003 here, so 138,000 clients...what is it, 49,000 paid out? What type of timeline are we looking at right now for people who have filed, who are waiting for their money and are getting quite frustrated with the wait?

Mrs. Mary Komarynsky: Where we deliver, we expect that we will have processed 95% of the 2003 final payments by the end of this month. Depending on which province...the other provinces that deliver—Ontario, Alberta, P.E.I., and Quebec—are at different stages. But for the six provinces where we deliver, we will have completed the majority by the end of this month.

Mr. James Bezan: You're talking about maybe making some changes to the Olympic average. You're talking of the possibility of going down to three years. You realize that the last three years in agriculture have been the worst three years in quite a long time. In 2003, even after government support, we actually had a negative balance at the farm gate. People were biting into their equity and taking out more loans to survive.

Shouldn't we be looking at a longer term, move it to 10 years, taking some of the good years we had a decade ago so that we can actually have some income for these people?

Mr. Danny Foster: That's where we run into trouble with our WTO criteria, because it's very well defined that you have the Olympic average, or the previous three. With respect to looking at the previous three, it was in fact the minister's Safety Nets Advisory Committee, a producer representative from Saskatchewan, that asked us to look at the possibility of giving producers the option to choose which methodology to use, a one-time choice. So that's the direction we're moving in.

But in terms of going longer, that's when you run into trouble with your trade obligations.

Mr. James Bezan: It's already an amber program, so why worry about it?

What about appeal mechanisms? We have a lot of guys who are really disgruntled, the ones who have received the response back, who didn't qualify. And as Gerry said, we're hearing more about the guys who aren't qualifying than the guys who are saying that it worked for them. I have heard of guys who have similar farms, similar operations, who marketed their crops and livestock at about the same time, and one guy gets a \$40,000 cheque and the next guy gets nothing—or even owes money because he had a cash advance.

So are there appeals? How are we handling this? How much does that slow down the process?

Mrs. Mary Komarynsky: Regarding appeals, I mentioned in my opening statement that there will be a national CAIS committee that will have both producer and provincial government representation as well as producer and federal representation. It will be that committee that will establish the appeal process for CAIS. We're just finishing our process of appointment, and we expect that CAIS committee to be up and running soon. One of the first things they will have on their agenda is to establish how the appeal process will work, whether it will be a national appeal committee or be regional.

We recognize very much that there are quite a few appeals already waiting, but until we get that national CAIS committee up and running.... That's the committee that will hear the appeals.

The Chair: We'll move across the table to Mrs. Ur.

Mrs. Rose-Marie Ur (Lambton—Kent—Middlesex, Lib.): Thank you for coming today. I could have used your expertise last Saturday at a federation meeting in London. The topic was on all aspects, but I can tell you that CAIS took 90% of the questions from our local producers.

At one time we had it capped at \$975,000, and we moved it up to \$3 million. One of the questions they asked was whether it would not have been better if it had been kept at \$975,000 so that more farmers would have benefited. They wondered who really benefited from a \$3-million cap.

• (1620)

Mrs. Mary Komarynsky: I'll answer the first part of the question. In terms of who benefits, though, I'm not sure if Michele or Danny can help me.

The cap is available to all producers and it does not in any way reduce the number of producers who can benefit from the program. As Danny has mentioned, and as I think we have mentioned in previous visits here, it's a demand-driven program. If you're enrolled

in the program—that's the key—and you qualify for a payment, you get one. That's what “demand-driven” means. So increasing the cap to \$3 million has not reduced what benefits producers are eligible for, nor has it in any way restricted who can enter into the program.

In terms of who has benefited from the \$3-million cap, I'm not sure if either of my colleagues know.

Mrs. Rose-Marie Ur: Maybe you can take a look at something back in the office and provide the committee with that information so that I can tell my producers.

In your capacity, are you going to be looking at the application? They complained about the application forms and the appeals process. I had one farmer who went to his worthy accountant, and his accountant told him he was going to get \$100,000. He got a lovely, dear letter that he was getting nothing. He appealed it and then he got \$100. That didn't even pay for the accountant. Then he appealed it again and got \$10,000. I don't know how many times you can appeal. Maybe you can work it up to the \$100,000.

Some hon. members: Oh, oh!

Mrs. Rose-Marie Ur: It really sends the wrong message out there. And that's only one case of many, so I'm hoping that will be addressed.

Ms. Michele Taylor: Mary mentioned that it's actually the national CAIS committee that looks at the appeals, and that committee has not been set up yet. I don't know the specifics and wouldn't speak to the specifics, but generally I can say that what you're describing is an adjustment to an account, so that producer still has the opportunity to appeal his application.

Mrs. Rose-Marie Ur: Do you realize how frustrating that is for a farmer? We don't have a second chance when we're farming. We have to do it right the first time. It's just wrong messaging, and it's wrong. We need to do it better, so I'm really hoping we can do something different there.

Also, we have different administrations, whether it's federal or whether it's provincial, and we have one year in. Have you done a costing as to whether it's more beneficial to have it administered federally versus provincially?

Mrs. Mary Komarynsky: I'm trying to remember. In terms of the administrative costs, I know we're forecasting nationally for about \$88 million this year. I know that federally, where we deliver, we're averaging about \$500 to \$700 a form.

Ms. Michele Taylor: The national average is \$650 per form. There are some differences in administrative costs. We are looking at simplifying the procedures so that we can reduce the costs.

Mrs. Rose-Marie Ur: Which is the cheaper way of doing it? You said there was a difference in admin—

Ms. Michele Taylor: There is a range.

Mrs. Rose-Marie Ur: That's not really an answer.

Mr. Danny Foster: I would just add that it's very early in the process. As Michele said, we have a couple of models out there right now. We have the federal delivery model and we're very much linked with the income tax process, but we also have provincial delivery models, where the same agency that delivers production insurance is delivering CAIS. So there are some efficiencies that are apparent from that connection as well.

It's a matter of our having some models out there. We have to assess them and move to the direction of the best model. That may be a combination of things. I think where we're going with harmonizing the information requirements through the tax reporting process is going to pay really big dividends in terms of streamlining this process in the long term. We'll get all the information through the tax process in the spring. We're at the stage, coming to the end of the first year of delivery, where we have to assess those types of issues with respect to delivery.

Mrs. Rose-Marie Ur: Do you have any information as to the number of individuals who are enrolled in the NISA program who use those dollars to make a deposit in the CAIS program versus new applicants with new money? Maybe you can just bring that to the committee when you bring that other information.

Thank you.

• (1625)

The Chair: We'll move over to Mr. Gaudet.

[Translation]

Mr. Roger Gaudet (Montcalm, BQ): Thank you, Mr. Chairman.

On February 22nd, I attended a union meeting in my region. I learned that 1,193 producers were participating in the CAIS program, and 119 of the files submitted had been processed by the Financière agricole.

How can you tell me that all the CAIS payments will be made at the federal level by March 31st? I find that hard to believe.

In Quebec, for example, and more specifically in my region of Lanaudière, only 119 files had been dealt with, and there are 1,193 participating producers. That is just 10 per cent. And you are going to be closing your books on March 31st. I want to know what is going on.

[English]

Mrs. Mary Komarynsky: I apologize. I should have been more specific.

What I meant was that where we deliver in the six provinces, not including Quebec, we will have finished 95% of our processing by the end of this month. In the province of Quebec, they began their processing in December 2004. They are catching up quickly. Just in the province of Quebec, to date they have paid out \$81 million to producers under the 2003 CAIS program. For the 2004 CAIS program, Quebec producers have received \$27 million in CAIS special advances. Those are the special advances that went out for cattle and ruminant-type animals.

As for what is being estimated for the 2003 CAIS, Quebec has estimated that we will be putting out, federally-provincially, \$142.9 million. So they're currently at \$81 million and they're estimating

that the program will pay out almost \$143 million. They're also estimating that for the 2004 program in Quebec, we will be putting out \$136 million, federally-provincially, to producers for the 2004 CAIS year.

I don't have the answer to your question as to when Quebec will finish processing the 2003 CAIS program year, but we can get that for you.

Mr. Danny Foster: If I could just add to this, I know that in Quebec, unlike in the other provinces, most of the producers were not participating in the NISA program, so they did not have the history or data that formed a large part of the reference margins for producers under the CAIS program. They had to go through the effort of collecting basically five years of data to help build the reference margins for producers, so it took more time. But producers were qualifying under the ASRA program in the meantime.

But as Mary said, now that they've got that data, they are quickly catching up now in making the CAIS payments.

[Translation]

Mr. Roger Gaudet: It seems to me that you hold a lot of meetings. From what we can see, farmers agree with the government, the ministers of Agriculture have promised to work together and the system is functioning. I have the impression that there may be a little bit too much structure and too many meetings.

My colleague across the table, Mr. Easter, travelled across Canada. He came to Quebec in January to meet with the UPA. He knew that producers had experienced a deficit of \$2.1 billion in 2003. March 31, 2005, is approaching, and I wonder what you have done as deputy minister to help our producers. I am not talking only about Quebec producers, but those from across Canada as well. No concrete steps have been taken. People are just holding meetings and talking about things.

[English]

Mrs. Mary Komarynsky: I would agree with you that I go to too many meetings. At the same time, I'd say a couple of things.

First, when you have the CAIS program or any other federal or federal-provincial program—and as was indicated in the budget of 2005—it's critical, whether it's as provincial or federal officials, that we consult with stakeholders. Many of the meetings are with producer groups, with advisory groups, to seek their input on the concerns they have, and we will be seeking their input on alternatives to the deposit option.

As for what we have done to improve CAIS, given that we're just putting out 2003 final payments, I think both federally and provincially we have actually done quite a bit to respond to some of the concerns producers have raised. First of all, you know that for the most part we give CAIS advances. As I have indicated to this committee, we recognize that the CAIS advances were critical to flow cash to producers, and we increased the amount of the interim advance from 50% to 70%. We introduced negative margins, so that when a producer's income falls below zero, the federal and provincial governments are paying 60% of his losses in negative margins; producers don't have to put in any additional money. We introduced a special CAIS advance to deal with producers who were impacted by BSE and other ruminant producers, and that money has gone out. We also, as the other member mentioned, increased the caps on what producers could receive as a CAIS payment.

Given that we're just finalizing the first year of final payments, I think there have been a lot of changes made to the program, and those changes have been made because of those many meetings where we've been able to hear the concerns of producers and put in changes in response. As I've indicated, the discussion has taken place, and now we're going to be looking at a deposit alternative. As well, at the federal-provincial ministers meeting last week, ministers asked us to look at other things too. We've raised before here the inventory valuation question. We've raised administrative complexity. We've raised the whole Olympic three-year average. Ministers have asked us to look at those and consult with producers because of the meetings where we've heard the concerns of producers.

• (1630)

The Chair: Time has expired, Mr. Gaudet.

We'll move to Mr. Easter, for five minutes.

[Translation]

Mr. Roger Gaudet: May I have another turn, Mr. Chairman?

[English]

The Chair: Another time.

Hon. Wayne Easter (Malpeque, Lib.): Thanks, Mr. Chair.

Just off the top, in terms of the question James and Charlie raised about the CAIS deposit, I think the witnesses are in a difficult spot, just as the federal-provincial meeting has ended. In fairness to the witnesses and the statement made in the budget, it is a federal-provincial agreement, and those provincial ministers who were met with last week have an obligation to go back to their cabinets to talk about the issue and decide where they'll go from there. That's fair ball. So there's no way the witnesses can answer that.

Second, I guess one of the difficulties of this program is that it is a safety net, but everybody in this room seems to want it to be something other than that. It's a safety net, and it was never designed to cover cost to production. If you want to cover cost to production, go to supply management or something along those lines.

But even with having the safety net program at the same time as this program, we have had the worst prices in history and a number of disasters, so you have to put things into perspective here. Yes, there are problems with the CAIS program, but at the same time there have never been such huge payouts from governments as there

have been the last two years—never. So I think you have to give credit where it's due.

We recognize there are problems with the CAIS program, that's true. The questions I get on CAIS all seem to relate to inventory and how inventory calculations are done. I say what I say because if those people out there believe this is a cost-to-production program, it's not. If you want to design a cost-to-production program, then design one. But this program was never designed to be a cost-to-production program, and I think we should understand that. There are producers out there who want to work the market when prices are good, but when prices are low they want the government there with a cost-to-production program. We have to make up our minds where we're going. We are working on hearings to try to find a way of improving the return from the market. That's an issue for another day.

On the inventory, I understand that the change in the value of inventories over the program year is calculated as the change in inventory quantity over the period, multiplied by the end of fiscal year fair market value. For the starting year there seem to be some distortions. How do you establish the end of fiscal year fair market value? Would it be possible, instead of the way you do it, to use the actual market value? I look at a guy who has cattle, and there's this arbitrary figure there that has no relation to the actual price. So is there any way of using the actual market value?

• (1635)

Mr. Danny Foster: You're right in your description of what we do. To adjust cash income for a year, we look at the change in the quantity of the inventory between the beginning of the year and the end of the year, and multiply that by the year-end price. On the year-end price, 85% of producers have a December 31 year-end, so the prices we use are actual Stats Canada, CanFax, industry-published prices; they're the actual prices that exist for that commodity on December 31.

The difficulty with using actual prices is you have to hold the year open until the producer actually sells the inventory. That's what it would come to. I'll give you an example. In the perishable horticulture industry, we basically wait under the CAIS program until the producers have actually sold that year-end inventory. Then we can bring back the actual value and match it against the expenses in the year. So if we had that with all commodities, there wouldn't be a problem and we wouldn't be discussing inventory.

The problem is that you have storable commodities and value-added commodities like livestock, where you have to come up with a year-end price that, as much as possible, is the best predictor of what the value of that commodity is going to be when it's sold. So that's our difficulty right now with using an actual price.

But as I have indicated a number of times, we've undertaken a study. We have a draft study from IBM on inventory that's made some recommendations, but they've also said we need to do further work on their recommendations before we can take the study forward to ministers for a decision. So the plan right now is to work on the inventory issue from now until July, and go forward to ministers in July with any recommendations for improvement or change.

In that respect, we have producers here from Manitoba. They have raised the issue of the inventory evaluation, and have also put an alternative proposal on the table, which we're looking at.

Hon. Wayne Easter: Is the proposal from producers? Producers are the ones who are working on the ground, and they understand that once you work with this you understand the system. Is the proposal from the producers sitting over against the wall there being given as much interest as the IBM one? We need good comparisons on these.

Mr. Danny Foster: It is. In fact, we are looking at some of their data. We met in Winnipeg a couple of weeks ago. We're meeting again later this week to look at their proposal. That's all going to be combined in terms of what we take forward to ministers in July.

The Chair: Time has expired, but I must ask a question. You referred to the IBM study. Is that study paper or booklet, or whatever it is, available?

Mr. Danny Foster: Not yet; we are hoping it will be by the beginning of April.

The Chair: It will be available? Okay.

We now move to Mr. Angus for five minutes.

Mr. Charlie Angus: Thank you. I want to get back to one of the exchanges a little earlier. You said the committee for the CAIS appeals wasn't set up yet. When will it be set up?

Mrs. Mary Komarynsky: It's the national CAIS committee that I mentioned that will be hearing appeals. We're just finalizing the appointments of those who will be on the committee. We anticipate it will be shortly. I can't say an exact date. It's the appointment process that has to be completed. I assume it would be in the near future.

Mr. Charlie Angus: One of the big concerns I have with producers is they can't seem to figure out how this program works. We had the example about the accountant who said how much they should get and then they didn't get anything, or they got \$100. It seems to me there's a general frustration within the community.

Like it or not, people say that NISA worked; it was more straightforward. I'm trying to understand, first of all, how there could be such discrepancies between what a producer and an accountant will add up and figure out and what they hear back from CAIS, and second, why we don't have an appeals panel in place to deal with that as soon as it happens, because a rejection is financially devastating at this point in the crisis.

● (1640)

Mrs. Mary Komarynsky: There are a couple of things.

First, we recognize, as Danny mentioned, that for those producers who probably weren't in previous programs such as the CFIP, which is the Canadian farm income protection program, producers had to essentially build a database of their own to be able to submit information to the CAIS administration. In the first year of operations—I agree with you 100%—it's a lot of work, which begins to build the foundation we will use for future years of CAIS.

We recognize that whether for accounting firms or producers, in any new program year there was a lot of interaction required. So Michele with her staff, or the provincial officials in provinces that delivered the program, did numerous face-to-face producer sessions where we explained the program and where producers could get answers to questions. In fact, Michele's team went out to B.C. during the avian influenza crisis, went out to New Brunswick just a few months ago, and had one-on-one sessions with producers where they could sit down and say "I don't understand this line or what's required", and they would actually work with the producer and explain what information was specifically required.

We recognize that mistakes have been made by accountants. As a result, Michele and as well the provincial officials have been working with accounting firms to recognize what the most commonly made mistakes are. Those have been posted on a website, and information sessions continue with accounting firms so that we can go over either the common mistakes or the program, so that accounting firms have a better understanding of it.

As for the appeals, I think the other member of the committee mentioned that if the producer gets his \$100 cheque and thought he was getting \$100,000, he or she can contact either the CAIS administration in Winnipeg or the provincial administration and can have a discussion with the officers there. What has resulted in the case the other member mentioned was an adjustment. An appeal, as Michele mentioned, is something that is still available to the producer. As I indicated, as soon as the committee is set up we will begin a process concerning how appeals will be conducted.

Mr. Charlie Angus: In 2003, \$787 million was paid out in CAIS. There's \$600 million sitting in deposits. There's the cost to the producer for going to accountants. There's the cost to producers for keeping up with inventory, especially when they're getting requests. I've had many producers tell me numerous times that they had to go back and redo inventory. There's also the interest that they have to pay on the \$600 million to the banks.

Maybe CAIS paid out a little more than what's in there. Is there much of a net benefit at the end of the day?

Mrs. Mary Komarynsky: I think that if you look at the intention of the program, the intention of the program is to—

Mr. Charlie Angus: I'm sorry. I'm asking about the result. The intention is meaningless.

Mrs. Mary Komarynsky: I think I indicated the forecast for 2003 will be \$1.3 billion for final CAIS payments. I've also indicated that ministers accept that the CAIS deposit is flawed.

The Chair: Your time has expired.

I'm going to take this time to deal with the two motions. We have two members who have to leave to do a TV program, and I want to make sure we retain quorum. Could we have the attention of the members here to the motions before the table?

The first motion comes from the Bloc, from Madam Poirier-Rivard, 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.

Madam Poirier-Rivard, do you want to speak to the motion?

• (1645)

[Translation]

Ms. Denise Poirier-Rivard: The latest budget does not include any new money for agriculture. We are all aware that agriculture is going through a crisis this year. We have never seen a worse situation.

For all those reasons, we are calling for a reassessment of the situation and additional money for agriculture in Quebec and across the country.

[English]

The Chair: Mr. Easter.

Hon. Wayne Easter: Mr. Chair, the budget has in fact been tabled and it isn't outlined in the budget. The policy framework and the fact that we roll over moneys under the policy framework mean that the CAIS program is demand driven. The fact of the matter is, if you went back and looked at last year's budget, it didn't come close to the amount of moneys paid out by the federal government because it's demand driven.

I don't think the motion makes sense, because a lot of the programming is in fact demand driven from CAIS. We have done ad hoc programming as well. In fact, on the weekend, the Prime Minister made it clear that we'll stand with producers in the livestock industry as a result of the last border closure. I don't think we need to go to the budget and lock ourselves into the budget to deal with some of these issues.

The Chair: Mr. Gaudet wants to speak to it.

Pardon me. I'll take Mr. Angus first because I want to ensure the parties make their points of view.

Mr. Angus, quickly.

Mr. Charlie Angus: We have a five-year budget that has zero for agriculture, other than a few cash advances.

My only problem with this motion is that I think we'd have to be very specific. I wouldn't trust Mr. Goodale's budget to deliver

anything unless we really itemized it. I think we should be itemizing what wasn't in the budget for agriculture and what needs to be in the budget.

My only concern is that I think we should be itemizing. We have nothing for debt relief, nothing to encourage young farmers to stay on the land, and nothing to really address the serious crisis facing us.

The Chair: I'm listening to you. I don't want to prejudice the outcome of this vote, but I do think it's probably beyond the jurisdiction of this committee to start rewriting the budget. The budget hasn't even passed yet and we're already rewriting it. I think that given—

Mr. Charlie Angus: What's the point of your budget, Mr. Chair? It has nothing for agriculture.

The Chair: Mr. Gaudet.

[Translation]

Mr. Roger Gaudet: Let us talk about the budget.

Mr. Goodale's budget predicts a surplus of between \$3 billion and \$5 billion. The situation in agriculture could be improved, since there is a crisis, as Mr. Easter said earlier. Producers lost \$2.3 billion, officially, in 2003. Imagine what the numbers will be for 2004 and 2005! Many of our producers are unable to buy seed to plant their crops six weeks from now. I think that it is time for the committee to be assertive and tell our government to invest money in the agricultural sector, which is the backbone of our country. If there is no more agriculture, we will be facing a disaster. It is all well and good to invest money in Bombardier and General Motors, but if there is no food for people to eat, we will be in dire straights.

Thank you.

[English]

The Chair: Is there anyone else? Quickly.

The question has been called.

(Motion agreed to)

The Chair: We'll move to the second motion. It was put forward by Mr. Gerry Ritz. Mr. Ritz is not in the room. I'm going to have to have this motion put forward by a new mover.

Mr. Bezan is putting forward the motion formerly put forward by Mr. Ritz, that the Minister of Agriculture and Agri-Food do appear before the Standing Committee as soon as possible to provide full details into the government's response to the continued border closure against Canadian cattle and to outline plans for improved support for the beef industry.

Are there any comments on that? Do you want to speak to that, Mr. Bezan?

Mr. James Bezan: I think that it's pretty self-explanatory. With the workings from last week down in the United States, we now have no idea when that border is going to open. We need to have the minister in here as quickly as possible to give us a full briefing on what's happened down there.

Also, let's start developing a game plan so that we know where we're going over the next number of months, and hopefully not years, and really look at not just support but also initiatives in market development.

The Chair: Is there anyone else? Quickly.

Mr. Easter.

• (1650)

Hon. Wayne Easter: I don't think we've any problem with that, Mr. Chair.

The minister couldn't be here on Thursday. I believe he is meeting with producers on Thursday on this issue, but I think the minister would welcome the opportunity to come before the committee when it can be arranged.

The Chair: I'll entertain the question.

(Motion agreed to)

The Chair: It's unanimous.

We'll move on again now to our next questioner. We move to Mr. Miller.

Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC): Thank you, Mr. Chairman.

Before I start, I want to say I came here today hoping to hear some new changes and what have you in the CAIS program. I'm pretty disappointed even about some of the comments that have been made today.

I have to go back first to the one you made, Wayne, about supply management. No, this isn't a supply management program. This isn't even a good insurance program. And it sure as hell isn't a disaster program. That point needs to be made.

This thing isn't working for anything. You made the comment about government or the representatives having to take it back to their cabinets, and what have you. Yes, that's true, but your party, or at least everybody who was there that day, voted against getting rid of this deposit a long time ago, at least more than a month ago. If that had been worked on, then this would have been resolved by now and we wouldn't be coming down to the crunch.

Dan, you made a couple of comments here earlier about no cost to producers, but you turned around and retracted that comment. It appears to me that if this is the attitude within your department, it's no wonder you haven't come back here with any changes to the CAIS program to try to make it work today. It must be that we'll just go along and pretend we're doing something.

I know it's not a question, Mr. Chairman, but it's very frustrating to me. It's very frustrating to the people out there who are looking for changes, and who have been demanding changes for well over a year now, and what have you.

On that point, I will ask you something. Do you have any changes you can tell us about that you forgot today, or that are in the works, something that'll actually make the program work?

Mrs. Mary Komarynsky: Let me talk to that.

Do we actually—we being the feds and the provinces—have any changes? As I answered previously, given that we're just making payments for the first year, I think we have made a lot of changes in response to some of the concerns that producers have come up with. I won't go over them again because I've answered that question.

I also indicated that last week at the federal-provincial ministers meeting, ministers asked us to look at some of the other areas that producers have concerns with: deposits, administrative complexity, inventory valuation, as well as whether there are more efficient or more proactive ways of getting cash out other than waiting for the final payment.

I think that both ministers and officials actually have heard producers. To make those changes... I recognize that the member is indicating we're not doing it fast enough, but the changes are significant that will be proposed. It takes time to consult with industry, it takes time to do an analysis of the impact they would have not only on producers but, as well, on governments in terms of affordability, and they need to come to ministers for decision. As I indicated, we've been asked to bring back material for a July conference of ministers.

Mr. Larry Miller: Mr. Chairman, I would like to request that this board have these changes before it. I can tell you, as somebody who has tried to deal with the CAIS, I haven't seen any of them when it comes to me as a producer. As a politician, I haven't seen them. So I'd like those changes listed.

Mary, you mentioned that these things take time. It goes back to being ready for a disaster or what have you. This is where, of course, hindsight is always good. I hope to God we're going to have something in place for the next one, God forbid that it ever happens. We're still a long ways from that and we're well into the current one. We weren't prepared for this disaster. I think the sooner we admit it to ourselves, maybe the sooner we can go ahead.

I guess an example of that is establishing a CAIS appeal committee, the national one that you talked about. Well, hello, we're well into it. Why wasn't this designed as part of the program? Every program has an appeal process to it.

• (1655)

Mrs. Mary Komarynsky: The terms of reference for the national CAIS committee are actually in the implementation agreements that federal-provincial ministers signed on to. We have the terms of reference. As I've indicated, we have the representatives. We're finalizing the final appointments for the committee.

I agree with you that the time it has taken to go through the appointment process is longer than anticipated. I'm not denying that. But I also indicated that we should have the committee up and running soon, and the appeal process will be one of the first orders of business.

The Chair: I'm sorry, you're time has expired.

Mr. Drouin.

[*Translation*]

Hon. Claude Drouin (Beauce, Lib.): Thank you very much, Mr. Chairman. I would like to thank our witnesses for being here.

I have two questions and I will begin with a comment.

Mr. Foster, you mentioned at the beginning of your remarks the problem that Quebec producers are facing. Since Quebec did not have any historical data and five years of data was needed for the reference margins, the Financière agricole had to collect all that information on producers, which took a long time. We were told last week that at least 500 to 600 cheques a week were going to be sent to Quebec as 2003 final payments. As soon as that is finalized, processing will get underway for 2004. I believe that it is even being done at the same time, which is a good thing.

However, there has been a lot of talk about the deposits, and there was something that I was wondering about. In a crisis situation like this, producers do not have money available. It is difficult for them to set aside money as a deposit. I understand that this is a problem, since coverage is chosen on the basis of the deposit, but would there be any way for the producers' deposit to be deducted from the government's payment, thus reducing the amount that the producer would receive?

Let us take a hypothetical example. If you were entitled to \$60,000 and your contribution was supposed to be \$4,000, the \$4,000 would be deducted and you would receive \$56,000. This is just a fictional example, which is not very realistic, I know. The idea would just be to give our producers some leeway, since their money is all tied up right now. It would give them some breathing space and a chance to get through this crisis which, as has been mentioned several times around this table, is quite unusual. It is probably the worst crisis to have hit the agricultural sector, and I hope that it will be the last. It might be a way of resolving the problem. I would like to hear your comments on that.

[English]

Mr. Danny Foster: The example you've given is often referred to as deeming the deposit. We had a similar feature under the net income stabilization account program. It doesn't quite work with the CAIS program because, again, the deposit isn't a cost. It goes into an account and remains as the producers' money. When they have an income disaster, they get the money back. To deduct it from the government payment, we'd only be reducing the benefit from the government. So the deeming concept doesn't quite work for the CAIS program.

That being said, as Mary said, ministers have directed officials to look at all the alternatives to the deposit for presentation to ministers in July. We'll be looking at a variety of options. But in terms of deeming the deposit, basically we'd be giving producers less government money right at the time they need it. That's why we don't think the deeming concept would work.

With respect to what Quebec is doing in terms of processing the applications and getting the money out the door, I would point out that we've put more out nationally under the CAIS program, \$37 million, in the last week alone. There's a lot of money going out each week with the processing of applications.

[Translation]

Hon. Claude Drouin: I would like to come back to one point. You understand the program well, but I did not really understand what you meant when you said that this could not work because it would penalize producers, even though that is how things were done

in the old program under the Agricultural Policy Framework. That was what I understood.

Would you like to explain that to me in a different way? I did not really understand your explanation.

• (1700)

[English]

Mrs. Mary Komarynsky: I'll try, because I'm not as technically competent as he is.

Right now, when a producer puts a deposit into his bank account, it's his money but it's frozen. That's one of the concerns producers have, that it ties up their money when they need it most. When a payment comes out, when there's a CAIS payment from the government, the producer gets his deposit back.

Your alternative was to just issue a CAIS payment and then take off the amount of the deposit. Right now the deposit belongs to the producer. As Danny said, we would actually be penalizing the producer, giving him less money, when really the challenge for him is the fact that the deposit is frozen in his account until he gets a payment. So it's one alternative that I think Danny has said is probably not something producers would accept.

I don't know if that's helpful.

Mr. Danny Foster: Maybe I can try another example.

Let's say a producer would normally be required to put in a \$5,000 deposit. We're saying we're going to try to deem this deposit as made, so there's no money in the producer's bank account. Now the producer triggers a government payment of \$70,000. We would say, let's take \$5,000 of that \$70,000 of government money and put it in the producer's bank account. It's now locked in; the producer does not have access to it. We'd then give him the remaining \$65,000. So contrary to the way the program works now, the producer has only \$65,000, where they would have had their own deposit of \$5,000 coming back plus the government contribution of \$70,000. So the deeming basically gives the producer less money just at the time they need it.

[Translation]

Hon. Claude Drouin: If I understand correctly, a producer who is entitled to \$70,000 under the current program would keep his deposit and would not touch it. It would be put aside, and the producer would receive \$70,000 from the government.

Mr. Danny Foster: Yes.

Hon. Claude Drouin: Is that right?

Mr. Roger Gaudet: Would it be possible for them to send us in writing, preferably in both official languages, how the deposit works and that explanation?

[English]

The Chair: Can you do that, Mary? And do it in your terms, not in Danny's terms, because he's too technical.

Mr. Danny Foster: Sorry.

The Chair: We were just beginning to understand it when you gave us your rendition of it.

So, Mary, you give us your rendition of that.

Mrs. Mary Komarynsky: Danny is going to be in shock.

The Chair: I know, but Danny and I are still friends.

Anyhow, would you do that for the committee?

Now, Madam Poirier-Rivard, I think you have a question or two you want to ask.

[*Translation*]

Ms. Denise Poirier-Rivard: Yes.

We have talked a lot about inventory evaluation here today. Are you planning a report on accounting methods? When will it be released?

[*English*]

Mrs. Mary Komarynsky: I think, as Danny has mentioned, we do have a draft report done by IBM to look at the inventory valuation. We had some discussions on the report with our provincial colleagues and there were many questions and comments, so the report has to be revised. There are areas there that are not clear. Until we have a final report that we could then share with the committee as well as with producers.... I think Danny mentioned that sometime in April we would be able to release the report.

[*Translation*]

Ms. Denise Poirier-Rivard: You have until April 2005? Thank you.

[*English*]

The Chair: You can have another question, Monsieur Gaudet.

[*Translation*]

Mr. Roger Gaudet: Did I understand correctly that it costs producers \$650 to prepare their report for the CAIS program? How much does it cost producers to do this report?

[*English*]

Mrs. Mary Komarynsky: The \$650 was the national average to process a form. Michele has added that right now with CAIS for 2003 it costs the administration, whether it's us or the provinces, between \$500 and \$700 to process the form, to go through it, analyze it, and issue the cheque.

• (1705)

[*Translation*]

Mr. Roger Gaudet: The form seems quite complicated. Even chartered accountants have difficulty filling it out. A number of accountants have been consulted by the Financière agricole and other people, and they have said that the document is poorly put together. I believe that your forms are very difficult to fill out.

[*English*]

Mrs. Mary Komarynsky: I've gone through the forms. I'm not the best person to respond to your question, because I'm not a producer—I don't have to fill one out—but you're right, we have heard it is very complicated. I'm not going to sit here and say it's not.

However, whether it's the federal administration or the provincial, not only did we have the sessions I mentioned, but we also have producer guidelines that help them fill out the forms in terms of what is required. If a producer has a question, he can phone our toll-free line where we administer. The provinces that administer also have

phone lines so producers can call in. They can get someone on the phone and ask a question. Accountants can do the same thing.

[*Translation*]

Mr. Roger Gaudet: I will submit this to the government and talk about it tonight.

Would it not be a good idea to have an agriculture foundation and to put money into it every year? When the government needed money to deal with a crisis like the one this year, the money would be there. Would that not be a good thing?

[*English*]

Mrs. Mary Komarynsky: In some ways that's how production insurance works. With production insurance, producers pay a premium; federal and provincial governments put in money; they insure themselves. If they have a disastrous crop, for whatever reason, they are covered by the pot or foundation of money being built. In good years, if there are no disasters like frost or drought—and there aren't too many of those—the pot of money, the foundation, actually grows, so that in a bad year you can pay out.

Is that an option for CAIS, moving to a more insurance-type program? I think that remains to be seen.

The Chair: Okay, we'll move to Mrs. Ur and then to Mr. Anderson. That may be our last question, given that the bells will start to ring in a few minutes.

Mrs. Rose-Marie Ur: I shall be quick so my colleagues can have some time to question.

You mentioned, Mary, options to deposits. Without giving away any state secrets, can you give us a couple of examples?

Mrs. Mary Komarynsky: One option could be going back to what the member has just raised. A producer would still select his coverage—how much he wants to be paid for—and then, instead of a deposit, there could be a small fee. That fee could go into a pot that grows and is used to help make the payments. So that is one option.

Mrs. Rose-Marie Ur: Also, you had indicated—I don't know whether it was you or Danny—that we wanted to treat all producers equally. However, I'm sure you have read the papers, and all the rest. Our grains and oilseeds people certainly aren't happy campers, and they have a real reason to be pretty upset with this program, so are you looking at how we can make this program better? It certainly is devastating in the grains and oilseeds sector.

Mrs. Mary Komarynsky: Correct me if I'm wrong, but the challenge for the grains and oilseeds sector is their prices now. That's in the 2005 program year, which means the payments don't come out until quite some time later.

Mrs. Rose-Marie Ur: Actually their challenge has been the last 20 years, not just the last year.

Mrs. Mary Komarynsky: But I think this year is especially bad. On grains and oilseeds, this inventory evaluation study Danny referred to—depending on the outcome, it's the same issue; it's the beginning-of-the-year price and the end-of-the-year price. If we make recommendations to ministers to improve that, it's one way we can help.

•(1710)

Mr. Danny Foster: I would just add that as to our forecasts, where I talked about forecasting over \$1.3 billion in each of 2003, 2004, and 2005 as we go out, a lot of that money is going to grains and oilseeds producers because of the projections for 2005 prices.

The Chair: Mr. Anderson.

Mr. David Anderson (Cypress Hills—Grasslands, CPC): Thank you, Mr. Chairman.

You said you had disbursed about \$780 million to 49,000 producers. That averages out, if I'm right, to around \$16,000 a producer. But in most of these programs a big percentage of the money goes to the top 10% or whatever of the people who are being paid. Do you have any breakdown on what that top 10% of producers would be receiving in terms of an average payout?

Mrs. Mary Komarynsky: We can supply that. We don't have that information with us, but we can provide the committee with that information.

Mr. David Anderson: Do you have any idea of what range that would be in, the average payment to the top 10% of producers?

Mr. Danny Foster: We wouldn't know. I'd be guessing.

Mrs. Mary Komarynsky: We'll provide that to you.

Mr. David Anderson: Thank you.

You talked lots about the deposit, and I just want to know, how does removing the deposit enable improved access to the CAIS program? To my mind it's a good thing to take it out of there because that's a requirement of the producers, but it doesn't help those folks who aren't accessing the program. There are other problems with the program—and Mr. Miller mentioned them—that are keeping people from accessing it. Removing the deposit doesn't change that, does it?

Mr. Danny Foster: In fact, we have heard arguments from industry and from some members around this table that the deposit is an inhibitor to producers coming into the program. They have to go and find \$10,000 on an already tight operating line of credit to put into a bank, and maybe it's just that one final thing that makes them say, with that in addition to their accounting fees, etc., they're not going to bother. It's hard to tell how many producers are actually in that situation, but any time someone has more to do to participate in something, you would suspect you'd get lower participation.

Mr. David Anderson: You argued the opposite thing a while ago, but anyhow, for those folks who cannot access the program, this doesn't change their situation. For the most part, from what I'm hearing, it's the people who need access to the program who are not getting it.

I have an example. Someone told me he had a really good crop a couple of years ago. He's one of the most successful farmers in a particular area, and it looks like he's going to access \$300,000 to \$400,000 from the program. He has some relatives who've had three bad years in a different part of the province, and they're getting nothing; they're in a desperate situation. He said he probably doesn't actually need the program but that they desperately need it, and because of the structure of the program they're not going to be able to access that.

Those are the problems we have with the program.

Mr. Danny Foster: You're talking about people with low reference margins, if you will. If they're not going into a negative margin, which the program covers, then they're getting little support.

Mr. David Anderson: There are some people who have been very successful and have taken a fairly drastic decline in income over the last year or year and a half, and they will trigger large amounts. There are other folks who the program is supposedly for, people who are really suffering, and you're not able to supply any help for them at all. Just removing that deposit doesn't change their situation.

Mr. Danny Foster: It doesn't deal with that.

Mr. David Anderson: The \$650 per form seems fairly high in terms of administration, but I'm just wondering, can you tell me what expenses are included in that? Are they administrative expenses? Is that the cost of buildings and the capital costs of buying the computer systems? What costs are involved in that?

Ms. Michele Taylor: The basis for what's included in the shareable cost for administration of the program is outlined in the implementation agreement. It would include some infrastructure or building costs, but that is limited. We could provide a greater breakdown of it.

We've talked about there being similarities between the structures of the CAIS and CFIP programs. For comparison, I can tell you that when we administered the CFIP program, our cost per form averaged \$1,300 over the three years of that program. So we have actually significantly reduced the administrative costs through the CAIS program, and we continue to look for ways to simplify the process so we can bring the cost down.

•(1715)

Mr. David Anderson: I hope you understand that the producers are running into basically the same thing they did with CFIP, which is people who don't understand the program and don't understand that much about agriculture. I'm not sure where they were hired from. But in our offices it's déjà vu. The same things are happening now as were happening three years ago with the other program in terms of their complaints. While you may have cut the costs; I'm not sure you've increased the efficiency of the administration that's going on now.

The Chair: Your time has expired.

I have two short comments. In this room are certain people who have made some attempt, speaking to the department, in terms of inventory evaluations. I trust that those discussions will be continued and that if there are positive results coming from those discussions, they would be applied as quickly as possible. We need to move very quickly. We're in a crisis, and I can't stress that enough.

The other question I have would be to Danny. I think you mentioned earlier that you hope to see the day when we would find an income tax form perhaps being relatively sufficient to trigger without going through the process of long forming. I'm wondering whether that's a reality we can anticipate in the near future. I would hope so, because the biggest disagreement people have with the way the system runs is that we apply one system of income tax forms based on their income and the return of payable income taxes, but those same numbers don't apply for the program. There's something wrong in a system where you have the program not applying equally for the purposes of income tax collection and collecting for farm programming.

Do you understand my question?

That has been a real irritant out there. It goes back and forth. The costs of accounting aren't allowed under the program, which is another irritant. We could go on and on. That's just to let you know that we know of some of the irritants. Let's work out these bugaboos, because we simply can't tolerate them. The costs are prohibitive.

Thank you for the questions.

Thank you very much for coming today and being forthright. We ask that you provide to the committee and the members here responses to the requests for information that were made today.

Thank you, and we will see you next time.

The meeting is adjourned.

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