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Chair

Mr. Paul Steckle

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• (1525)

[English]

The Chair (Mr. Paul Steckle (Huron—Bruce, Lib.)): Ladies and gentlemen, seeing a quorum, I will call the meeting to order.

Today, as we had outlined last week, we want to look at some of the aspects of our stabilization program, the CAIS program, and other farm income issues. Some have been raised at the table. Others may be raised today.

We have with us today officials from the department, people who will be able to assist us. We want to welcome to the table Mary Komarynsky, assistant deputy minister, farm financial programs branch; Danny Foster, acting director general, general farm income and adaptation policy; and Michele Taylor, executive director, farm income programs directorate.

With that short introduction, ladies and gentlemen, we leave you to present and then we will have questioning.

Ms. Komarynsky.

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

My remarks this afternoon are going to be short. We are pleased to be here today. In our last two visits here in respect of the CAIS program, we have appreciated the comments and questions by the committee members.

I want to touch on three things. First of all, I want to give you a sense of where we are with the CAIS 2003 final payment. When our minister was here a few weeks ago, he noted that there had been \$1.6 billion paid out in CAIS 2003, 2004, and 2005. That number has now increased to \$1.7 billion, of which \$1.2 billion is CAIS 2003 final payments. Nationally, this means we have now processed 93% of the final CAIS payments. When the minister was here last, we were at 90%. Our forecast for final CAIS 2003 payments was \$1.4 billion. We're currently at \$1.2 billion.

We have begun processing final payments for the 2004 CAIS program. As for deadlines, I'll remind the committee members that the deadline for the tax information, which is important to be able to process final payments, is June 15 and June 30 for individuals and corporations respectively. Producers also have to submit supplementary information, for which the deadline is September 30. For some producers, we have all this information, so final payments for 2004 CAIS are beginning to go out.

The second point I'd like to touch on is the national CAIS committee. When we were here last, our minister indicated that the national CAIS committee had already had its first meeting. To reiterate the role of the CAIS committee, they will establish a CAIS appeal process. Their other responsibility is to make recommendations to ministers for continuous improvements to the CAIS program.

Third, we have a meeting next week, on June 14 and 15, where we will be discussing the final roster of producers who will make up the CAIS appeal process listing. At the meeting, there will be quite a bit of work on key issues of the CAIS program. These include the CAIS deposit requirement and options for an alternative, how inventories are valued under CAIS, a more proactive advance mechanism that would get money out faster when needed, the CAIS production insurance linkages and whether or not they can be strengthened, the simplification of the CAIS program, and finally, what CAIS can do to address reference margins.

All of these subjects will be discussed with the national CAIS committee next week in the hope of having their input. If necessary, we will have another series of calls prior to the July federal-provincial ministers conference to provide ministers with input and recommendations from this committee.

Those are the three points I wanted to raise: where we are with CAIS processing, the role of the national CAIS committee and the issues that will be going forward to the federal-provincial ministers conference in July, and what will be discussed next week at the CAIS committee.

Thank you.

• (1530)

The Chair: Are there any other comments, either by Ms. Taylor or Mr. Foster? If not, we're ready to entertain questions.

Is Mr. Miller first today? Okay, Mr. Miller.

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

First of all, I'd like to thank our witnesses for being here today. I appreciate you coming.

Mr. Chairman, back when this CAIS thing came in, the government couldn't wait, according to them, to get this money out, this advance money they talked about. But it turns out that what every producer understood to be an advance on something more they'd be getting for BSE down the road was the exact opposite. So everything they got as an advance on a special BSE fund or amount turned out to be something that's going to come off anything they might be eligible for down the road.

I'd like to hear some comments about how you actually made it clear to producers out there that this wasn't really a BSE fund at all, but was basically just part of their ongoing thing, because now producers in my riding are just getting calls back. You can't wait to claw back the money fast enough.

Mr. Danny Foster (Acting Director General, Farm Income & Adaptation Policy, Department of Agriculture and Agri-Food): Maybe I can speak to that.

The issue we've seen in the press as of late with respect to that advanced payment specifically deals with something the Province of Ontario did in response to BSE in advance of signing on to the CAIS program.

I don't know if you recall, but back in December 2003—or actually, it was the fall of 2003—we had a number of provinces that had signed on to the CAIS program, but we still didn't have enough provinces signed on to the agreement so that we could launch the CAIS program. So what we did federally was enter into bilateral agreements with those provinces and offered what we called producer assistance payments, which were, in effect, interim payments to producers. It was clearly made known to the producers in the provinces where the federal government delivers—and that doesn't include Ontario because they hadn't signed on in fact at that point—that if producers wanted to apply they could apply based basically on the CAIS rules and get advance payments.

But what we're talking about with respect to the Province of Ontario is that Ontario, at the same time, hadn't committed to signing on to the CAIS program but felt pressured to do something similar to what the federal government was doing with those provinces that had signed on to the CAIS program. So they offered a BSE advance payment program. They went out and actually issued cheques to producers based on information they had from the NISA database, and they told the producers that this payment would be counted against a future whole-farm program. They didn't say “CAIS” because they hadn't committed to signing on to the CAIS program.

The problem was that it wasn't clear to the producers who were getting these payments what the status of those payments was going to be in the future.

• (1535)

Mr. Larry Miller: Thanks. You just said it. It wasn't clear.

Mr. Danny Foster: That's right.

Mr. Larry Miller: This is all on the back of the province. This is the province's fault.

Mr. Danny Foster: Exactly. The province announced this as a provincial program and the province is deducting that advance payment against its share of CAIS payments.

Mr. Larry Miller: Okay, we're clear on that, Mr. Foster. Just for the sake of time, then, this money was issued by the province and what have you, and this is their fault, their doing. In reality, then, the federal government, through this, never gave anything on it.

Mr. Danny Foster: No, we're giving our share of the CAIS payments.

Mr. Larry Miller: What's your—

Mr. Danny Foster: The 60% CAIS payment is going out to producers. That advance payment they made under their 2003 Ontario advance payment is not coming off the 60% share of the government's CAIS payment.

Mr. Larry Miller: What about the 2004 advance?

Mr. Danny Foster: It's the same thing. It's coming off the province's share of CAIS payments.

Mr. Larry Miller: Okay. Can you tell me, if farmers received an advance payment under that, and now, because of the kick they've taken with the BSE crisis, guys in their late fifties and early sixties are just saying, “I've got to get out with the shirt on my back”, and they don't join CAIS because they're going to get out of the business, are they going to have to pay that money back?

Mr. Danny Foster: Right now that's the province's position.

Mr. Larry Miller: Even if they retire?

Mr. Danny Foster: Yes.

Mr. Larry Miller: What's the penalty if they don't? What recourse is there?

Mr. Danny Foster: I wouldn't know. They send out the collection letters, and if there are future benefits due to the producer, that would be up to whatever the provincial collection procedures are on that money. That's something that's within the purview of the province, which we aren't aware of.

Mr. Larry Miller: Okay. Both levels of government—and I know you can't speak for the province—were very quick to stand up and talk about all the money they got out for the BSE crisis, and in reality, with this clawback, there is nothing that went out for BSE.

So what would your recommendation be on how the government should announce? Should it be that as the cheques come back from the farmers they should be announcing that dollar amount?

Mr. Danny Foster: What I would say is that aside from what the province did on that advance payment, we are making CAIS payments, and those advance payments aren't being deducted against the federal portion; plus we had the BSE recovery program and the TISP program and the farm income payment program, which we just announced in March. Those advance payments aren't coming off that money going to producers affected by—

Mr. Larry Miller: You're confusing two issues: the CAIS payments and a BSE crisis payment, if I can use that term, are two different things. The CAIS is an ongoing insurance program.

Mr. Danny Foster: Right.

Mr. Larry Miller: What I'm saying is that in reality, no special money went out for a BSE disaster.

Mr. Danny Foster: No, in fact, in the 2003 BSE recovery program, we paid out in the neighbourhood of \$400 million to \$500 million—I forget what the number was exactly. In the TISP program, announced in 2003, we paid out almost a billion dollars, with \$680 million of that going to producers affected by BSE. In the farm income payment program announced in March, which was again a billion dollars, I think we allocated something like \$155 million directly to producers affected by BSE. So that money went directly to the producers affected by BSE, in addition to what's being paid under the CAIS program.

Mr. Larry Miller: I really question, Mr. Chairman, just how much of that money actually got to the producers.

The Chair: Well, I think the numbers speak for themselves, Mr. Miller.

Mr. Danny Foster: Hopefully, we did provide in your packages the updated program sheets that show the payments by program and province.

The Chair: I'm going to go to Madame Poirier-Rivard.

[Translation]

Ms. Denise Poirier-Rivard (Châteauguay—Saint-Constant, BQ): Thank you, Mr. Chairman.

Ladies and gentlemen, good afternoon.

We, at the Bloc Québécois, believe that one of the fundamental problems with this program is that it was set up in the middle of an farming crisis to solve immediate problems, while in fact it's a prevention tool. The program was implemented when producers had already sustained 30% relative losses. As a result, if the crisis goes on and prices stay low, this program will become useless, because the income will not go down, but it will still be low. Is this not a contradiction? How could we put an end to this situational perverse effect? How do you think this could eventually be stabilized?

• (1540)

[English]

Mrs. Mary Komarynsky: I will start, and then my colleagues can add.

In terms of the challenge we have now with farm income, I think, first of all, the program has responded in terms of the payments. I think the challenge that we've discussed at this committee before is what happens to a producer's reference margin when you have a series of years with low incomes.

In establishing the reference margin for CAIS, we use what is called the Olympic average, so we take off the best and the worst year, and you're left with your three-year average. As producers' income goes down, their reference margins may or may not go down over time; I think that's the question you're asking.

In March, the ministers asked us to look at the CAIS reference margin. We have been working with our provincial colleagues and will be doing so at the national CAIS program committee next week, as well as at our national safety net advisory committee. Provinces as well will be using their consultation mechanisms. There is some analysis done on where we might be able to improve the reference margin issue within the CAIS program.

However, I think one of the clear messages we're going to have to discuss with not only the NCC but here with the committee as well, which I think our minister has indicated, is that all of the farm income situation cannot be solved within the CAIS program; a lot of the issues are fundamental issues dealing with low income. The minister, hence, has asked his parliamentary secretary, Mr. Easter, to have consultation mechanisms across the country. Mr. Easter will be presenting a report to the federal-provincial ministers in July on how ministers may wish to consider dealing with issues outside of the CAIS program.

I don't know if that answers your question.

[Translation]

Ms. Denise Poirier-Rivard: Shouldn't this program deficiency be corrected by using calculations based on actual production costs rather than market costs, for example?

[English]

Mr. Danny Foster: In respect of our national programming, the CAIS program is designed in accordance with the number of principles. One of these is to be in accordance with the WTO rules, which are based on farm income in the previous three years or, as an option, in the previous five years, dropping the high and low years.

The fundamental issue is farm income over the long term and what governments can do, other than continuing to push out money, to help producers get the money from the marketplace. This is the main challenge for governments working with industry.

We just met with the grain growers from Quebec with respect to the declining margins. There have been suggestions that we should be adjusting the reference margins under CAIS to take into account the trade injury. This, however, just begets more problems from a trade standpoint. So it's not an easy problem, and there's no easy solution. We have to work with the industry.

We'd like to be on a level playing field with our competitors. But we can't compete with the EU or the U.S. in subsidies. So if we start building subsidy injury into our reference margins, then they just pay more subsidies. So we're not going anywhere with respect to fixing the problem.

That's the challenge. In respect of support under CAIS, reference margins are something we're going to be looking at with the national CAIS committee and the national safety nets advisory committee, because it's something that ministers recognize and have asked officials to look at for the longer term.

[Translation]

Ms. Denise Poirier-Rivard: We spoke earlier of the possibility of eliminating the mandatory deposit. Could you tell me where the discussions are on this issue?

[English]

Mrs. Mary Komarynsky: Yes, ministers have asked officials to look at alternatives to the deposit, replacing it with something that would eliminate some of the issues producers have raised. We have a short list of options we will be discussing with the national CAIS committee next week. We will be looking to replace the deposit. It will remove the irritation of tying up capital, which is one of the biggest issues producers have told us about. They have to put their money in and wait for 18 months before they trigger a payment. They've got money in the bank that they could be using for other things.

Ministers have already moved to eliminate this by allowing producers to withdraw anything above the one-third deposit. We should be having an announcement shortly on amendment number six, which would allow producers to withdraw the remaining deposits that are in their accounts. We are looking at ways to replace the deposit mechanism.

All provinces are in the process of using their advisory committee. Where there are no advisory committees, as in Alberta, they are having consultations this week to get input from producers on the short list of options that we have put together in preparation for the discussion in July with ministers.

• (1545)

The Chair: Mrs. Ur.

Mrs. Rose-Marie Ur (Lambton—Kent—Middlesex, Lib.): Thank you for coming to the committee once again.

I have a question concerning one of my constituents. Have all the cheques to the producers gone out from the \$1 billion announcement at the end of March?

Ms. Michele Taylor (Executive Director, Farm Income Programs Directorate, Department of Agriculture and Agri-Food): There was an opportunity for producers to file applications. The deadline for applications for producers who weren't already registered was July 31. So there will be a few more applications coming in. All the cheques that have been paid have gone out under the automated cheque process. They were paid at 80% of the total. The top-up cheques will go out once we have received the remaining applications and processed them.

Mrs. Rose-Marie Ur: Okay. In regard to the committee that has been struck, will you be meeting with them again shortly?

Mrs. Mary Komarynsky: Yes, we're meeting next week in Winnipeg on June 14 and June 15.

Mrs. Rose-Marie Ur: Are there reports on those meetings or are they in camera?

Mrs. Mary Komarynsky: There are minutes from each of the meetings. At the meeting next week we will table the draft minutes for approval. They are publicly available.

Mrs. Rose-Marie Ur: Are there minutes from the first meeting?

Mrs. Mary Komarynsky: Yes.

Mrs. Rose-Marie Ur: Okay, great. We'd certainly like to see the points of discussion, because we're here to try to improve the system.

I had some questions when I was back in my riding. The grains and oilseeds people have certainly had some real concerns regarding the CAIS program. One of the concerns they had was on whether there could be an adjustment for revenue and/or the reference margin for grains and oilseeds. I think Danny has heard this more than once in the riding, when presentations were made. It's higher to offset artificial depression in income. Do you realize what the concerns they have are? Do you understand why they are bringing this forth continually?

Mrs. Mary Komarynsky: Yes.

Mrs. Rose-Marie Ur: Is there any chance of improvement on that?

Mr. Danny Foster: The specific request, similar to a request from the grain growers of Quebec, is to adjust the reference margin under the CAIS program to recognize trade injury, if you will, from competitor countries in the EU and the U.S. But you have to keep in mind that for the long-term decline in farm income, there are bigger drivers of that long-term decline in terms of global competition, technological change, the increase in oil prices, obviously, and the exchange rate. There are a number of drivers for decline in income.

With respect to the grain folks, though, they have asked specifically for adjustments to reference margins to deal with trade injury. The risk there is if we start to do that, we potentially mask market signals, affect production and marketing decisions, and open ourselves up to the possibility of not being a green program in accordance with WTO rules or being subject to countervail. The adjustment of the reference margin to deal with those things, using information other than the producer's individual income history, risks trade action from our competitors.

That's one of the challenges. It's not to say that we don't have that problem, but trying to fix it through CAIS is not necessarily the answer to the problem.

• (1550)

Mrs. Rose-Marie Ur: Are you stating, Mr. Foster, that there is a requirement to have a deposit to make sure it's compliant with the WTO? It's only a 70% payment.

Mr. Danny Foster: Sorry. It's not the deposit. It's adjusting the reference margins.

The definition of what can be used for support, so that we can report those payments as green, is fairly defined in the WTO text in terms of income for the previous three years or the Olympic average, which is what we actually use under the program. I'm saying that if you move away from using that definition, then you're outside of the WTO. You then risk not being able to report those program payments as green, and similarly, you risk countervail in terms of the U.S. reaction to the program.

There is no trade concern with respect to the elimination of the deposit. Trade people look at what government benefits are going to the producers. The deposit does not have anything to do with the government benefits.

The Acting Chair (Mrs. Rose-Marie Ur): With regard to a discussion with the committee, I think the caisses populaires in Quebec has a program where there isn't a necessity for producers to put in a deposit.

Mr. Danny Foster: Yes. In fact, in Quebec, how they work the program—

[Translation]

Ms. Denise Poirier-Rivard: It's not popular.

Mr. Danny Foster: The Financière agricole du Québec administers these programs.

[English]

It's the government agency that administers farm income programs in Quebec. Basically, the producer didn't have to go and get the \$10,000 to deposit in the account. The financier deemed what the deposit was and simply charged the producer the interest cost on that deposit.

The producers would sign up, select maximum coverage, pay the equivalent interest cost on a \$10,000 deposit, as an example, and they would have met the conditions. They didn't have to actually go to a bank and borrow \$10,000 because the financier was basically doing that for them behind the scenes. All the producer ended up doing was paying an interest cost of \$300 or \$400, equivalent to a fee, to participate in the program.

Mrs. Rose-Marie Ur: Another concern that has been raised continually in the riding is that the program needs greater transparency in calculation. That said, we've had applications where they thought they would be getting \$10,000 or \$20,000, and then they get back \$100, or sometimes \$10, which is really a slap in the face.

There needs to be a paper trail and calculations sent back to the producers as to how that program was reviewed and how the calculations were made. There really seems to be a lack of a paper trail. It seems one person can be judged one way by one reviewer versus someone else. So there needs to be more transparency and accountability.

Mrs. Mary Komarynsky: Just on the calculation of benefits, ideally what we will be doing is when the producer receives his CAIS payment, he or she will have with that the calculation of benefits, very similar to how, when you get your income tax receipt or your cheque, it tells you where the calculations were adjusted and how the calculations were made.

In this first year of the program, most of the administrations, including ours, were not able to send out the calculation of benefits with the actual cheque. They are beginning to go out.

We've also had some discussions with the provinces on how we can simplify the program. For example, in the second year of the program, we can populate in some jurisdictions a lot of the application forms already for the producer, and then he or she just has to finish. We now have the first year of data, so we can populate some basic information and then the producer can fill out the rest of the application form.

Michele, with her provincial colleagues, has been looking at how we can simplify it and not only send out how we calculate the benefits, but what tools we can provide producers so they have a better sense of what kinds of benefits they may receive, either when they do it on their own or when they meet with their accountants. All of that is being discussed as a way of improving but also simplifying the program.

• (1555)

The Chair: Mr. Martin.

Mr. Tony Martin (Sault Ste. Marie, NDP): Thank you very much.

I sent a letter to the minister, and he responded in a take note debate one night that he was actually going to set up this CAIS review committee. I asked him if he was going to include some small producers on that committee.

Are there any small producers on that committee, and who are they?

Mrs. Mary Komarynsky: We did provide the committee with the names of the national CAIS committee members. I'm assuming members have that.

The Chair: I have seen the list, but I'm not sure where I got it from. I'm not sure whether it was ever circulated.

Mrs. Mary Komarynsky: I think it was a request that was made at the last appearance. We did provide the list of the national CAIS committee members.

Ms. Michele Taylor: It's not specifically by size of operation. When we did the balancing of producers, we were looking at the commodities they produced and the regions they produced them in, but in terms of size of farm, offhand I couldn't say who would be specifically a small producer.

Mr. Tony Martin: That's a very, very important component of anything we'll do, trying to get a handle on, first of all, the impact on the small producer, which is my concern, because that's all I have in my area.

I speak for my colleague Mr. Angus as well. We have small producers, and I have to tell you, they're getting fewer and fewer because they're just not managing. They're being hammered by everything that comes at them—BSE, the border closing, and now this issue of supply management. It just goes on and on. If somebody, somewhere along the line, doesn't take seriously what's going on for those people, we will have no family farm left in Canada.

With that in mind, and having heard what I have in the short time I've been here this afternoon, really the problem is low income for farmers and the impact on the farming industry in Canada of the subsidies that other jurisdictions that are much richer than we are can give to their farmers. Is there any hope?

Mrs. Mary Komarynsky: First of all, Mr. Chair, I apologize. I've just been informed that the list of committee names has not been sent to the committee. We did provide it. We're more than willing to go over the names, if anyone wants, after the meeting. I have them with me. We will provide that formally to the committee, so my apologies. I thought it had been sent.

In terms of the representatives who are on the committee, as Michele indicated, the provinces all submitted one producer rep to be on the committee. Our minister also chose 10 producers to be on the committee. As Michele indicated, we wanted to have, first of all, good regional representation. So if you look at where all the producers are from, they're representing all the regions of Canada. Secondly, they represent the majority of the commodities. In the commodity areas, whether small or large, everyone has different challenges. So we wanted to ensure that the discussions we had at national CAIS covered every single commodity.

In terms of your comment on what are we going to do to make it work, in previous presentations and discussions with the committee...I think governments have already, in the first year and a half of the program, made some changes to the program to make it a little more responsive to producers. There is a recognition that there are still some issues, as I indicated in my opening remarks, that are causing challenges with producers in terms of how we hand out the benefits, things like the deposit, how we value inventory, and the CAIS advance. We are working on those.

I think our minister, at this committee, has indicated that whether it's this program or any other program in the department, our job is to continuously improve the program and strengthen the program to meet stakeholder needs. But as Danny indicated, on some of the trade issues, the subsidy issue, that is not something we would want to entertain within the program because of the potential for trade action.

• (1600)

Mr. Tony Martin: Is there anybody on the committee from northern Ontario?

Mrs. Mary Komarynsky: I'll give you the names of the Ontario producers. I can't tell you today whether they're from northern Ontario or not. I don't have where they're from. There's Donald McCabe, John Vanderwees, Denis Perreault, and Ronald MacDougall. I'm not sure if any of those producers are from northern Ontario.

Do you know, Danny?

Mr. Danny Foster: I think one of the producers is from the Thunder Bay area, Thunder Bay-Kenora.

Mr. Tony Martin: How many people represent the packers, for example, on that committee?

Mr. Danny Foster: The basic requirement to be on the national CAIS committee is that they have to be a participant in CAIS. The majority of producers on the committee are actually individual producers. They might have large farms, but from my experience they talk about the family farm. So they're recognized.

We have a few members—Mary mentioned one of them, Ronald MacDougall—who have been members of the previous national NISA committee. So these folks are speaking from their experience with programs and working on the farm. It's not that they're sitting there representing an industry lobby, whether it be cattle packers or whatnot. They're there as individual farmers participating in the program. The nice thing to see is that they're sitting there working with us to try to improve the program. They're thinking about how to make this program work better for farmers.

Mr. Tony Martin: How long do you think it will take before you have any kind of a report ready?

Mrs. Mary Komarynsky: In terms of the things that are going to ministers in July, our intention next week is to go over the analysis. At our first meeting of the national CAIS committee, we did go over all of the key issues that are going to ministers' meeting. The national CAIS committee asked us to come back with analysis on, first of all, what would be the impact of the various options on different commodity sectors and what would it mean in terms of producer benefits within that commodity. So this week our intention is to present the analysis that's been done to respond to the national CAIS committee request.

Our hope as well during this meeting is to have enough of a discussion that the national CAIS committee can give some signal to ministers, based on the options or the analyses we've done, as to whether or not they would be prepared to support a particular option. So our hope is that we can do that at this meeting. If we're not able to complete that discussion, our commitment to the national CAIS committee will be to have follow-up conference calls before the July ministers' meeting.

The Chair: Mr. Martin, your time has expired.

I would like to point out that Ms. Komarynsky is the chair of that committee, for those who may not have known. If you know this, that's fine.

And I do know that two of the names that have been given from Ontario are not large corporate farmers. In fact, one is a very small farmer. So that you understand, I think in fairness, we have to have people on there who understand the need, the change, and who know where improvements can be made, rather than those who perhaps look at it from a different perspective.

Mr. Ritz.

Mr. David Anderson (Cypress Hills—Grasslands, CPC): I have a point of order, Mr. Chair. I would like to make the point that we did not get the list of members of the committee. The committee members did not get that.

The Chair: Yes, I think that's been indicated. I have the list, but it wasn't given...and I think they've admitted that.

Mr. David Anderson: Will we be given a copy of that?

The Chair: Ms. Komarynsky is going to provide the committee with a list.

Mr. Ritz.

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

It's really interesting to listen to all this review that's happening, and so on, when actually the national safety nets advisory committee that was in play for the last number of years, in the minutes of their meetings leading up to the development of CAIS, said do not put a deposit in here, do not put a deposit in here, do not put a deposit in here.

So now we're paying all these advisers \$250 a day, plus, to tell us to take the cash deposit out, to find something different. It's going back three steps and starting over.

I'm wondering why the government is exercising their right to claw back moneys before the review process is done. There could be changes that come forward under that review process, so that clawed back money could actually end up going back to the farmer. Why wouldn't you sit tight for another few months until the review process is completed and all of those changes are in play, and then go back and figure out who should send back and who shouldn't?

• (1605)

Mrs. Mary Komarynsky: I won't speak for individual provinces, but in the federal government there is a Treasury Board policy that says essentially if there are overpayments in any program, not just CAIS, the government will collect any overpayments through other programs. That is a policy of the Government of Canada.

Mr. Gerry Ritz: Understood.

Mrs. Mary Komarynsky: As Danny indicated, the same thing is happening in Ontario. I will make an assumption that that is the policy of the Government of Ontario as well.

In terms of the items that are going to the July ministers' meeting, if there are any adjustments needed of payments outward to producers, and if the ministers agree that any decisions they take are retroactive, then the CAIS administrations will make any adjustments needed to pay additional benefits out to producers. That is our government policy to collect overpayments.

Mr. Gerry Ritz: Good. Thank you.

Will the provinces that administer CAIS themselves, without the federal government helping, have more flexibility? Will they be able to react quicker to changes? The bottom line here is to get the cash out to producers.

Mrs. Mary Komarynsky: To be honest, I can't really say whether P.E.I., Alberta, Ontario, or Quebec can react quicker. I think what I

would say is that if you look at the rate of payments for the 2003 CAIS program, at where we administer—and I think I noted this previously—we were, I would say, out of the door a little quicker than other provinces. It's not a criticism. It's just that we all do our things differently.

So I think we have a pretty good track record, whether it's the BSE advance that was made under CAIS last year...those payments went out in record time.... I think we have a very good track record, to be frank, on our FIPP payments, the farm income payments. They were announced at the end of March and the payments were made towards the end of April.

So we have a good track record on getting things out quickly.

Mr. Gerry Ritz: Great.

In the charts you gave us today, there's one, number 3, the transitional industry support program, the TISP program. As I remember, if you had a NISA account the cheque automatically went out to you, and then you applied, after the fact, to get the balance. On the charts here you're calling one a direct payment and one a general payment. Now, does the direct payment reflect the people who had NISA accounts, where it went out right away?

I'm just looking for clarification on that.

Mrs. Mary Komarynsky: No. First of all, if you were in NISA you got a general payment. For the direct payment, that's the per-head payment for cattle and other ruminants.

Mr. Gerry Ritz: Okay. All right.

So there were 176,388 producers who ended up with a general payment in that one.

Mrs. Mary Komarynsky: Yes.

Mr. Gerry Ritz: So now we go to the next year and to the FIP program. There are applications out there until July 31, and cheques were generated to people automatically if they qualified for TISP, right?

Mrs. Mary Komarynsky: Yes, if they were in—

Mr. Gerry Ritz: Okay. So some 176,300 qualified for TISP. So you had them in a data bank already...to cut cheques and to automatically send them out.

Mrs. Mary Komarynsky: Yes.

Mr. Gerry Ritz: Yet to date we have only 171,000.

Mrs. Mary Komarynsky: That's right.

Mr. Gerry Ritz: How did we miss a few? Are there some that are no longer in business, retired?

Mrs. Mary Komarynsky: Well, 171.... As Michele indicated, I think for the FIP program we still expect some applications to come in. Secondly, Quebec has not finished their payments for the FIP program. Quebec is actually delivering FIP payments.

Mr. Gerry Ritz: Okay, but FIP was based on 2003 inventory, so it wouldn't be based on farmers who left the industry or anything like that.

Mrs. Mary Komarynsky: No, FIP is based on—

Mr. Gerry Ritz: They would still be in the industry as of 2003?

Mrs. Mary Komarynsky: Yes, that's correct.

Mr. Gerry Ritz: It seems strange to me, if there was such a great job done, how we've already ended up with fewer cheques going out. I guess, as you say, the final payment is in July.

The last question I had on these charts is on production insurance—that's the new name for crop insurance. It used to be that crop insurance was split so that the producers paid 50%, the federal government 25%, and the provincial government 25%, right?

Mrs. Mary Komarynsky: Yes.

Mr. Gerry Ritz: Way back when, it was a third, a third, and a third, and then it got changed to producers paying more. Now I see you're cost-sharing at 60-40, provincial and federal. I look at the numbers down in the chart here and I can't quite seem to make sense of them with that split, or with the old.... Is it no longer 50-25-25? Is it now done differently? The producers seem to be paying more, when I look at the chart.

• (1610)

Mrs. Mary Komarynsky: The 60-40 is the government portion, so if production insurance is \$500 million a year from government payments, we put in 60% of that \$500 million. That's the 60-40 split.

In terms of producers, we are shifting it to more of a one-third, one-third, one-third, but I will have to provide you in writing where we're at with that and what the intention is on production insurance.

Mr. Gerry Ritz: Okay. Would it be possible to get from 2003-04, 2002-03...? Give me some background, like the last three years, and then how you project it.

Mrs. Mary Komarynsky: By all means.

Mr. Gerry Ritz: Then I can see that. That would be great. Thank you.

The Chair: Your time has expired.

Now I think we have to go back to Ms. Ur, if she's ready for more questions.

Mrs. Rose-Marie Ur: I am ready.

I have one quick question. It appears that farmers can get back crop insurance premiums providing they participated in the CAIS program.

Mrs. Mary Komarynsky: That's the CAIS-PI linkage.

Danny, do you want to talk about it?

Mr. Danny Foster: Yes. There's a premium adjustment calculation that we do between the CAIS program and the production

insurance program. That's to ensure that producers aren't worse off by participating in production insurance plus CAIS rather than just CAIS. That can happen, because production insurance premiums are an expense, and it can reduce producers' reference margins. So there are circumstances where, if we didn't do this premium adjustment, a producer could be worse off being in production insurance and CAIS than just being in CAIS.

We do an adjustment to make sure there's not a disincentive to participating in those programs.

Mrs. Rose-Marie Ur: But this decision was made after CAIS?

Mr. Danny Foster: No, it was made as part of the CAIS program.

One of the principles that ministers have agreed to—it may not be explicit in the agreement—is that we want to protect and promote the use of the production insurance program. We want to ensure that producers aren't disadvantaged from participating in the CAIS program, so we do this premium adjustment calculation.

Mrs. Rose-Marie Ur: Is this hand-calculated?

Mr. Danny Foster: I couldn't tell you.

Mrs. Rose-Marie Ur: That's the complaint we've heard.

Ms. Michele Taylor: You're describing what takes place in the Ontario administration, and I can't confirm that. I do know that their database consists of both the PI and the CAIS data, so I would be surprised if it was hand-calculated. But we can get back to you on that.

Mrs. Rose-Marie Ur: If you could look into that, I'd really appreciate it, because my constituent is concerned about that.

Another concern that has arisen regards participation in the CAIS program. Producers would like to select their preferred inventory evaluation. Is there going to be any movement on that?

Mr. Danny Foster: We are looking at it, as you know—and I hope the committee was provided a copy of the IBM inventory study. The inventory evaluation issue has been an issue around the programs for a while. We are looking at alternative inventory evaluation methodologies. We're doing the analysis. One of the options is to give producers a choice in terms of which methodology to use, because there's no perfect methodology. I think that's what our analysis is finding: there's no perfect answer, in terms of one being better than the other. So one of the options is to give producers a one-time choice.

But we're doing the analysis from a cost standpoint as well as by what the impact is by sector or by region before a recommendation goes forward to ministers. Officials are working on that. We're actually using the national CAIS committee. We'll be discussing that with the national CAIS committee next week. As well, we'll be doing a presentation to the national safety net advisory committee—the federal advisory committee to our minister—on the issue as we work through the analysis.

Mrs. Rose-Marie Ur: Thank you.

The Chair: Mr. Gaudet is next for five minutes.

[Translation]

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

You spoke earlier of the WTO. I was a little sad to learn that, according to Canadian farmers, all American and European producers get more subsidies than them.

Mr. Foster, you said that if more money were allocated to the CAIS program, the WTO could cause us problems. Explain to me why these producers have access to all these subsidies from their governments, while we cannot help our own producers through the CAIS program. This is just beyond me.

How do they manage, when we can't even impose tariffs on their wheat and all the other products they export to Canada?

• (1615)

[English]

Mr. Danny Foster: What I was trying to say the first time around was that we want to be able to report our CAIS. Right now it is a green program, in terms of any payments that are triggered from what we call the disaster tier. So we report that as green for WTO purposes. That keeps the payments from being affected by what we call the aggregate measure of support limit on payments the government can make.

In order to maintain that green status, we have to comply with WTO rules around the basis of support for the program. That basis of support is the reference margin. It's defined by historical income of the producer in the previous three years, or Olympic average.

If we want to adjust the reference margin or offer more support under the CAIS program to deal with long-term farm income decline in certain sectors, we risk that trade status for the CAIS program. And that's what I'm talking about.

I'm not saying we don't have the potential for a long-term farm income decline in certain sectors, but we want to continue to be able to report the triggered disaster payments from the CAIS program as

green. That's what I was trying to say. I'm not saying CAIS isn't green; it is, in terms of the payments from the disaster tier that are triggered under the program.

[Translation]

Mr. Roger Gaudet: I agree with you on that point, but how is it that our producers cannot get help from the government? In your comments, you constantly refer to the WTO. I'm really very disappointed. As far as I know, farmers in the United States get between 300% and 400% more subsidies than our farmers. I think our program is open. However, we lose every time.

Is this poor administration or another problem? Eventually, we're going to have to ask you if you're really not able to help your farmers. As for the price paid for large-scale farming and cereals, your Olympic average over the last three years was \$100 a ton. With this kind of income, they will all close down within two years and give everything back to the banks.

What is our solution? If you don't help them through the CAIS program, who will? Will we have to change the government? I don't know; I ask the question. You may not be able to answer me, but I would certainly like someone to do so. I've been here for one year, and we're still in a haze.

[English]

Mrs. Mary Komarynsky: I know this won't answer your question completely, but I think we've tried to indicate—and that's why we send out the program sheets—that governments have actually provided a significant amount of assistance to producers. In the announcement that was made by the minister when we put out the farm income payment program, we changed the proportion of the general payment and the direct payment specifically because a large portion of the general payment went to the grains and oilseeds sector. While it doesn't address all of your issues, I think whether it's been through all of the programs that producers are eligible for, there has been a significant amount paid out.

The farm income issue and the subsidy issue, as I indicated earlier, are being looked at. Our minister very much recognizes that the farm income situation is much more serious and needs answers other than our current programs. As I indicated, Mr. Easter has been tasked to do work on that.

On the subsidy issue, we've tried our best to reply to the committee on what CAIS will or will not do, but we are bound by certain rules, and we want to protect our programs as much as possible from any kind of challenge under WTO.

I know that doesn't answer your question, but at this point I'm not sure that we can really answer much more than that.

The Chair: I know where you're coming from, Mr. Gaudet, but your time has expired. If we take another 15 minutes, we still won't be able to answer that question. But I understand.

• (1620)

[Translation]

Mr. Roger Gaudet: It's a very brief question.

In 2003, the deficit of Canadian farm producers represented \$2.1 billion. Mr. Wayne Easter toured Canada and arrived at this same amount. I imagine that, in 2004, the situation was even worse.

My question is simple: if we're still at \$2.4, \$2.5 or \$2.6 billion or more, what more have we done? I understand that the government gave \$1 billion, but it's temporary. Will this billion dollars be there in the long term? Will the CAIS program provide this billion dollars in the long term?

[English]

Mrs. Mary Komarynsky: When the minister announced the farm income payment, I think as part of that announcement it was recognized that for some sectors, especially the grains and oilseeds sector, there needed to be a strategy that went beyond just CAIS and the payments that both levels of government have made. There is some work going on in terms of the repositioning strategy for grains and oilseeds. I'm not involved in that, but there is work, and I think the minister when he was here made that point in terms of the grains and oilseeds sector.

[Translation]

Mr. Roger Gaudet: Thank you.

[English]

The Chair: Mr. Anderson is next.

Mr. David Anderson: Thank you, Mr. Chair.

Just from listening to the discussion today, it would sound like this program is working reasonably well, but from talking to producers, I think they'd take exception to that. They'd have some problems with that statement.

I want to talk a little bit about the administration of the program. It's been extremely frustrating for farmers, and I want to make that point. People are facing rule changes and facing different sets of answers when they call in. They're facing changes in the application of the program. I guess I'd like your comments on that.

I also understand that you cut staff, and I have a concern there. I would like some rationale for that, and I would like a little bit of a discussion about what that's done to the ability to administer the program.

Ms. Michele Taylor: Your first question was on the administration and changes. The program did undergo changes while we were in processing. That would address in part the issue you raised. To speak to the federal administration in terms of answers that were

perhaps different on certain days, it's because the answers *were* different; the program had changed.

Any time this has been raised, either by our producers or by the committee, we've taken it back and looked at it very seriously. We do have a training program in place, not only for our toll-free answer service but also for our processors, who actually also have direct contact with the producers during the processing of the applications. So we do make every attempt to address that.

Mr. David Anderson: I can understand why it's seen as such a disaster by the people who've had to deal with the bureaucracy and the administration, I guess.

Ms. Michele Taylor: It has been a difficult first year. We do hope that 2004 will be much better.

In terms of your comment about reducing staff, because it is an application process and because we receive the majority of applications at the deadline—this year we got over 20% of the applications within the last four days of the program—we have what we call seasonal staff. They are federal government employees, but they're employed on a seasonal basis. It addresses the peaks and valleys we have in the administration, and we look at that as being an efficient way to manage the program. The staff are laid off for a period of time after peak processing, and they're brought on before the beginning of the next year's peak processing, when they receive training on changes to the program and when they're put on stream for processing applications.

So the reductions in staff that you're referring to would be what we call seasonal layoffs. They're not permanent reductions in staff.

Mr. David Anderson: It seems to me the layoffs took place at a really strange time. I would have thought that would have been your busiest time.

I'm wondering, what's your retention rate on seasonal staff? In the past, with CFIP in particular, there were major problems. People would come back the next year, and staff were unable to deal with the questions involving the program. So do you know what your retention rates are?

• (1625)

Ms. Michele Taylor: We haven't had a major layoff since 2002 because we've been going into the program changes and wind-down. So this was our largest layoff. Our retention has actually been quite positive in both the Saskatchewan and Manitoba regions because we have a lot of very dedicated employees.

In terms of the ramp-up time—that would be what I would call their capacity to be able to process quickly—we have put in place a change in our training programs so that they'll be more available and more capable of answering questions of producers as soon as they get back on the floor.

Mr. David Anderson: What period of time do you expect to be employing them over the next couple of years? How long will they be on and how long will they be off work? What's the season?

Ms. Michele Taylor: The season may change. Our peak season will start after the September 30 deadline. It depends on the actual processing speed of the employees. There is a production rate that we do apply when our peak season will actually cease. It depends if we would have any other programs to deliver. For instance, this year we actually laid off a little later than we thought. We retained a few more staff to deliver the FIP program, so our layoffs for some staff were delayed by about four weeks.

Generally, we do work on a process of calculating how quickly the forms are being processed at the different stages, and based on that we set out a layoff strategy, because we like to give our employees at least a month's notice before we lay them off.

Mr. David Anderson: If they're laid off now, they likely won't be hired back until December?

Ms. Michele Taylor: Some of our processing staff are laid off now. They will be brought back in August for training in preparation for the September 30 deadline.

Mr. David Anderson: I have just one other comment. You mentioned the inventory evaluation study. We did not receive that. I just wanted to make you aware of that. I think somebody may have gotten it late this afternoon—five minutes before they got here—but we did not receive it.

My time is almost up, I take it?

The Chair: It is up, but—

Mr. David Anderson: Okay. I have just one more question. I'm just wondering how many advisory committees are looking at this. You mentioned three or four. If you include the provincial, you've got the provincial advisory committees; I think you've got an APF advisory committee working; you've got a safety net advisory committee; you've got this CAIS review advisory committee. I'm amazed that with all the advisory committees we've got going we still haven't been able to give people back their one-third deposit in particular. How many committees are operating and taking a look at this? Everybody's getting paid at least \$250 a day, and expenses, I take it?

Mrs. Mary Komarynsky: The key committee is the national CAIS committee. The CAIS committee not only will be looking at the things that are going to federal-provincial ministers, but, as I indicated in my opening remarks, it is an ongoing committee to deal with administrative issues of the program and the appeal process.

We have a national safety net advisory committee in place. It's an advisory committee to our minister. It meets a minimum of twice a year. We have had discussions with that committee and will continue to do so on the various issues. Some provinces also have their own provincial advisory committees to their ministers, and they will use them as well.

The key here is not that there's a gazillion committees, but that we have as broad a discussion as possible on the issues we want to bring back to ministers in July.

Mr. David Anderson: With all due respect, there have been some issues that have been discussed to death, and nothing has changed. We can talk about it forever, I guess.

The Chair: Mr. Anderson, your time has expired.

I just wanted to ask a further question in expansion of what Mr. Anderson had asked. Are any of our programs tailored in such a way that the employees working on that program are given quotas to meet? There is a reason for asking that question. In terms of those who would review applications—we'll just use the number 10 as a quota for the day—if it's possible to do 20, how do people respond, or is there no such thing? I am told that in the Guelph office quotas apply. If they do, I'd like to know whether they're working, if you think they're an effective way of getting the program done, or whether we need to look at that. If this is a sensitive issue, something you can't talk about, please tell us that also.

Ms. Michele Taylor: I can't answer in the context of the Ontario administration.

• (1630)

The Chair: I'm talking about the Guelph desk, through Agricore.

Since you can't speak to that, can you speak to how it applies in your office?

Ms. Michele Taylor: Strictly for processing, we have what we call targets. These are based on the amount of automation we have in the process. It's also based on the assessment we have some of our staff run through. We set targets at the beginning of each season and we readjust as necessary. It can go up or down. Generally, we split the application of our process into three. We found last year that on two ends we were able to raise it and for one portion we were in a position of having to lower it. As I said, we do that based on assessment, which we do throughout the program.

We also have in place a process used when it's difficult for quotas to be met. We look at it from two perspectives. One is whether the quota is reasonable from a processing perspective. The other is whether it's reasonable from the employee perspective. That's when a specific employee may be.... We may address it through further training or some one-on-one. So we have to be sympathetic to the employee's needs, but we're also very conscious of cost and time.

The Chair: So are we to take from what you just said that in your estimation you have a handle on that, and it's not only working for the system, it's working for the employees and it's working for the benefit of those who are the beneficiaries of the program? You feel it's working reasonably well.

Ms. Michele Taylor: That is the intent. Also, as I mentioned earlier, if there is any feedback outside of what we have—because we have producer assessments at our producer information sessions—we sometimes will do callbacks on our toll-free line if we've heard issues. We have sessions where we have focus groups within our organization. We find it is working, particularly when I see the kinds of adjustments we made in the last year and the processing progress we made. I feel we have a staff that is very committed to the process.

The Chair: Thank you very much.

Now we move to Mr. Easter, if he has anything to say.

Hon. Wayne Easter (Malpeque, Lib.): I guess I have one thing, which is in the general sense.

There's no question in the farm community that there have been start-up problems with the CAIS program. There is no question about that. By the same token—and I know a number of you have been around the farm income section of Agriculture Canada for a while—although CAIS is getting a bad name in many respects, there have been record payments made to the farm community. There's a records problem, too, no question about that. But there have been record payments, and I personally believe they're partly as a result of the way CAIS works. If there's a need there, it rolls over, and then we've got access to that \$5 billion over five years. CAIS, in and of itself, rather than ad hoc programming, is partly responsible, I believe, for being able to hit that target—it wasn't really a target, but being able to pay out \$4.8 billion, I believe it was, in 2003, jointly between the feds and the provinces, and \$4.9 billion in 2004. With all its warts and bumps, it is getting the money out there to the farm community where it's needed.

What's your view on that? If you look back at some of the other programming versus CAIS, is it doing its job as a tool to get money to farmers in the difficult times they find themselves in? There's no question that we're in one of the worst times ever. What are your thoughts on that?

Mrs. Mary Komarynsky: Why don't I start? Maybe Michele or Danny will have some other comments.

I've said before that we recognize that CAIS is not perfect. There have been changes made to improve the program.

We introduced negative margins. If a producer's loss is even deeper, below zero, governments now pay 60% of that loss.

We introduced a higher cap on the program, recognizing that because of the drop in income, there may be some producers, albeit a few, who really should be receiving benefits that reflect the size of their farms. We introduced higher caps, a \$3 million cap from \$975,000.

We've tried to respond to some of the challenges in the first year by changing deadlines. Some people will say that caused more confusion. When you look at what we're looking at right now, I think the inventory evaluation is one of the biggest challenges, first of all, because of BSE. There may be some other commodities.

On a CAIS advance, we offer interims. We find that very few producers take them. We've had a discussion on why. The NCC, the national CAIS program committee, said that we have to do even more marketing of that interim. Producers have said they're worried about overpayments.

One of the things we're working on is when there are situations where there's a disaster, such as with BSE or perhaps currently in the grains and oilseeds sector. Are there situations where we can offer an even more proactive advance? We have looked at some options. We're going to discuss those with the national CAIS committee next week.

CAIS has put out a fair amount of money, but I think governments have also responded to the BSE crisis. I think our minister has

responded many times, and you have the stats there. There are other programs, such as production insurance and the cash advance programs. If there's a need, those programs are there.

On the farm income situation, can all of these programs solve those problems? No, they can't. I think our minister has made that very clear.

Can the CAIS program be improved? By all means, it can be improved. Is there an endless pot for CAIS? We don't think there is. Is there flexibility in CAIS in terms of payments that go over \$1.1 billion? Yes, we have the ability to pay on demand in terms of the needs of industry.

I think there have been some improvements to date. We hope there are more to come. We recognize that whether it's in the administration or in the actual design, we can continuously improve.

I don't know if there are things you want to add, Danny.

• (1635)

Mr. Danny Foster: I would add that with respect to the \$1.1 billion, basically, the federal government committed to \$5.5 billion over five years, but they said we had the flexibility to use the money to respond to demand.

As Mary said, obviously, in the first two years, 2003 and 2004, and even now in 2005, we have had some awful years. The numbers that are coming out on the payments of federal funds to help farmers show that we're going over the \$1.1 billion. That's additional and is under the APF. In addition, we have also made other payments, as she said, the TISP payment and the FIP payment. We have responded.

I've talked to some industry people who've said that it is an important message to the industry when we exceed that \$1.1 billion, because it shows that we're prepared to respond to demand and the programs are targeted to need.

The Chair: Okay.

We now move to Mr. Bezan.

Mr. James Bezan (Selkirk—Interlake, CPC): Contrary to that, when we look at the FIP money that was supposed to address need, I know that my neighbour got \$600 for his 100 cows. I got \$550. It doesn't go too damn far.

One of the things we're experiencing with CAIS is that a lot of people in the program are making appeals. What are the stats? How many appeals do we have before us right now? What is the context of those appeals?

Mrs. Mary Komarynsky: I'll start.

There are approximately 234 appeals nationally for CAIS. Next week at the national CAIS program committee we will be finalizing the roster list of the CAIS appeal committees.

At the last national CAIS committee, the CAIS committee indicated that they would like to have provincial committees. Since that meeting, there has been discussion about joining up.

The administrations are preparing the CAIS appeal packages that will be heard by the appeal committees. I would hope that those appeals will be heard within a very short period of time.

Mr. James Bezan: So there haven't been any resolved yet. These are still 2003 appeals?

Mrs. Mary Komarynsky: This is 2003.

Mr. James Bezan: Now, you're talking about inventory evaluations and changing the methodology. Would that be retro-active, to apply to 2003-04?

Mrs. Mary Komarynsky: I think the question of retroactivity has come up; it's come up everywhere, and there will be a discussion by ministers as to whatever option is proposed for the inventory evaluation. The discussion on retroactivity will be discussed at the ministers' meeting.

I want to be very clear, though, so we don't mislead the committee. At the July meeting we will not be in a position to make a final recommendation on inventory evaluation. We have had discussions right up to deputies with federal-provincial responsibilities, and we have said we probably won't have recommendations for ministers until the fall. The reason for that is there are various options on inventory evaluation. We need to go all the way back and all the way forward to really analyze by commodity what the various options would mean in terms of benefits to producers. At the ministers' July meeting we will probably be reporting on the work we've done to date, but we will not be in a position to make a recommendation to ministers in July on inventory evaluation.

• (1640)

Mr. James Bezan: When do you think you'll be in a position to make it then?

Mrs. Mary Komarynsky: We've indicated to our federal-provincial deputies and to our ministers that we would be ready in the fall. I think the reason for that is because it is such a big issue—it's huge—the implications are quite significant. We want to ensure the analysis is complete. We could have a recommendation in the fall and still have it in time for the next program year in terms of implementation.

Mr. James Bezan: I would hope the methodology does apply retroactively so producers have the choice in making the decision on which one looks better for their own farm operations. I think that would be the only fair thing to do, especially if you're changing the program in midstream.

We're talking about total expenditures here on the very last page, annex A. We're going through every program, everything that's been spent, since 2003?

Mrs. Mary Komarynsky: Yes. Some of these are 2003, some of them are 2004. For CAIS, these are the program years; for 2003 you see the final payments to date, for 2004 what we've paid out to date, and for 2005 what we've paid out to date.

Mr. James Bezan: Production insurance is what year?

Mrs. Mary Komarynsky: Production insurance is for the 2004 crop year. This is our projection. Payments are going out and this is what we're projecting for 2004. TISP was 2004. FIP, the next one, is 2005. The cattle set-aside program is 2004, BSE recovery would be 2003, cull animals 2003, the cash advance programs are for the 2004 crop year, and then the NISA wind-down is current.

Mr. James Bezan: Can we get a summary then of the split-out by year of all the nine main programs listed there, the expenditures for

2003, 2004, and 2005? I think that clarification is important, especially when we're always hearing about money spent to save the farm industry, yet we don't hear about a lot of cash flowing down. We need to make sure we clarify it by year.

We could even go a little further, Mr. Chair, and have that broken down into how much was actually made in farm payments versus how much was used in administration.

Mrs. Mary Komarynsky: The payments you see here, the numbers, do not include administrative costs. This is money that has actually gone out.

Mr. James Bezan: If we could get that, that would be great.

The Chair: We've gone through our list of speakers. Is there anyone else who has something?

Mr. Anderson.

Mr. David Anderson: I have a couple more things.

I was told by somebody who is involved with the CFIP appeals process that there were some files where, when the appeals process was done with them, people appealed to the minister or the Prime Minister's Office and the files were reopened. Have you ever seen anything like that happen?

Ms. Michele Taylor: I would have to look at specifics. I'm not aware of any cases being reopened by the minister's office.

• (1645)

Mr. David Anderson: Or the Prime Minister's Office?

Ms. Michele Taylor: No. I would need some specifics. Generally, the appeals process is an arm's-length process. I don't have the history of the CFIP program other than for 2002. My understanding is that all rulings of the appeals committee were upheld and the CFIP appeals are closed.

Mr. David Anderson: They were supposed to be and I understood they were. Anyway, we may be able to follow that up.

Maximum payments that are allowed by CAIS have gone up from \$900,000 to \$3 million. Do you have any breakdown of the percentage of payments that are over \$900,000? I'm just wondering about the percentage or the number of producers.

Ms. Michele Taylor: I don't have the breakdown with me, but I could provide that.

Mr. David Anderson: Please, if you wouldn't mind doing that.

I want to come back to this deposit. You've said you're working on it, and we've heard that before; you were working on it then as well.

I want to emphasize again just how important that is for the producers. Somebody called my office today who was required to put his one-third in earlier. He did it. The neighbours are not being required to do that. It's causing financial problems for him, and it's frustrating on the farm. It is important that this be done as quickly as possible. I know all the stories about how it has to be dealt with at every level and all that kind of thing, but it's causing trouble. It's causing problems for producers, it's causing problems for neighbours, and it needs to be dealt with quickly.

Mrs. Mary Komarynsky: For producers in Saskatchewan, at the March 2 and 3 meeting of ministers they extended the deposit deadline to March 2006, so if a producer has a deposit in his bank now, he is allowed to take out anything over the one-third. As I indicated, there should be an announcement soon that he can withdraw the one-third. We have not heard of anybody...but we will follow up if you have specifics. There is no requirement by the CAIS administration where we deliver to put in a deposit.

Mr. David Anderson: The members of this committee fought to get it down to that one-third, and I think everyone here would agree we need to continue that fight. That announcement can't come too soon. I'd like you to take that message.

Ms. Michele Taylor: We also have a call with financial institutions this week, because we are expecting that announcement very soon. We're working very hard with them, and that draw-down from one-third to zero, should the producers choose it, will happen as quickly as possible.

Mr. David Anderson: Tell me how it worked, then. You didn't require a deposit. Farmers were led to believe they needed to put the one-third in. They did that. You don't need the deposit. Why has it been impossible for them to get it back? It's being held in the CAIS program, right?

Mrs. Mary Komarynsky: It's being held in the bank.

Mr. David Anderson: You have to give permission for it to go back.

Mrs. Mary Komarynsky: We have to give permission.

Mr. David Anderson: Your program is holding that money.

Mrs. Mary Komarynsky: That's right.

Ms. Michele Taylor: Until the amending agreement is signed and we have approval to go forward, the current arrangements with the financial institutions are that a minimum deposit of a third has to be on account before withdrawal.

How we looked for flexibility in that was by pushing out the deadline. It's true, and it's very unfortunate for some farmers, that their deposit was made. Even in some cases when they knew the deposit deadline had been pushed out, it was their decision to put the money on account. That's why we have been working very hard with the provinces to get amendment 6 signed, so producers can have access to those funds.

Mr. David Anderson: Tell me why the amendment is needed if you don't require their deposit. Why can't the money be paid back?

Ms. Michele Taylor: It's not that the deposit isn't required. The program still has a requirement for a one-third deposit. As I said, what we looked for was flexibility, pushing out the deadline for that deposit.

Mr. David Anderson: Well, that's my understanding, that there still is a deposit requirement. You're maybe trying to get that out of the way, but it is required.

Ms. Michele Taylor: It is required, but as Mary said, the requirement for the deposit to be on account is not until next year, until March 2006. Some producers have already made that deposit in advance of that requirement.

The Chair: Mr. Foster.

Mr. Danny Foster: The difficulty was that we extended the deposit deadline. That allowed a producer to get a payment before making the deposit, but if they made the deposit, there was no way to get the money out of the account other than by triggering a payment. What we've been pursuing in the amending agreement is to allow producers to pull the money out, but we had a legal glitch.

As Michele said, we recognize that farmers have been affected by this, but that was the reason producers could not pull out that one-third deposit while others are getting payments without having made the deposit.

• (1650)

The Chair: Thank you very much.

Mr. Easter.

Hon. Wayne Easter: Just on that point, Mr. Chair, I think Mr. Anderson may be trying to target and lay all the blame at the feet of either the CAIS administration or the federal government on this issue.

Keep in mind that under the original program there was a requirement to have a third deposit. That was the original requirement of a negotiated federal-provincial agreement. There was a lot of pressure from the farm community, pressure from this committee as well, and it was discussed at last year's federal-provincial meeting. Agreement was sought and obtained to hopefully get rid of the one-third deposit. That announcement has yet to be made. But it is a federal-provincial agreement, and there has to be an amendment. Each of the provincial agriculture ministers has to deal with their provincial ministers of finance, some of whom feel there's a linkage here. So that hasn't been easy.

For the CAIS administration, I think the minister...at least they've tried to do their best by moving the deposit requirement back to 2006. Yes, it's made some anomalies in the system, but it has been done to try to reduce the burden of putting that deposit up for those producers. Those who had made the deposit can't pay it back until you have that amendment in place. I think that's what actually has happened.

The Chair: Mr. Miller.

Mr. Larry Miller: If the producers who have strictly one-sided operations—whether they be total cash croppers, beef producers, or lamb producers—are under that scale in their operation, they have a tendency to be able to get money out of the CAIS program. Say you have a beef operation and part of it is a larger cash crop. If one has a good year and one has a bad year, they basically cancel each other out. What beef producers have been telling me is that not all beef producers who got whacked because of this BSE thing get treated the same way under CAIS. So basically it comes back to the argument that this thing wasn't designed to help in a disaster. Would you agree with that statement?

Mr. Danny Foster: No, I wouldn't agree with it.

Mr. Larry Miller: One is nodding their head and another one is saying no.

Mr. Danny Foster: The program was designed to be whole farm, which means that basically we look at the farm income of the producer. Producers—

Mr. Larry Miller: Mr. Foster, I understand that, and that's fine under "insurance program", or whatever term you want to call this. That's fine; that's the way it should work. But that isn't what I asked you.

This thing doesn't address a disaster or a crisis like BSE. Don't you agree with that?

Mr. Danny Foster: No. It does address it. A large part of our payments that we made under the CAIS program were because of BSE.

I agree with the example you've given. There will be producers with cattle who have other operations, where if they've had a good year under those other operations their total farm income has been maintained high. They want that, because if you're losing money, the federal government is not picking up all of those losses under the CAIS program. We pick up up to 70% of the losses under the program. This is the whole idea of risk management—producers varying the operations to keep their income high so over time they're profitable. When they do have a true disaster, the program will pay out and help.

Mr. Larry Miller: We're talking about two different things here, but I totally understand that.

It's mentioned here about the CAIS committee and how the members are picked and what have you. I believe I heard you say that they're basically from producer groups around each province. Is that correct?

Mr. Danny Foster: The members were picked by provincial ministers. There were producer members picked by each provincial minister. As well, the federal minister picked 10 members to represent commodities and regions across the country. After we had the provincial nominations, our minister basically made the federal nominations of the producers. So we have 22 producers on the national CAIS committee.

Mr. Larry Miller: That was going to be part of my next question, exactly who picked them and how. So they were picked by the provincial minister of agriculture, and how did he have input into that? How were they picked? Was there a group invited to apply? Maybe you can answer how it was on the federal side. Were people invited to pick? Did you have to belong to any party, or does that matter?

• (1655)

Mrs. Mary Komarynsky: Well, I—

Mr. Larry Miller: Well, how were you doing it?

Mrs. Mary Komarynsky: There was—

Hon. Wayne Easter: You didn't have to belong to a party, Larry.

Mr. Larry Miller: Well, I don't think it was a fair thing. For example, my riding and Mr. Chairman's riding are the two largest agricultural ridings in the province of Ontario, and to my knowledge, there isn't a single one from there. I guess that seems a little odd.

But anyway, the—

The Chair: We have good members, and we have the chairman from those areas, so there you go.

Mr. Larry Miller: On another part, then, I didn't realize, Ms. Komarynsky, that you were the chair. I just wonder what producer group you represent.

Mrs. Mary Komarynsky: I represent the federal government.

Mr. Larry Miller: Is it normal practice for an employee of the government to be chair of a committee like this?

Mrs. Mary Komarynsky: Yes, it is.

Mr. Larry Miller: It is.

Mrs. Mary Komarynsky: In the previous national NISA committee, the chair was from the federal government. My predecessor and I ended the committee. I can't talk about the other committees, but it would be normal to have a chair from the federal government.

In terms of your question on appointments, I can't comment on provincial appointments, but I can say that in terms of the selection process the minister would go through, he would ask the department for recommendations. In his dealings with many industry groups on a regular basis he would ask them to put forward possible producers who may represent their commodity and their region well. The minister also, as part of the appointment process, would be consulting with regional ministers as well as with industry groups on people who could be representatives on the national CAIS committee.

There is a formal appointment process in the federal government, and things are checked, security clearances, etc. There wasn't an application process for the national CAIS committee members, but there was a fairly lengthy consideration by the minister of the names put forward by various sources on who might be eligible to be on it.

Mr. Larry Miller: I just think, over time, you see with various groups, producer groups, stakeholders, that if they don't have the input on who they send there, I think it's pretty hard for anyone to expect them to think they're getting good representation. I know this process is out of your hands, but it's certainly not one I like.

My comments to you as chair have nothing to do with your ability or whatever. My point here is that it's very hard—and most people find it very hard—to wear two hats. That's all. I don't want you to take any offence from it. It's the process that leads up to it.

The Chair: I have to cut you off there, Mr. Miller. You and I, we wear many more than two hats from time to time, let me tell you.

Ms. Ur, please.

Mrs. Rose-Marie Ur: I have just a quick question regarding the CAIS deposits, the one-third still present in some producers' accounts. Is there interest paid on these accounts?

Ms. Michele Taylor: Yes, and actually we know that the producers do shop around for the best rates. Each bank or financial institution has the agreement with the producer for interest-bearing accounts.

Mrs. Rose-Marie Ur: I guess it's just variable then.

Ms. Michele Taylor: It is variable, yes.

Mrs. Rose-Marie Ur: Thank you.

The Chair: We'll go to Mr. Bezan, and then I'm going to see the clock at 5:30.

Mr. Bezan, please.

Mr. James Bezan: I have just a couple of quick comments that go back to Danny and his comments about CAIS being able to handle a disaster.

CAIS was never designed to handle a disaster of the magnitude of BSE. It was designed to average income over a five-year period and to smooth things out, but there's no doubt that if CAIS was designed to handle an odd disaster the size of BSE, we would have had to do all the add-on programs.

I want to ask Mary a question, because you were making a comment back to Wayne, when he was doing his first round of questioning, regarding the program and some of the concerns you had. You were rephrasing everything back in the form of a question. You made the comment that CAIS might not be a sustainable program over a long term, that it isn't a bottomless pit of money. I'd ask you to clarify that, because my understanding was that when the program was designed, it was to be the be-all and end-all and hopefully the program that could sustain the farm community in perpetuity.

• (1700)

Mrs. Mary Komarynsky: There are a couple of issues. Number one, as Danny and I have both said, it is CAIS system and driven.... So in terms of what the federal government got for BRM, it was \$1.1 billion a year. If we go over that, we have the ability to spend more; for example, where we've paid out more than \$1.1 billion in program costs under BRM, for production insurance and CAIS, we have the ability to do that.

Under the APF and the implementation agreement there is something called a parameter review, which ministers can ask for to ensure that CAIS, as well as all BRM programming, stays within a certain amount of money.

One of the things we have to be very careful of as we go forward with options and recommendations to ministers is the whole question of affordability. I'm sure all of you have heard comments from the provinces that there is only so much money that can be provided for BRM programming. The implementation agreement actually has something called a parameter review, so if the spending is way out of line, ministers can have a parameter review to bring the program parameters back in line with what was approved.

Mr. James Bezan: As three individuals who live and breathe business risk management on a daily basis, what are your opinions of the long-term sustainability of the industry?

Mrs. Mary Komarynsky: First of all, as three individuals who breathe it, our job is to design and deliver programs. I don't think CAIS, when it first came in, was meant to be a short-term program. I think the view of governments was that CAIS would bring stability in terms of the past programs, many of which, if not ad hoc, had short lives; CFIP only lasted for three years. I think the intention was that CAIS would be longer-term. To be frank, the payments begin to speak for themselves. But as I and our minister have indicated, when there is a disaster, CAIS cannot solve all of the problems. It can respond to its objective, so that when there's a drop in income, it can bring you back up.

There are many other programs in place in the department under the APF to help in the long term with the profitability of the industry; business risk management is only one pillar. If you look at the environment pillar and the number of programs under environment, and if you look at renewal, the demand for those programs is increasing. There is a significant amount of money in all of those pillars to complement, if you will, business risk management programs to help the profitability of the industry.

On the more structural challenges to farm income, as we and our minister have noted, there is a recognition that other work has to be done to think through how to deal with some of the challenges that are beyond what the programs can achieve.

Mr. James Bezan: I appreciate those comments. There is no doubt that the industry is facing some major challenges in the long term and that farm programs can only do so much, but I hope the committee here, and as policy is developed, can look at the long-term health of the industry, because we are on a steady decline, and there's going to be a time and a point here where CAIS isn't going to be paying out to producers, because of their ongoing struggles unrelated to their own production and management decisions.

• (1705)

The Chair: Thank you, Mr. Bezan.

That brings us to the close of our meeting—

Mr. David Anderson: I was on the list 15 minutes ago.

The Chair: Were you on the list 15 minutes ago? I had you stroked off the list.

Do you have something further to say?

Mr. David Anderson: Yes, I do.

The Chair: Okay. I'm going to give you a short time, because we don't have you listed here. You did speak to the plan.

Mr. David Anderson: I spoke, and I asked to speak again, but I hate to be grouchy—

The Chair: We would be here to 6 o'clock if....

Mr. David Anderson: No, you'd be here until 5:30, which is when we're scheduled to be here till.

The Chair: Everybody else didn't get to finish.

Mr. Anderson.

Mr. David Anderson: Thank you, Mr. Chair.

I think Larry made a good point when he raised the questions about the appointment of some of the representatives to the committee. I don't think you should be taking credit for.... You said the department was tasked with finding some candidates. I guess I'm concerned, because I do see some regional candidates or members, and I see some commodity and producer groups there. I'm also concerned because I see a number of failed Liberal federal candidates and Liberal hacks there, and I get concerned for farmers' livelihoods and protection when I see that. I want to make that point. I don't think you should take responsibility for that, and we'll see how this works in the long run for farmers.

I want to ask you another question about the deposit. In your statements earlier you said you're going to replace that with something else, that no capital will be tied up—I think that was the statement you made. I guess I want to know, if you're not going to tie up capital from the farmers, is that going to reduce coverage in any way? A big part of the program was based on them having that one-third deposit. A big part of funding the program was based on having that money available. Will it reduce coverage to remove that deposit?

Mrs. Mary Komarynsky: The options we're currently looking at are, first of all, a fee that would be paid. There has been some discussion about looking at a deductible.

What I meant by not tying up capital was the issue of producers having to put in the deposit at the front end and then not getting their payments until 12 or 18 months later. That was one of the most serious complaints we had from producers, that this deposit is held until payment is triggered.

Mr. David Anderson: As far as you know, the government's intention is that there will be a producer component to CAIS; it's just not in the form of a permanently held deposit.

Mrs. Mary Komarynsky: That's correct.

Mr. David Anderson: Thank you.

With that, then, coverage will not need to be reduced. Is that correct?

I have another question from your discussion. Is that fee in the neighbourhood of the amount of that one-third deposit? Will it be similar to that?

Mrs. Mary Komarynsky: One of the things the national CAIS committee said is that whatever option we come up with—for example, a fee—has to be affordable for producers. We've done a range of analyses—if it's this fee, what's the impact; if it's that fee, what's the impact? That's what we'll be discussing with the NCC next week.

Mr. David Anderson: Does varying that fee affect the coverage?

Mrs. Mary Komarynsky: Let me clarify.

One of the things that's critical to the program currently is that producers come in and select the type of coverage they want. That is very critical, and one of the principles of the CAIS program is that producers make that choice. In our discussion on a fee, that will be part of the discussion. How do we continue to have a program where producers actually select the coverage? If it is a fee, should it be a scaled fee, so if you choose maximum coverage you would be paying more than for lower coverage? That's one of the options.

Mr. David Anderson: Say that now you're paying \$20,000. If the fee is set at \$5,000, that will not affect coverage.

Okay. Thank you.

The Chair: On Thursday we have the committee meeting to deal with Ms. Rivard's motion in terms of the motion on regionalization of agriculture health practices. That will be our Thursday meeting. We'll have the Food Inspection Agency as well.

Then of course we have a meeting in my office tomorrow night.

Mr. Gaudet, I want to see you before you leave today.

Some hon. members: Oh, oh!

The Chair: I'm calling you after hours to see me.

[Translation]

Mr. Roger Gaudet: Okay.

[English]

The Chair: Thank you very much for coming today. We're living in very unusual times in terms of agriculture, and you have a difficult job to do and we respect that.

With that, I adjourn the meeting at this time.

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