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Chair

Mr. Paul Steckle

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● (1530)

[*English*]

The Chair (Mr. Paul Steckle (Huron—Bruce, Lib.)): Ladies and gentlemen, we can bring our meeting to order.

We want to continue our investigation into the corn import issue with regard to imports and tariffs from the United States.

Before we do that, I want to indicate to committee members that tomorrow morning at nine our committee is meeting to attempt, we hope, to deal with the clause-by-clause for Bill S-38, the spirits bill, which is a matter of compliance. If we can get that out of the way, we want to look at the draft report on the Manitoba bovine tuberculosis issue.

Yes, Mr. Bellavance.

[*Translation*]

Mr. André Bellavance (Richmond—Arthabaska, BQ): Mr. Chairman, you just referred to the fact that we could do the clause by clause study of Bill S-38 tomorrow. I called the clerk yesterday and told her that I saw a problem in proceeding with such haste. We did not have the opportunity to benefit from a formal presentation on this bill here in this committee, we didn't hear any witnesses, etc. So we did not follow the regular process that must be followed in committee. I do not understand why it is so urgent to proceed with clause by clause as soon as tomorrow, when undoubtedly, none of my colleagues around this table had the time to prepare any amendment if they wish to do so.

I am not saying that I am against this bill, but it has not been shown to me that it was urgent to proceed at once with the clause by clause study. I do not find that it is adequate to proceed with such haste. So I strongly oppose this way of proceeding and I would like my colleagues to support me in this matter so that we take the time required to do what must be done. It could be done quickly, but I do not see why we should do the clause by clause study as soon as tomorrow morning.

[*English*]

The Chair: It's a pretty simple matter, because it's a compliance issue. Basically what Canada is doing, in a reciprocal way, is responding in the same way as other countries have responded to Canada with respect to spirits. We recognize each other's product for what it is, simply using name only in patent-right issues, what it is, being an Irish issue, a Scottish issue, etc. We will be having in the introduction to that meeting tomorrow a witness giving some background on it. Let's take it tomorrow and see how it develops from there.

We are ready to begin. We have a number of witnesses this afternoon. Centre stage we have Jim Grey, who is here from Casco. We have from the Canadian Renewable Fuels Association, Kory Teneycke, executive director. From Spirits Canada/The Association of Canadian Distillers, we have Mr. Jan Westcott, president and chief executive officer, and one of my former constituents. Mr. Helie, executive vice-president, is also from Spirits Canada/The Association of Canadian Distillers. We have Kirsten Goodwin, also from Spirits Canada/The Association of Canadian Distillers. Those are our witnesses.

If we can, we want to move into our meeting.

Mr. Grey, are you first up?

Mr. Jim Grey (President, Casco Inc.): I believe I am.

The Chair: Okay, we'll take you.

Mr. Grey, of course, represents Casco, a very prominent, well-known corporation, which we very much cherish in this country.

Mr. Jim Grey: Thank you, Mr. Chairman.

As you said, my name is Jim Grey. I'm president of Casco. On behalf of our nearly 450 employees, I want to thank you for inviting us to speak with you today. While I am speaking today for our company, I believe my remarks apply to more than just the employees of Casco. They apply to the people who supply our facilities, the people who service and support our operations, and the people who deliver our ingredients to Canadian customers.

They also touch the lives of the people who live near and work in the corn-refining facilities in the rural village of Cardinal in eastern Ontario, the Niagara Peninsula's Port Colborne plant, the community of London, and finally our office locations in Toronto and Montreal.

This afternoon I want to give you some background on my company's history, the industry we operate in, and our products. I will also outline some of the competitive challenges we face today. Finally I'll discuss the proposed anti-dumping and countervailing duties on imported corn and explain why we believe those duties pose a significant threat not just to Casco but to Canada's entire agribusiness community.

Casco is an institution in the Canadian business community, having opened our doors in 1858. Today, nearly 150 years later, Casco is the only corn wet miller with operations in Canada, as well as being our nation's largest industrial user of corn.

Our company was built on the foundation of free trade. We operate in a highly competitive industry, supplying primarily Canadian customers, as well as others in North America.

Casco converts corn into a variety of value-added products and ingredients. Our starches, sweeteners, oils, and co-products are found in a number of products used by both consumers and industry. They are in the beverages you drink, the foods you eat, the boxes you use to ship products, the feed used by livestock, the feed you feed your pets, and much more.

We are a key player in our vital global industry, a trusted supplier to some of our country's largest companies, and an indispensable part of everyday life.

It is rare for any company to survive for nearly 150 years, particularly in an industry as competitive as ours, on a North American basis. Casco's long history is a testament to our ability to adapt to changing markets and to meet the needs of our customers. In fact, we have not only survived, but we continue to plan for the future.

For example, last year we announced plans to build a new manufacturing channel at our London plant to produce the sugar-based product called NutraFlora, a nutraceutical. This is a prebiotic ingredient that provides a number of health benefits, including improved digestion and increased absorption of minerals and vitamins.

Our London plant would be the first manufacturing channel for this specialty ingredient in North America. It is also a step in our company's strategic plan to expand a number of agriculturally-derived, value-added ingredients that we offer our customers.

We have also expanded capacity at Port Colborne to accommodate our business relationship with Jungbunzlauer, a European company that built its first North American facility in Port Colborne at our urging.

Clearly, we have much to be proud of in our long, successful history. Unfortunately, our future as a viable operator of three plants, an operator that employs hundreds of people, pays tens of millions of dollars in wages and salaries, and sends millions of dollars to our government every year in the form of property, sales, and income taxes, is in question this afternoon.

The business faces significant challenges that go beyond the potential duties I am here to discuss. Today Casco, like virtually every Canadian business, is facing extremely high operating costs that make it difficult for us to effectively compete. Chief among those is energy. We use natural gas to power our facilities, and our Canadian operations have experienced dramatic increase in the cost of natural gas.

Over the two-year period, with 2005—almost complete—and our expectations for 2006, we anticipate natural gas costs will have more than doubled from what they were in 2004.

By contrast, U.S.-based corn refiners can ship their products from the United States into Canada free from duties or tariffs. More importantly, they are not subject to the limitations of the Kyoto Protocol. This means they are free to burn such things as coal, coke, and used tires in their facilities.

● (1535)

These significant cost increases have made 2005 a challenging year for us. We were already seeking ways to remain competitive when we heard about the Canadian Corn Growers complaint before the Canada Border Services Agency.

Corn is a significant part of our operating costs. As the nation's largest industrial user of corn, we estimate that Casco grinds anywhere from 25% to 30% of Ontario's total crop. The vast majority of the corn we use, anywhere from 75% and higher, comes from Canadian farms. I should point out that even if we wanted to purchase all of our corn from Canadian sources we would likely be unable to do so. Our nation does not grow enough industrial-grade corn to meet market demand, and we believe the shortfall will only expand if our nation's ethanol industry starts to grow and industrial demand for corn increases.

These proposed anti-dumping and countervailing duties could lead to a significant increase in the price of all corn we use, both foreign and domestic. This in turn could have an incredibly significant impact on Casco. We are being forced to consider a number of alternatives in the face of these potential duties. These actions include the potential closure of one or more of our Canadian facilities. In this case, we expect we would need to realign our business across our entire North American manufacturing network, and that could potentially affect our ability to supply some of our Canadian customers. The potential result of these duties would be a steady shift of business out of Canada into the United States. Customers would continue to receive products, but it would be U.S. businesses using U.S. corn that would ship U.S. ingredients to Canadian customers, a very bad outcome for agriculture in Canada.

Casco is just one example of the potential impact that these duties could have on our country's agriculture industry. Our country's emerging ethanol industry could potentially disappear or experience significantly stunted growth. The livestock industry could be affected, and prices of beef, pork, and poultry would rise. Consumers could also face higher prices for a variety of products, and who would benefit? No one, not even Canada's corn farmers, the very people these duties are meant to help.

It is true that prices for their corn would likely rise in the short term, but if Canadian customers such as Casco are driven out of business or must significantly downsize, who will buy this corn? At the same time, the imposition of duties will not penalize corn farmers south of the border, or even send much of a message to the United States. The volume of corn exported to Canada is less than 1% of the total U.S. corn production.

The people of Casco have a deep respect and affection for our nation's corn farmers. We understand their situation and sympathize with their plight. After all, these farmers are not just suppliers to us; we are interdependent upon one another. We rely upon them to supply us with the raw materials we need. They in turn rely upon us as a major market for their crop. We have done business with most of them for decades. We have also joined them in the past to support efforts designed to maintain their viability.

It is imperative that Canada's corn farmers find relief, but forcing us to consider plant closures, choking off investment, and eliminating potential markets will surely not help our corn growers.

Our nation needs to find a solution to the corn farmers' problems. We at Casco want to work with all parties, including farmers, industry, and government, to find that solution, but we firmly believe that imposing duties on imported corn is not the answer. Not only would those duties not provide an effective remedy for the current situation, but they could aggravate the host of challenges facing Canada's corn farmers and hurt a host of businesses and consumers around our country.

Casco has faced challenges in the past and we have overcome them. All we have ever asked for is a level playing field, but today that playing field is tilted against not only Casco but the entire Canadian supply chain. Even without the imposition of duties, the prohibitive cost of energy, both natural gas and fuel, means that Casco faces an uphill battle. The imposition of duties ranging from $1.50 to $2 per bushel could cause Casco's operating costs to soar many millions of dollars, and that would be on top of significant increases in the cost of natural gas.

Clearly, no company of our size can expect to absorb these kinds of costs. The potential effects would be quickly felt across the Casco community. Our plant in London has been one of the most cost-efficient plants in our entire manufacturing network. However, the imposition of these duties, together with soaring energy costs, would drive London's operating costs significantly higher. Our Cardinal plant is the primary employer in this small rural village, as well as one of the larger employers in eastern Ontario. Our plant in Port Colborne, in partnership with Jungbunzlauer, forms the foundation of a solid carbohydrate base industry in the Niagara Peninsula. All of our Canadian facilities and jobs are at risk.

● (1540)

The people of Casco want to build on our century-old tradition here in Canada. We simply want the opportunity to continue to do what we have always done—provide great products at a fair price. But the burden of increased costs in the form of energy and duties that could easily amount to a third of our total revenues would definitely affect our ability to do that.

To ensure the long-term viability of Canadian agribusiness, we are asking this committee to take a leadership role in developing a long-term solution, rather than a short-term fix that benefits no one.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Grey.

We also have with us, from the Canadian Renewable Fuels Association, Mr. Teneycke.

I failed to introduce Mr. Bliss Baker at the outset. His name wasn't on my program, but I do know who he is. He's with Commercial Alcohols Inc. in Toronto.

Mr. Teneycke, you're going to be speaking on behalf of the renewable resources.

Mr. Kory Teneycke (Executive Director, Canadian Renewable Fuels Association): Yes. Thank you very much for inviting us to speak today. We appreciate the opportunity to help answer some questions and to provide our perspective on corn countervail duty.

The CRFA represents the ethanol and biodiesel industry here in Canada, from potential producers and stakeholders to feedstock providers, technology providers, a whole host of representatives. I know we are familiar to many of you, particularly those who have worked with us over the years to help build our industry.

As you may know, we represent the entire value chain of the corn industry, from the hundreds of corn farmers who have directly invested in potential ethanol projects, such as the Integrated Grain Processors Co-op in Brampton, to the hundreds of corn farmers who have invested directly in Commercial Alcohols' plant in Varennes, to the farmers invested in the Cornwall seaway valley facility.

I am also joined today by one of our board members, Mr. Mr. Bliss Baker, who is the vice-president of Commercial Alcohols and past president of the CRFA, Canada's largest ethanol producer and one of Canada's largest buyers of corn.

Let me make it perfectly clear that our industry is very supportive of Canada's grain growers. We would not have a business without them. We rely on a sustainable grain-growing community to provide the valuable feedstocks that we need to make our products, and no amount of U.S. corn could replace that corn that we rely on near our plants, year in and year out.

We are here today primarily because we know you have many questions for us regarding the use and purchase of corn and the impact this countervailing duty may have on our industry. We also appreciate the fact that you as parliamentarians have a responsibility to ensure that Canada has a sustainable agricultural sector supported by a value-added agricultural industry needed to ensure strong demand for our crops.

With that in mind, we'll try to leave plenty of time for your questions. I know we have only a few minutes, so we'll try to be succinct.

About 15 years ago, Canada's ethanol industry consisted of a few small plants and there was little talk about ethanol requirements or growing our industry—little talk, that is, except for a group of corn farmers in southern Ontario. A group of corn farmers from the OCPA had the vision and the foresight to lobby Ottawa for support for the ethanol industry. The OCPA started the CRFA, our organization, in their back offices in 1993 and saw ethanol as a way to create homegrown demand for grain.

I should add that ten years ago Ontario was a net exporter of corn. In other words, the supply for corn in Ontario exceeded the demand, forcing many to sell their corn to the U.S. and therefore accept rock-bottom prices.

The OCPA was right then and the federal government is right today. Supporting the expansion of the ethanol industry, like the starch industry and the brewing industry and other users of grains, is good for farmers.

Does ethanol production in Canada still help farmers? Absolutely. Does this local demand improve grain prices? Of course it does. The OCPA still accepts this fact, and they have published papers demonstrating it as well. In fact, growing demand for corn to the point of needing to import additional corn was the objective from the start.

Thanks in large part to this new ethanol production, the demand for corn has in fact, in Ontario, now exceeded the supply, and when that happens, farmers get the most for their own corn. This local demand for corn from the ethanol industry will exceed 30 million bushels by next year. So why are farmers so frustrated that they would jeopardize the very industrial demand that they have spent years building, an industrial base, by the way, that consumes every kernel of corn that these farmers can produce, and then some?

I believe their frustration is the result of many factors, including very low grain prices as a result of bumper crops, an exchange rate that is killing them, and the many inequities that they perceive across the entire spectrum of agricultural programs. I don't believe they want to kill the ethanol industry or kill the livestock industry. The challenge we now face, however, is that their frustration has forced them to take action that may do just that.

A provisional duty imposed by the CITT, if large enough, will kill any industrial demand for corn in Ontario, returning us to the bad old days when the supply exceeds the demand. I don't believe anyone wants this, but many users of corn will be left with no choice.

● (1545)

My message to members of Parliament today is very simple. We stand with farmers but we stand against a corn countervailing duty, and we urge the federal government to find a negotiated solution to this problem. Only through this approach can we all win and avoid a scenario in which we will all lose.

I'd like to give the balance of my time for remarks from Mr. Bliss Baker, from Commercial Alcohols.

The Chair: I wonder if I could ask for brevity here, because we have one hour for this group and one hour for the succeeding group, and we want some time for questions.

Mr. Bliss Baker (Vice-President, Business Development and Government Affairs, Commercial Alcohols Inc., Canadian Renewable Fuels Association): I'll be very brief, Mr. Chair. Thanks.

I wanted to be here today because I know many of you have questions about our industry, and particularly about Commercial Alcohols. We're large corn buyers, so I want to talk a little bit about that.

For those of you who are not familiar with our company, unlike Casco, we are a very young company. Some of you on the panel today helped to give birth to our industry and to our company, and within the next three to five years we will become a homegrown billion-dollar company in Ontario, providing fuel ethanol right across the country.

We are now one of the largest industrial alcohol makers in North America—not just in Ontario any more, but North America. We supply alcohol to products right across North America and into Europe. We are an Ontario success story that was born in Ontario not very long ago.

There are a couple of things I want to address very briefly. There has been a lot of talk about corn-buying and our corn-buying approach and strategies. People have said we buy all of our corn in the United States, that we buy 90% of our corn from Michigan, that we buy only from certain counties. I want to address that right off the top, but first I think it's important to understand that the North American corn market, as Jim has alluded, is a fluid market. It trades freely, and the corn prices are set on the Chicago Board of Trade. There's no such thing as cheap Michigan corn or cheap U.S. corn. The benchmark for pricing in North America is Chicago, and that's a very important thing to understand.

It's also important to understand that in our business, we buy 93% of our corn through the Ontario elevators. What this means is that we go out and source our corn from elevators. We put in a bid or an offer for corn, and those elevators instinctively will source local corn first. It's cheaper for them. It's less hassle to import and they may save on transportation costs. When that corn runs out, they go farther afield and cast their nets farther until they can satisfy the demand from our plant or Jim's plant or other plants. That's how the system of buying corn works in our business.

To get to the point, we buy virtually all of our corn through Ontario elevators. Is there U.S. corn in those elevators? Absolutely. We don't know which kernels are from the U.S. and which kernels are from Canada. On any given day—it depends on the time of year—5% of the corn in the elevator could be U.S. corn or it could be 35%, but that's the general market we operate in.

Commercial Alcohols bought over 20 million bushels of corn last year. According to the OCPA and studies that they've published, that has boosted the local price of corn by as much as 11¢ a bushel in the Chatham area. In fact, our posted price for corn last week was 20¢ higher than any price in the province, and the reason for that is quite simple: demand. We run our plant 24/7. We consume 10,000 metric tonnes of corn a week, so we always have to be running. All of this demand, of course, has had a positive impact on prices and has given local farmers a market for their grain right here at home.

I'll be very brief; I'm just about finished.

My simple message today for members of the committee is that our industry cannot sustain a 40% increase in costs. Corn costs make up 70% to 75% of our fixed costs, and with a countervailing duty imposed in March that is significant, it puts us at least at a 40% disadvantage against the U.S. ethanol producers we are now competing with. So I'm urging committee members to find a negotiated solution to the challenges we all face, and I'm here to answer your questions.

● (1550)

The Chair: Thank you, Mr. Baker.

Now we move to Mr. Westcott and the Spirits Canada group for a brief summation. I know you have a prepared brief, but it's in English only, so we can't circulate that.

Mr. Jan Westcott (President and Chief Executive Officer, Spirits Canada / The Association of Canadian Distillers): Thank you very much, Mr. Chair.

We welcome the opportunity to address the committee on the important issues related to the production and use of grain corn in Canada.

I'm Jan Westcott. You've already introduced C.J. Helie and Kirsten.

We're the only national trade association representing the interests of the Canadian distilled spirits industry. Our member companies include Bacardi Canada; Black Velvet Distilling; Canadian Mist Distillers; Corby Distilleries; Diageo; Hiram Walker & Sons; and Schenley Distillers. Combined, our member companies represent over 80% of the production, sales, and exports of the Canadian spirits industry.

Our members operate significant manufacturing, bottling, or whisky maturation facilities in Amherstburg; Brampton; Collingwood; Windsor, Ontario; Gimli, Manitoba; LaSalle; Laval; Montreal; Valleyfield, Quebec; and Lethbridge, Alberta.

Spirits Canada member companies play an important economic role in the value-added agricultural sector in Canada, with $118 million in annual agricultural purchases, including nearly $40 million worth of corn. Although Canadian distillers also purchase wheat, rye, and barley, corn is the primary agricultural input.

Canadian distillers produce world-class beverage alcohol products, including gin, rum, vodka, liqueurs, ready-to-drink coolers, and our signature product, of course, Canadian whisky.

Spirits Canada members also purchase $214 million annually in goods and services from the broader food processing industries, for containers, packaging, and other kinds of materials, and we have an annual payroll valued in excess of $101 million, while employing 2,400 people across the country in high-value, high-skilled employment opportunities.

The production, distribution, and sale of distilled spirits are important sources of revenue for both private and public beverage alcohol retailers, hospitality and tourism operators, farmers, and small business owners, as well as for the federal, provincial, and territorial governments. In fact, direct spirits tax revenues to the Canadian federal and provincial governments are in excess of $3 billion each year, with $800 million of that in federal excise and GST payments alone.

That's just a short overview of who we are, and we have a fact sheet that will become available to you.

As indicated earlier, the Canadian spirits industry buys nearly $40 million worth of corn each year, almost entirely from Canadian farmers. To put this into perspective—because I know this committee has looked at a wide range of issues—the spirits industry purchases more corn than the total value of the Canadian grape wine harvest. Corn is the primary grain used in Canadian distilled spirits production, and it is used in almost all of the production of distilled spirits in Canada.

Canadian distillers are a relatively small but important user of Canadian corn. We understand that nearly 80% of the corn used in Canada is destined as feed for cattle, pork, and other animals. At approximately 10 million bushels, the production of distilled spirits accounts for about 11% of the remaining 85 million bushels of corn used in industrial production.

Despite being confronted by significant challenges, including continued federal excise subsidies to our principal competitors within the beer and wine sectors, major market access barriers in key foreign markets, and a strengthening Canadian dollar, the Canadian spirits industry is committed to an aggressive domestic and export growth agenda. Therefore, we are concerned about additional external factors that have the potential to add to the challenges that are already burdening the industry and may threaten our future business opportunities.

As a broadly traded commodity, it's our understanding that Canadian corn prices generally track the U.S. and world prices for corn. For this reason, despite sourcing the majority of our corn from Canadian farmers, any increase in the cost for U.S. corn is likely to have an immediate and direct impact on the cost of corn purchased by Canadian spirits producers.

Our principal goal today is to provide the committee with a sense of the industry's vulnerability to any increase in costs associated with our major agricultural input. More specifically, we will describe how existing external challenges facing the industry—such as those just mentioned—as well as other factors unique to our business leave it particularly exposed to significant risk.

Spirits products in Canada carry one of the highest fiscal burdens of any product sold anywhere in the world. From an economic perspective, a high tax load severely limits the ability of distillers to absorb price shocks. By way of background, at the federal level in Canada, spirits are faced with an excise burden of $11.066 per litre of absolute alcohol, a level that is two to two and a half times the excise duty imposed on directly competing beer and wine products.

Despite protestations from some quarters for even further federal excise breaks for the beer and wine sectors, it is clear that the current structure is already heavily skewed in their favour, at the expense of the spirits industry. In fact, this inequity within the federal excise structure is equivalent to an annual taxpayer-funded corporate subsidy valued in excess of $200 million a year.

A harmonized Canadian federal excise duty imposed at a revenue-neutral rate of 12¢ per standard drink would help drive innovation, productivity, and competition in the market, as well as provide some fiscal capacity to spirits producers to help them absorb external shocks. Absent such harmonization, Canada's distilling operations are put at risk when exposed to any increase in costs associated with our primary input, in this case, corn.

As exporters, Canadian spirits companies have been negatively affected by the appreciation of the Canadian dollar over the last couple of years. The effect of a strengthened dollar is a significant challenge for the companies, because the industry exports almost 70% of its entire production. In fact, the value of Canadian distilled spirits exports is greater than the combined value of all beer, wine, and cider exports out of Canada.

Distilled spirits is the only Canadian beverage alcohol sector in which the majority of its production is exported. The primary effect of the currency appreciation has been felt in our largest export market, the United States. About three-quarters of what we export does go to the United States. The U.S. beverage alcohol market is one of the most competitive in the world. As a direct reflection of the quality and prestige of Canadian products in the United States, Canadian whiskey outperforms Scotch whiskey, Irish whiskey, and American blended whiskey combined. Ours is the leading whiskey sold in the United States.

That said, due to competitive pressure, particularly from American bourbon and some other spirits with lower de facto excise rates in that country, many Canadian suppliers have not been able to pass along the impact of a materially higher dollar in their prices. The result has been a decrease in Canadian supplier margins, and a further decrease in any fiscal capacity to absorb cost increases associated with our agricultural inputs.

It's also important to note that distillers do not have a reasonable opportunity to effectively substitute for corn, whether by using other cereal grains or by switching production sources to overseas sources. The distillation of spirits is a highly refined process, with both an important yield issue related to the amount of alcohol that can be derived from any given amount of input, and a taste and quality factor related to the final product as a premium, high-value consumer product. Both of these factors impede a distillery's ability to substitute another input for the corn currently used by the distillery.

We've identified a number of specific factors unique to the spirits industry. That is not to say that we are not also affected by broader pressures felt by other sectors of Canadian manufacturing, such as intense global competition, and certainly, lately, rising energy prices.

In closing, it's important to note that we are not without sympathy for Canadian farmers, whether in the beef, pork, or corn sectors. However, one must be very careful not to create additional problems elsewhere as we seek workable solutions. These are certainly complex issues, and we look forward to working cooperatively to help find the best way forward.

Thank you.

● (1600)

The Chair: Thank you, Mr. Westcott.

Moving very quickly to questions, Mr. Miller is first. I'm going to limit the questioners to five minutes, simply because we have a half-hour left.

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

I do appreciate the witnesses coming today, but in retrospect, I think we should have allowed two minutes each for presentations, because we have 26 minutes left out of 60 minutes for questioning.

Anyway, my first comment here is that corn production in Canada, as we all know—and I would ask for the answers to be reasonably brief—doesn't meet the total domestic demand. Could it be possible that imposing duties on U.S. corn could actually create a shortage on the domestic market?

Is there anybody who'd like to comment on that?

Mr. Bliss Baker: I'll take a shot at it. The answer's yes, we wouldn't have enough corn to run our plants. If there were a duty in place, we'd have to take drastic action, scale back, if the duty were high enough.

Mr. Larry Miller: Okay.

One other comment I want to make is that as a farmer—and I am a farmer and I've been a corn producer in the past, as well—I hear all of you talking about how much you want to support the farming industry. I truly believe that none of your businesses actually.... I think you could do a lot more to support and make an effort to buy Canadian corn or pay a premium for it. I know it's only reasonable to do it to a certain degree, but I think you could make a bigger effort.

I have another question. If we were to place duties on imports of U.S. corn, would this not just further widen the gap between corn prices in the U.S. and Canada? If that were the case, would this price gap actually discourage investment in value-added processing in Canada?

Mr. Jim Grey: Could you repeat the first part of that?

Mr. Larry Miller: Yes. Putting duties on imports of U.S. corn could possibly just widen the gap between corn prices in the U.S. and Canada. Correct?

Mr. Jim Grey: The price of both domestic and foreign corn in Canada would rise as a result.

Mr. Larry Miller: Anyway, I still think there's going to be a gap in there.

But the bottom line is, if this duty went on there, would it not actually discourage investment in capital, in processing and what have you?

Mr. Jim Grey: Absolutely. It's discouraging investment in capital now.

Mr. Larry Miller: Yes, in all industries.

This one is a question for the ethanol industry. With the plan by the government to increase ethanol production, which I think is good to a degree, how much extra demand in volume compared to the volume being used today would you estimate there will be, what increase in the requirement for corn?

Mr. Kory Teneycke: The expansion of demand just in Ontario from the 5% ethanol requirement the McGuinty government has passed is 750 million litres of ethanol, and it looks like the demand is actually going to be beyond that, maybe as high as a billion litres. You get about 10 litres of ethanol from a bushel, so you're talking about a demand for corn in the neighbourhood of 100 million bushels total. Our current use for next year is going to be approaching 30 million, so there could be as high as an additional 70 million bushels of corn required.

We're talking about a massive increase in the amount of corn required. It's a very good thing for corn prices for Ontario corn farmers to have that much additional demand in this market.

What's the alternative? That ethanol is made in Michigan and the plants are built there, and the benefits to local corn farmers don't exist.

● (1605)

Mr. Larry Miller: Mr. Chairman, I'd like all the different industries here to answer this next question, and I think they can do it briefly if they know the answer.

I'd first ask Mr. Westcott or Ms. Goodwin from Spirits Canada, at today's prices you're paying, if a countervailing duty were added, what would be the implications to the distilling industry in Canada in dollars? Then we'll just move on to the other industries.

Mr. Jan Westcott: As I said, any cost increases put us at a competitive disadvantage. We sell the bulk of our goods in other markets and compete very aggressively. Our principal competitors are large U.S. producers who produce whisky in America and around the world, and it's a highly competitive market. We have to compete in that market. We have been withstanding increased costs because of the change in the Canadian dollar. It's been 30% in the last—

Mr. Larry Miller: But Mr. Westcott, in all fairness, all business has to deal with that. I have to do that selling cattle.

My question is, though, what percentage is it, if I can put it like that?

Mr. Jan Westcott: I can't give you that.

Mr. Larry Miller: Do you have any kind of estimate?

Mr. Jan Westcott: I can't. We're in a process right now of trying to understand those things, and that information will be coming out through this process we're in.

Mr. Larry Miller: Mr. Grey.

Mr. Jim Grey: I'm going to echo Mr. Westcott's comments, first of all, and say every industry has to absorb that. Unfortunately, all our competition is U.S.-based. They will not have to pay that duty.

As far as estimating the impact to us is concerned, again, it depends on what the duty is. As I said earlier, we process roughly 25% of the Ontario corn crop, which is 200 million bushels. It's fairly simple math to find what the impact on us would be.

Mr. Larry Miller: Mr. Baker.

Mr. Bliss Baker: Again, it's what Jim says; it depends on how large the duty is, if it's a significant duty. We have three plants right now; one is a very high-cost plant that would not survive if the duty were significant. For the other plants it depends what the duty is. If it's a large enough duty, the ethanol industry may not survive. If it's a small duty, we might be able to weather it. We just don't know. It's too early.

The Chair: Mr. Bellavance, five minutes.

[*Translation*]

Mr. André Bellavance: Thank you, Mr. Chairman.

I have listened to your presentations intently. Indeed, I have underlined a couple of key elements in your remarks. What strikes me somewhat is that, apart from saying that you have some sympathy for grain producers in Canada, you have not asked the government in any of your presentations to embark upon negotiations.

Do you have anything to offer to producers, given what is happening? I have read some documents. Don't you think that it would be interesting to make up a contract that could, for example, include a price adjustment clause that would take into account a countervailing duty? Did you have any discussions with producers? Do you intend to discuss that with them? Would it be interesting to put that on the table?

[*English*]

Mr. Jim Grey: Merci, Monsieur Bellavance.

Last night, actually, I met with roughly 300 people in the small town of Cardinal, many of whom were corn producers, to discuss this very issue and the potential impact to Canada. We have in fact over the past many years worked hand in hand with corn producers, visiting both the Canadian government and the Ontario government looking for solutions to their plight. Certainly, this has been an activity we have been involved with for a number of years, and we have looked for potential solutions for them.

As a business person, I can't act upon a solution that's going to impact my business negatively vis-à-vis my American competitors. I can pay no more for my raw material than my American competitors pay, but there are mechanisms by which we can look for solutions long-term. I think the upcoming WTO discussions on subsidization programs in the United States are a long-term solution.

What we need, though, is a short-term solution and a transitional solution for our industry and for corn production in Ontario—and in Canada, for that matter. I know there are specific solutions the OCPA has brought forward, and I know there are other mechanisms as well that can be put in place. We look forward to working with all parties in that regard.

● (1610)

[*Translation*]

Mr. André Bellavance: Nobody has referred to the issue of dumping. Are you aware that the Fédération des producteurs de cultures commerciales in Quebec has rightfully decided to lodge a complaint against American dumping? Not one of your comments acknowledged that producers are going through these circumstances.

[*English*]

Mr. Bliss Baker: I think it's up to the CBSA or the CITT to decide whether there's been injury or dumping. Personally, I'm here because I want to make members aware of the corn markets and the corn-buying strategies and the impact this duty will have on us. I think it will be up to the CBSA to decide whether they're dumping or not. That's what we're waiting for.

[*Translation*]

Mr. André Bellavance: Still, you are familiar with this field since you work in it. So you must have some idea of what is going on in the market. You must have an opinion as to whether there is dumping or not. At the present time, you are benefiting from it since you are paying less. So it is positive for you, but not for others.

Have you not examined the issue to determine whether or not there is dumping?

[*English*]

Mr. Bliss Baker: No, we haven't.

[*Translation*]

Mr. André Bellavance: You must still recognize that Americans are getting government compensations that can reach up to $300 an hectare, while here, we are talking about compensations that are about one tenth of that amount. So there is an inequity that is recognized.

[*English*]

Mr. Bliss Baker: I'm not the trade lawyer here, but I think the CBSA has already said there's some evidence of subsidy. When we hear in December, that'll be the final word. They've already recognized that there's some evidence of subsidy, but we don't spend a lot of time analyzing the U.S. subsidy programs. We operate in the market and buy corn like everyone else here.

The Chair: The question is to Mr. Grey.

Mr. Jim Grey: I don't think there's any doubt that there's subsidization occurring in the United States. There is, as I'm sure you all know, a distinct difference between subsidization and dumping. Dumping would be involved in the calculation of the cost of production of corn in the United States; I don't know the details of that. Again, it's the job of the CBSA to determine that, but I don't believe there's any question of the degree of subsidization in the United States.

As I said earlier, that's perhaps the longest-term solution in an integrated free trade market, the elimination of that, but it is a long-term solution.

The Chair: Thank you, Mr. Grey.

We're moving to Mr. Eyking for five minutes.

Hon. Mark Eyking (Sydney—Victoria, Lib.): Thank you, Mr. Chair.

I'm just assessing a few things here. I think it's pretty apparent that you need to import corn to sustain your industries—all of you. You really need to import corn at the Chicago price, because you're competing with U.S. companies that are producing the corn-based products you produce.

The problem we have—and we had this in the last committee meeting when we went through all the charts—is how much subsidy. It all comes down to subsidy. We figured it's a 90¢ U.S. a bushel subsidy—per bushel I think it was. I think we'd be lucky if our producers get 10¢ a bushel with all the programs we have. What it comes down to—and I'm just using rough figures—is 75¢ to 80¢ a bushel. That's the problem. The problem is our producers are not making enough money because of the subsidization with U.S. producers.

There are two ways of doing it, and you mentioned one, which is trying to get the U.S. to subsidize the producers less. That brings up the price of corn in Chicago, which everybody pays a little more for. That's fine with you. We're trying to do that through the WTO, but that's a long process. Even if they go the route they're saying, it's only going to maybe cut 40% to 50% of the subsidy.

So what has to happen in order for our producers to survive is that we're going to have to try to subsidize some more. That leaves the Canadian taxpayer subsidizing the corn producers, which indirectly subsidizes your industry too, so you can compete with the U.S. That's pretty well it in a nutshell. How do we go about that?

I guess we would like to see your companies take a little hit on that and not just all the taxpayers taking a hit on it. You're giving us the inclination that you don't have any wiggle room in your bottom line to do that. Is there any wiggle room at all?

● (1615)

Mr. Bliss Baker: My only comment on that is in the first part you are right. But if the country negotiated the reduction of subsidies and CBOT corn prices were raised to $3.50 a bushel, that's fine with us. We'll pay $3.50 as long as everyone is paying $3.50. That's the challenge. We'd pay $4 bushel as long as everyone is paying $4 a bushel. But if we're paying $3 a bushel, and our competitors in Illinois are paying $2 a bushel; that's where the trouble comes.

Mr. Kory Teneycke: Just to add something on that, I think what is maybe not appreciated by everyone is that corn costs are higher in Canada. If you were all working off Chicago pricing.... In the corn belt of the United States, corn is selling for a discount to that price posted in Chicago. Our corn farmers are selling at a premium.

The question is, are we paying more for corn to Canadian corn farmers for that product than our competitors in the U.S.? The answer is yes. We are already paying more. We pay more on every bushel. That's because we're in that importing market, and they're in that exporting market. Are we helping corn farmers? Every single day, with every bushel that's sold, whether it's sold to Casco or Commercial Alcohols, or whether it's kept on that individual's farm, that corn is more valuable as a result of us being in that import market.

In a way, the OCPA action is threatening to kill the goose that's laying the golden egg. I understand they're still paying and that this may not be enough, but we're part of the solution, not part of the problem today.

Hon. Mark Eyking: But it's not to your advantage at the end of the day not to have corn growing in Canada.

Mr. Kory Teneycke: Of course it's not. I think your question was if could we do something more. The answer is that we're already paying more for corn than our competitors.

Hon. Mark Eyking: Is it because of the transportation?

Mr. Kory Teneycke: It's because we don't grow enough corn. We have to meet market needs, so corn has to be taken to this market by rail or by boat or by truck from places where they do have corn, as opposed to ADM ethanol plant in the corn belt, where there are net export markets. Corn is substantially less expensive there. Corn is the same price when it comes to our plant gate, whether it's the U.S. corn or whether it's Ontario corn, and it's more expensive than our competitors pay.

Mr. Jan Westcott: I'd like to address the suggestion that somehow we're being subsidized in our business. Let's keep in mind that every time we sell a bottle of our product in Canada, government takes 85¢ of that dollar. And the federal government is right there, along with all of the provincial governments. So I don't think it's fair or reasonable to suggest that somehow the spirits industry, which gets 15¢ on every dollar of its sales, gross, for everything that we do, is being subsidized.

There's no question that the system isn't working properly. There are a whole series of things. If you're in the beer business—and I was in the beer business for many years, as many of you will know—you get 50¢ on the dollar. If you're in the wine business, which I was also in for many years, you get 30¢ to 35¢. I think we need to keep in mind that there are a number of issues creating pressures, and certainly these antiquated ideas we have about how we apply our taxes in Canada, which was one of the points I was making earlier, factor into that in our particular business very strongly.

Whether it's a good thing or a bad thing, I think it's a great thing that we have been so successful in taking Canadian raw materials and turning them into very high-value and highly prized goods that we sell, literally, all over the world. I think that's a good thing, but it does mean we have to be competitive with other people out there who are pretty good at what they do and make pretty good products too. We do share some of these issues with our colleagues, particularly those from Casco. That's where we compete.

● (1620)

The Chair: The time has expired. We move back to the Conservatives, to Mr. Anderson, for five minutes.

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

I read a document the other day, as Mark said, about a 91¢ U.S. subsidy. They're getting 30¢ on a counter-cyclical payment, 28¢ on some direct payments, 23¢ on loans and the LDP program, another 10¢ benefit on their crop insurance program, and that's playing into a market where the average price is $2.85 to $2.90.

I guess I'm just wondering why you would expect the Canadian farmer to bear the burden of absorbing that. That's obviously affecting the price of corn not only in Canada but in the United States, and why is it fair that the Canadian producer should have to bear the cost of this subsidization that's happening in another country?

Mr. Jim Grey: I don't think I ever suggested that it was fair to have the Canadian farmer absorb it. What I did suggest is that we're involved in an integrated market and we're competing with processors who are purchasing that corn and competing with us directly in Canada. That's the essence of the issue.

Mr. David Anderson: Well, it's integrated at one level; it's not integrated at the other level. Because our farmers are not being protected, their farmers are getting massive subsidization.

Kory, you made the comment that ethanol expansion basically is a good thing for corn prices for Canadian corn growers. That's not accurate if there's a 91¢ subsidy that's affecting the price of corn coming into this country. That means our farmers are probably getting whatever, 75¢, 80¢, 90¢ less than they should be getting for their corn.

As long as this subsidization from the United States continues at the level it's at, that is not necessarily good for our corn producers just to have expansion.

Mr. Kory Teneycke: Well, there are two separate questions. One is, does having local demand improve the price for your commodity? And the answer is yes, unequivocally. The OCPA has published numerous studies to that effect, that increased demand next to your farm, if you have somebody next to your farm who needs 20 million bushels of corn a year, that is good for your local basis price.

Now, our industry can't unilaterally change world corn pricing, and we can't change government policy in other countries on subsidization. Is it as a result of anything that industrial users of corn have or haven't done that the international corn price or government intervention in the commodity market has taken place? No. It's unrelated. They're two unrelated issues.

We are helping raise corn demand in Canada, which is a good thing for price for local producers. Are there other problems, such as those you've highlighted? Yes, of course there are, but they're two separate issues.

Mr. David Anderson: Well, that premium may be a couple of cents, but we have an overproduction in the United States that I understand is seven times the annual production in Canada. You don't have excess demand then because if they're going to be allowed to dump their product in here, that destroys the price structure inside this country.

I only have a couple of minutes left, but I want to go on to something I mentioned the other day. The ethanol expansion program, when it was originally set up, was supposed to help small and medium-sized projects get off the ground. The government consciously made a decision that they weren't going to do that; they were going to put that money into bigger plants and bigger operations. I understand there are memos to the effect that they basically didn't trust the smaller operations to be able to manage the money, but it led to the decision to place plants in areas where the government knew there was going to be a shortage of feedstock.

So this country is going to have to rely on importing massive amounts of corn into this country for a long time in order to meet ethanol expansion demand, when there were projects in other parts of this country where there were lots of feedstocks, and the government made a decision that it would not support projects in those areas. So the government to some extent has created this situation, and I guess I'm looking to them to find a solution for it. There was a way of dealing partially with it, which is to share the projects with other areas of this country.

● (1625)

Mr. Bliss Baker: As a company that received support under the ethanol expansion program, for one, our plant in Varennes, Quebec, was the first ethanol plant in Quebec. I believe that Quebec is in fact a net exporter of corn and has a surplus of corn, so I don't believe there's a shortage. It's one of the reasons our company wanted to be there. I don't know if that applies. It certainly doesn't apply to the Quebec situation.

In terms of the process we went through to apply for funding under the ethanol expansion program, it was done through an RFP. The size of the plant didn't really have anything to do with it. It was based more on a cents-per-litre RFP. Whether you were a 50-million-litre plant or a 100-million-litre plant, they awarded you grants and support based on cents per litre.

Mr. Kory Teneycke: I'd be happy to maybe add something to that.

There are two problems that our industry faces. One is on market access and the other is on being competitive with the United States industry.

Projects did in fact go ahead in western Canada and other parts of the country, and they've gone ahead to the point of filling the demand in those markets that exist. There are two ethanol plants under construction that both receive money from the ethanol expansion program in Saskatchewan, there is one in British Columbia, and there is one in Manitoba. They all receive money from that program. Weyburn's plant in Saskatchewan is a very small facility; it's 20 million litres a year.

I'm not sure that I would agree with the premise of your question.

The Chair: Your time has expired, and I have to move on.

Ms. Ur.

Mrs. Rose-Marie Ur (Lambton—Kent—Middlesex, Lib.): I must say up front that this is a great meeting for our corn producers. They have an opportunity to hear from individuals who they certainly have to depend on and to hear from those individuals directly, not through hearsay or whatever may be promoted throughout different areas.

I appreciate everyone who's at the table and those who will be coming to the table, because it's so important. Our grains and oilseeds people are seeing prices like you wouldn't believe. We need to fix this. You're part of the solution, we all are, so we all need to act on their behalf.

That being said, my question is to Mr. Baker. Hypothetically, let's say that CBSA and CITT rule in favour and impose a duty on corn. What would happen when a company in Canada purchases corn from the United States, refines it in Canada, and then exports the end product back to the United States? Would the company be reimbursed for the duty that they originally had to pay when the corn was first brought into Canada?

Mr. Bliss Baker: This is a very complicated issue, but I think you're referring to something called duty drawbacks.

Mrs. Rose-Marie Ur: Yes.

Mr. Bliss Baker: This is where the rules of the Special Import Measures Act get a little out of whack. But because of the action and because of the trade action that the corn producers have taken, when the duty is put in place, whether it's a provisional duty or a five-year duty, we are eligible as a company.

Let's say that we buy U.S. corn. To the extent that we manufacture the corn and re-export product to the Untied States, we would be eligible to get the duty back. We get all the duty back on all of the product that we ship to the United States, as long as we use U.S. corn. We have to use U.S. corn in order to reduce the duty that's going to be imposed in December.

That's where we're headed. We're headed to a situation where we're being forced to use all U.S. corn now—not just 5% or 10% or 25%, but all U.S. corn

Mrs. Rose-Marie Ur: Okay. How does that benefit our Canadian producers?

Mr. Bliss Baker: It doesn't. What will happen is companies will then be obligated to go out and buy U.S. corn, we will not use Ontario corn, and the local basis price for corn in Ontario will drop.

Mrs. Rose-Marie Ur: Thank you.

Mr. Grey, in your presentation you said that you buy from large and small.

I guess because London is closest to me, I've had many phone calls, and you're well aware of some of them. When I've called you, you've called me back. I certainly give you credit there.

You do not have any problems, whether it's a big transport coming in or a wagon load. How do you use your judgment for the purchasing of corn? I'm talking about the London plant right now.

Mr. Jim Grey: We have to run our facilities 24 hours a day, seven days a week. They're very expensive facilities to build and operate, so they have to run at that rate. We count on a consistent supply of corn. Generally speaking, domestic local corn is that consistent supply. Having said that, again, we are in a very competitive market.

Domestic corn tends to be the corn that allows us to run our facilities in that fashion consistently, so we encourage domestic corn and purchasing from domestic producers; we will take it by the wagonload, or pail-load if we have to. As you may know, we recently launched a website for corn producers. Only domestic corn producers can access that website to contract their corn sales to us. We offer a premium for that in the market.

● (1630)

Mrs. Rose-Marie Ur: How much take-up is there on that?

Mr. Jim Grey: You'd probably have to ask Colleen Lytton, who's responsible for that. I don't think there's been a great amount of activity on it.

Mrs. Rose-Marie Ur: Okay.

Thank you, Mr. Chair.

The Chair: Thank you very much. I know our time has expired.

Mr. Lapierre, you'll be the first one in the next round.

We'll run this meeting through so that we can get all of the players in today; we're running into a situation with time today.

Thank you very much, participants, for sharing your enlightenment on this issue. It's a very complex, very difficult issue. We realize that we're here because of a development that we haven't seen for a long time. So thank you again, and we look forward to hearing from you again, perhaps under a different circumstance.

Thank you very much.

We'll suspend for just a few moments while we have new witnesses take their places at the table.

● (1635)

The Chair: We will reconvene our meeting.

We have our witnesses at the table. Continuing on with the other side of this industry are the people representing the primary producers. We have with us this afternoon, from the Federation of Quebec Producers of Cash Crops, Mr. Benoit Legault, general manager. We have a witness from the Manitoba Corn Growers Association and Canadian Corn Producers, Theresa Bergsma, secretary-manager. And from the Ontario Corn Producers' Association, we have Brian Doidge, general manager.

Folks, you are on. Could we again be succinct?

I'm not sure who's presenting first. Mr. Doidge, are you on first, or do you have a pecking order here?

Mr. Brian Doidge (General Manager, Ontario Corn Producers' Association): I drew the short straw, Mr. Chair, so I'm going to do the speaking.

The Chair: You're going to do the sweep-up?

Mr. Brian Doidge: I'll do the speaking. If there are any questions, they can go through Benoit or Theresa.

The Chair: You're on, Mr. Doidge.

Mr. Brian Doidge: Thank you.

Thanks, Mr. Chair, for the opportunity to appear before your committee.

Our presentation this afternoon highlights three points: first, the harm to Canadian corn producers caused by unfairly traded U.S. grain corn; second, what self-help measures we are taking to counteract that harm; and third, what help we would like from the Canadian government with the trade tools and resources at its disposal.

We are, as you indicated, Canadian corn producers, a coalition of the three main corn-producing groups in Canada, the OCPA, FPCCQ, and the MCGA. Together we represent the interests of over 26,000 grain corn producers. We produced 364 million bushels of corn last year, worth approximately $1.4 billion Canadian.

The business environment for the production of corn in Canada is anything but a level playing field with our major competitor, the U.S. Since 1997, the entire expansion in demand for corn in Canada has been met by imports of artificially low-priced and subsidized corn from the U.S., rather than through the expansion of domestic production.

The injurious impact of U.S. subsidies through artificially low prices has made the production of corn in Canada economically unviable and pushed aside many otherwise efficient Canadian corn producers. Absent U.S. subsidies, Canadian corn producers are competitive both in terms of quality of product and cost of production.

Before the U.S. significantly expanded its subsidy programs in the 1990s, Canadian corn producers were able to fulfill all domestic demand with enough left over for modest exports. Challenging U.S. subsidies is not an attempt to save a non-competitive industry, but rather an effort to rescue a competitive industry that understandably cannot compete with the U.S. Treasury.

Trade injury caused by U.S. subsidies has meant that Canadian corn producers now face the difficult choice of continuing to produce corn at less than the cost of production for years on end, or not producing at all. Canadian corn producers cannot continue under the current situation. This will be the last year for many of our producers if no relief from the harmful effects of U.S. subsidies and dumping is obtained.

The U.S. is the world's largest producer and exporter of grain corn, accounting for 40% of global output and 65% of world exports. The U.S. is the price leader for corn, with 61% of corn exports generally sold at prices below estimated production costs. That's not an opinion; that is a result of a study out of Tufts University.

The Chair: I wonder, Mr. Doidge, if I could remind you about the time. I see a very thick document here.

Mr. Brian Doidge: I'm going to flip through a lot of it.

Deep-pocket U.S. farm subsidies have stimulated overproduction and driven down prices on world markets to the extent that Canadian corn farmers now face an income crisis, falling prices, and an inability to recover even our cash costs of production.

As a note, the last Statistics Canada cash receipts report for August, for the first six months of this year, indicated that corn prices have fallen by 35%, the second-largest decline of any of the crops in Canada.

> The principal cause of price suppression on world markets is increased supply benefiting from trade distorting support permitting sales on world market at less than cost of production.

There are a couple of other quotes there I think I'd like to bring to your attention that are on the same point.

The effects of three main subsidy programs—direct payments, counter-cyclical and loan deficiency payments, and marketing loan gains—are depicted in the graph, exhibit 1. I won't go into it today, but if there are any questions, you can refer to it.

This graph shows U.S. corn subsidies working in combination, essentially guaranteeing U.S. corn producers $2.63 U.S. a bushel. Artificially low grain prices benefit all grain buyers by artificially lowering the cost of their major expense.

Because of the scale and volume of U.S. production and pricing for livestock, livestock products, and processed grain products, these are major factors in determining world prices for these products of grain. Canadian corn users and processors compete against world prices for products of corn that are thus artificially lower thanks to the U.S. Farm Bill.

Canada is heavily export-dependent in many sectors—not just agriculture—and especially on trade with the U.S. So you put that all together and what's the result? Canadian corn producers are driven out of production and Canadian corn buyers and users are forced to depend on imported U.S. corn, incurring additional inbound freight costs, which make them uncompetitive in the U.S. marketplace and in our own Canadian marketplace against imported U.S. finished goods and products.

This is a shame, because Canada has abundant potential to expand corn acreage. There were some questions to the previous speakers, talking about that.

Prior to the dramatic change in the U.S. farm policy ushered in with the 1985 U.S. Farm Bill—and I'll just use Ontario as an example—Ontario actually was self-sufficient in corn. If Ontario planted the 2.1 million acres of corn that was the average for the years 1980 to 1984, at current yields we would produce more corn than we use, including all the projected new ethanol plants.

The reason that acreage is not planted to corn is because prices have been artificially depressed by U.S. subsidies. U.S. subsidies are driving Canadian corn producers out of production.

What are we doing about that? Canadian corn producers are attacking that unfairly traded U.S. corn. Faced with such serious and sustained harm, we've launched a three-pronged attack. Our aims are to enable Canadian corn producers to earn a fair return, and level the playing field for Canadian corn producers, who for years now have suffered injury from low prices caused by billions of dollars of illegal U.S. subsidies.

The first of the three prongs is launching an anti-dumping and countervail complaint on the Special Import Measures Act. This summer we exercised our legal right and filed a domestic trade remedy complaint under SIMA respecting injurious subsidization and dumping. Our objective is to obtain substantial anti-dumping and countervail duties to counteract the price suppression and other injury to Canadian corn producers caused by unfairly traded U.S. corn.

The second prong of our attack is lobbying the Canadian government to add U.S. grain corn to Canada's list for Byrd Amendment retaliation.

Last December we asked the Canadian government to add U.S. grain corn imports to a list of products targeted for retaliation by Canada against the U.S. for its refusal to appeal the Byrd Amendment. Following a written submission, we met with International Trade Canada and Agriculture Canada officials about this request in February.

We believe that taking retaliatory action against U.S. grain corn imports either in the form of imposing a 100% surtax or waiving the injury requirement, the anti-dumping proceeding, will help Canada maximize political pressure on Washington.

Moving forward, the third prong in our attack to date has been lobbying the federal, Ontario, Quebec, and Manitoba governments respecting the merits of Canada's WTO case against U.S. grain corn. Since last spring, culminating in briefs submitted to the Government of Canada in July and September detailing the main elements of what's called a serious prejudice case, we have asked the Canadian government to commence WTO dispute settlement proceedings by requesting consultations with the U.S. regarding the illegality of U.S. grain corn subsidies.

● (1640)

It's important to note that the illegality of such subsidies stems from two things: the expiry of the "peace clause" in the 1995 WTO agreement, and the recent WTO dispute settlement panel and appellate body reports on upland cotton, initiated by Brazil, which found that several of these subsidy programs violate existing U.S. obligations.

We believe a Canadian challenge of these types of subsidy will pressure the U.S. to remove them—the same approach many other countries are using. We also believe that WTO consultations will increase our leverage at the Doha Round negotiations.

To help the Canadian government appreciate the nature and scope of this opportunity, we submitted turnkey briefs to the Canadian government that outline how Canada could commence WTO consultations with the U.S. that, if necessary, could be elevated to a formal WTO complaint.

I won't go through this in detail, but in fact we've already started it. Under the SIMA process, the U.S. asked for consultations, and they are already started, but they're under the SIMA complaint. Our proposition to you is: the consultations in effect have already started; let's just step them up.

I want to keep moving forward, to section five on page 15 of the brief.

We have initiated a fourth prong. To the three prongs already discussed, we've added a fourth. It's asking the Canadian government to improve the Canadian agriculture income stabilization program by implementing, jointly with the provinces, a funding "patch" on CAIS to make it meet the needs of Canadian corn producers. How CAIS in its current form does not meet the need of grain and oilseed farmers is the subject of two of the tables, tables two and three at the back of our brief. I won't go into them, but we can answer questions against them.

We have developed our own proposal to patch or fix CAIS. I'll use the Ontario example. It's called the risk management program. It's the fourth table, at the back. I won't go into it, unless there are questions.

Adopting such a patch would do several things. It would permit the expansion of domestic corn production to meet domestic demand by offsetting artificially low prices and trade injury, thus levelling the business environment for corn production with the U.S.

Second, it would permit processors and buyers to continue to access artificially low-priced domestically-produced corn, and thus compete against likewise artificially-cheap U.S. corn products.

Third, it would permit time for the Canadian government to achieve meaningful reform of illegal and injurious U.S. Farm Bill subsidies through successful WTO negotiations, and/or allow time to use the tools available within current and proposed WTO agreements to discipline and remedy such subsidies. When WTO negotiations actually result in elimination of those subsidies, the patch on CAIS will automatically disappear.

In summary, what we are suggesting or asking for is this. We have short, medium, and long-term request for actions.

In the short term, our anti-dumping and countervail duty action is intended to provide relief over at least a five-year period. We want the federal government to add grain corn to Canada's Byrd amendment retaliation list. Our patch on CAIS, through a jointly-funded program with the province, should be treated as an initial down payment early this winter.

In the medium term, we're asking to fully implement and jointly fund flexible patches on CAIS, such as our risk management program, that may look and be cost-shared differently in different provinces, depending on provincial circumstances and business environments.

The key point there is flexibility. We have to let the provinces reflect the uniqueness of agriculture in their jurisdictions. We want you to commence consultations with the U.S. over illegal subsidy and support provisions in the U.S. Farm Bill.

● (1645)

In the long term, as previous presenters have I think also said, successful Doha Round negotiations that eliminate trade-distorting subsidies—actually eliminate, not just cover up or permit reclassification, but eliminate—will expand market access while actually protecting sensitive products and will eliminate export subsidies.

In conclusion, Canadian corn producers want WTO negotiations to be successful but cannot survive unaided and waiting in the meantime. That's why we're taking action now to help ourselves. Part of this has been developing the tools for the Canadian government so that it can eliminate the root cause of our problems—U.S. subsidies—using the resources and trade tools at its disposal. With these tools and our requests for help in hand, we are hopeful the Canadian government will use them to save corn farmers before it is too late.

The plight of Canadian corn growers is desperate and cannot be overstated. If nothing is done to mitigate the harm of U.S. subsidies, there will be no corn industry left in Canada. The following has been said about taking action in a desperate situation: if by helping yourself your best customer disappears, that's collateral damage; if by not helping yourself your best customer remains but you disappear, that's foolishness.

Actually, the quote is “that's stupidity”, but my lawyer changed it.

The late Gerry Shannon, Canada's former WTO ambassador through the Uruguay Round, said prophetically in 1999:

> It is not good enough to wait for the agenda to be shaped by others in hopes that Canada can play its traditional “broker role”. This is a sure recipe for getting rolled.

The prediction will come true unless Canada is more forceful in defending its rights.

Thank you, Mr. Chair. We're open for questions.

● (1650)

The Chair: Thank you.

Mr. Brian Doidge: Before I leave, the four graphics at the back are there for your benefit. If you want us to talk about them, we can.

The Chair: Thank you, Mr. Doidge.

We'll begin with Mr. Bellevance.

[*Translation*]

Mr. André Bellavance: Thank you for your presentation. I want you to know that my party and myself are very much aware of your situation and concerned by what you are going through. Shortly after being elected, I had the opportunity to meet with cash crop producers in my riding. Because of the fact the you have been facing problems for many years in terms of the Farm Bill and because you are not eligible to the Canadian agricultural income stabilization program, especially now that there is some dumping, you are among the producers that are having enormous difficulties in the past few years. I want you to know that, in this regard, you can count on our support in your efforts.

You were present earlier when we heard the previous witnesses. I would like to hear your opinion, among other things, on the assertions of the industry representatives who are telling us that their cost would increase by 40 per cent if countervailing duties were imposed on Americans. I would like to hear your opinion on this matter.

[*English*]

Mr. Brian Doidge: As Mr. Baker correctly indicated, it's an issue before the CITT and the CBSA, so I think at this time contemplating any kind of actual size of duty would be conjecture and wouldn't be good. But if you listen carefully to Mr. Grey and Mr. Baker both, what they really said was that the impact of the duty is a function of how big the duty is. If the duty is a nickel, I think they both admitted there wouldn't be much of an impact. If the duty is very large, there would be a big impact.

Beyond that, I think we're just postulating what the duties could be.

[*Translation*]

Mr. André Bellavance: The committee also heard representatives from the Canada Boarder Services Agency. They told us that the issue of the trade injury that you could incur was confidential.

Have you done an assessment of the economic harm that American dumping is causing you?

[*English*]

Mr. Brian Doidge: We have, but again it's a matter before the CITT and the CBSA.

What I would turn your attention to, though, is that Agriculture Canada itself, the federal government, released a study in 2000 that attempted to quantify the trade injury hurt at the time, and they used the pricing impact from 1995 to the year 2000.

It said in short that 29% of the decline in price over that time period was caused by U.S. and European subsidies. We think that guesstimate is low, because at that time stocks-to-use ratios weren't quite what they are today. Stocks-to-use ratios have declined since that time, and yet subsidies have gone up. In our view, the hurt is larger than that.

I would respectfully refer the committee to look at that study. We asked Agriculture Canada to update the study, and they have not done so.

[*Translation*]

Mr. André Bellavance: Was this study done under the direction of Mr. Speller, the former Agriculture Minister? Am I mistaken? Is this the study you are referring to?

[*English*]

Mr. Brian Doidge: No, I think you're referring to the Speller report on reforms in agriculture. What I'm referring to is a study conducted by an Agriculture Canada economist, Monsieur Charlebois. The other name escapes me, but it was a study they did in 1999 and 2000.

● (1655)

[*Translation*]

Mr. André Bellavance: We will find out.

There is also the fact that we hear it said that imposing a countervailing duty could create a shortage of corn. I don't know whether you had the time to say so during your presentation, but in the document that you have given us, you indicate that, on the contrary, there is still room in Canada for increasing corn production.

Tell me about this contradiction between what you are saying and what the industry people are saying.

[*English*]

Mr. Brian Doidge: I wouldn't view it so much as a contradiction. I think what the industry is saying is we have been a net importer in Canada for about twelve years. The reason we are a net importer is that price has been artificially depressed to the extent that growers cannot profitably grow corn, so they do not. In fact, all the growth in domestic demand since 1997 has been filled by imported U.S. corn because price has been so depressed that we can't grow it in Canada. The subsidies in the U.S. have depressed the price and made it possible to import U.S. corn; in our view, it's dumped and subsidized.

The other part of your question was would it be possible to expand production of corn in Canada. The answer is yes, absolutely. The example we use is that Ontario itself used to be a net exporter, in the early eighties, but because of the impact of successive U.S. farm bills, we no longer are an exporter. In fact, our production has stagnated, acreage has gone down by in excess of 350,000 acres in the last five years alone, and it's projected to go down substantially this year. Current prices in Ontario are around $2.47 a bushel; cost of production is in the area of $3.75. That discrepancy alone should tell you why we are in serious trouble.

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

Ms. Ur, for five minutes.

Mrs. Rose-Marie Ur: Thank you for your presentation and another tool in the tool box for our farmers to listen to what is happening within their industry and, as Mr. Doidge is well aware, what's happening in Kent County as well with our producers, some of whom didn't produce this year.

Just regarding the countervail investigation, you indicated there are 26,000 members in the OCPA. Did they all get a vote on this countervail? Were there plebiscites to give all farmers, corn producers, a chance to voice their concerns as to whether they wanted this countervail?

Mr. Brian Doidge: The way the OCPA works, and I'm sure most agricultural organizations work, is that we work through a democratic system of representation. The elected representation, in our case directors, is the group that sets policy direction for the board. The members, through the delegate system, bring their wishes to the board at annual and semi-annual meetings through a series of resolutions. Those resolutions are debated and passed or defeated. Resolutions in our case, because we're an association, are guidance to the board, but the board is responsible for making policy decisions.

Mrs. Rose-Marie Ur: Was it 100% unanimous support for the countervail by the board and members?

Mr. Brian Doidge: It wasn't 100% unanimous. As you probably saw at our semi-annual meeting, we actually had a resolution come forward supporting what we are doing. After very vigorous and vocal debate, it passed overwhelmingly. In fact, we have it on videotape if you want to see the size of the vote.

Mrs. Rose-Marie Ur: No, I take your word for it. I'm sure it's as you have commented.

You're great at writing reports. I've seen many of them in my 12 years in politics. Some of them were grain-buying strategies, which you wrote, I believe, in 2003, and another one you wrote on grain coordination strategy for Suncor. I've seen the Suncor report and it recommended a Great Lakes strategy, getting corn from the States around the Great Lakes, and a check-off policy. When they come to you, you take the radius around the corn belt, around that particular.... Suncor is obviously in Sarnia, so you just don't review Ontario; you go around the perimeter in the United States as well in that report.

Mr. Brian Doidge: I think you're asking me how you conduct an economic evaluation of the impact of a plant. Is that the question?

Mrs. Rose-Marie Ur: Right, and how it affects Ontario, but in your report it also brings in the American viewpoint as well.

● (1700)

Mr. Brian Doidge: What we have to do—I'm speaking as an economist now—is reflect the practical situation a plant or any project would work in. The border is open; corn can move freely back and forth. When you're trying to attract investment into Ontario, you have to reflect that it's an open border, and there's a lot of U.S. corn that is available.

Placing a plant on this side of the U.S. border is more beneficial to Ontario corn producers than placing a plant on that side of the border. I think the thing you have to keep in mind is that the benefit of any plant, no matter where it's located, is a function of how much corn is actually bought in the region the plant draws from. If you put a plant down in Timbuktu and it draws no corn from that local area, there is no benefit to the local producers, because you're not buying their corn if it's all imported.

Mrs. Rose-Marie Ur: A week or two ago, I believe, there was a 20¢ premium put on corn, but there were no takers. It was posted in Chatham; I guess it was last week. Why would that happen?

Mr. Brian Doidge: Harvest time.

Mrs. Rose-Marie Ur: But 20¢ makes a big difference whether it's harvest time or not. It's important.

Mr. Brian Doidge: It makes a difference, but if the farmer is trying to gather the crop out of the field, it's a function of human nature, at least with the farmers I'm familiar with.

Mrs. Rose-Marie Ur: The farmers I'm familiar with know both ends of the system too. They're pretty articulate. They can get the grains off their fields and grow good crops but are also good business managers. Unfortunately, they're not seeing the dollars for their hard efforts, and I respect that.

I want to go to the fact that this countervail has been initiated. That's plan A. What happens to plan B if this doesn't work out? What happens to our producers? Have you thought beyond that? I'd like to think the glass is half-full, but we have to be realistic too. I'm sure that you, being an economist, have looked at that end of the deal too.

Mr. Brian Doidge: Take the countervail issue and everything else right out of it. The current price for corn versus the cost to produce that corn is unsustainable. If we collectively in this room don't do something about that situation, there won't be corn production in Canada.

Mrs. Rose-Marie Ur: What is the cost of production in Ontario to grow corn?

Mr. Brian Doidge: It varies by producer.

Mrs. Rose-Marie Ur: I have a number of $3.18. I don't know if that's accurate.

Mr. Brian Doidge: I would say that's rather low. It depends what you include, too. For example, under SIMA rules you're not permitted to include opportunity costs, but in the way we look at cost of production, it's variable; it depends on the individual average yields. It's somewhere, our guess would be, in the area of $3.50 to $4 a bushel Canadian for the provincial average year.

The Chair: We're moving to Mr. Miller.

Mr. Larry Miller: Thanks, Mr. Chairman.

I'm going to split my time with my colleague from Saskatchewan, Mr. Trost. Maybe you could just let me know when I have about thirty seconds left. He has one question he'd like to ask.

We didn't get any answers to this question on Monday when our witnesses were here. Before imposing dumping or countervailing duties, we first have to establish basically what the losses are to domestic producers, in this case Canadians. Do you have an exact estimate, whether you break it down by region or by the country as a whole, of what the losses are?

Mr. Brian Doidge: Are you asking us about the size of the injury?

Mr. Larry Miller: Yes.

Mr. Brian Doidge: Our brief contains some of our estimates, and they are substantial. But, as I think Mr. Baker indicated too, it's a legal process in which CBSA and in particular CITT will quantify that, so whatever our guess is, it really isn't germane to the issue. It's whatever they calculate that's going to be determinant of the preliminary and final duties.

Mr. Larry Miller: But Mr. Doidge, you must have an estimate of what you think it is, and that's what I'm asking you, in millions of dollars.

Mr. Brian Doidge: Oh, I don't have it in millions. We've done it based on per-bushel because that's the way the subsidies in the U.S. are applied. What you're trying to do is quantify the difference between the price in the U.S. versus the cost of production in the U. S. versus the imported price in Ontario versus the price in Ontario and what kind of injury that causes. In our brief we calculate that it's quite substantial.

● (1705)

Mr. Larry Miller: Okay, but again, Mr. Doidge, if you have the bushel, I don't care how you equate it; it still turns around into dollars eventually. You must have that figure.

Mr. Brian Doidge: I heard some of the answers, the numbers, that CBSA gave you when they spoke to you last week, I think it was. They were very similar to our numbers. You're talking, if I wrote it down correctly, 90¢ U.S. per bushel. That's a number that comes out of our brief.

Mr. Larry Miller: Okay. According to CBSA, the Canadian Border Services Agency, the estimated average margin of dumping is about 4.4% as a percentage of export price. Do you agree with that figure?

Mr. Brian Doidge: No.

Mr. Larry Miller: What do you think it is?

Mr. Brian Doidge: Our brief claims a much higher percentage of dumping, in the area of 28% to 34%, if memory serves me right.

Mr. Larry Miller: How much higher?

Mr. Brian Doidge: That is the dumping margin in our brief—28% to 34%.

Mr. Larry Miller: Okay.

Regarding cost of production and what have you, Ms. Ur asked a question on Ontario, and I think that was answered. What's the cost of production for U.S. corn—especially in Michigan and Ohio, the two closest ones?

Mr. Brian Doidge: The USDA—the United States Department of Agriculture—puts out an annual estimate of cost of production. They do it for the nation as a whole, and for regions. For the nation as a whole, the last one was for 2003, at $2.56 U.S. a bushel. The most recent one for 2004 is higher than that, at $2.63 U.S. a bushel.

Now remember, that's 2004. For 2005 prices, you'd have to factor in the increase in energy costs that Mr. Baker, Mr. Grey, and others talked about. They are very substantial for an agriculture producer too. We think that when the USDA comes out with their cost of production, the number for 2005 is going to be substantially higher.

Mr. Larry Miller: I want to go back to what Ms. Ur asked you about Ontario. The figures I have and that I've seen show the cost in Ontario to be about $3.18 or $3.20, but you indicated, I think, figures of $3.80 or $3.90.

How do you justify the discrepancies?

Mr. Brian Doidge: I don't know what was in the $3.18. I don't know whether it included allowances for unpaid labour, such as your own labour. I don't know if that's in there. I don't know what constitutes the numbers or how they got $3.18. If I knew that, I could comment on it.

Mr. Larry Miller: Are Quebec and Ontario costs of production similar, different...? Do you have any—

Mr. Brian Doidge: I'll take a stab at it from the Ontario side, and Benoit can handle the Quebec side.

Yes, you would have to project that the costs of production are relatively similar between Ontario and Quebec—and Michigan—because the technology we all use is relatively the same. The hybrid varieties are the same. The fertilizers, herbicides, pesticides—all those costs are relatively the same. You get some discrepancy and differences in the cost of borrowing, machinery allocation, capital writeoff, and how you treat overhead—whether you write off the unpaid labour, that kind of thing—but if you strip that all away to the variable costs, you would expect them to be very similar.

Mr. Larry Miller: Good. Thank you, Mr. Chairman. I'll just let Mr. Trost ask....

Mr. Bradley Trost (Saskatoon—Humboldt): This is a bit of a hypothetical question. The ethanol industry is concerned that ethanol plants would then move to Michigan and Ohio, and you would theoretically then see ethanol imported back into Ontario to meet the new demands the McGuinty government has made. Would you be supportive, if there were a countervailing duty on corn, of an equivalent—I'm not even sure this is possible—countervailing duty, as it were, on ethanol, so that in many ways they would not be disadvantaged because of subsidized corn in the states?

Mr. Brian Doidge: I can't speak for the ethanol industry or any other industry—

Mr. Bradley Trost: I'm just asking because.... What I'm saying is you guys are all in this together.

Mr. Brian Doidge: —but I would think there is a case to be made that the U.S. Farm Bill depresses grain prices. Therefore, products made from grain priced in the United States are also artificially depressed. Therefore, if those corn products are imported into Canada, there is a case to be made that there's a flow-through—and that's the term—a flow-through benefit to the ethanol producer in that he is benefiting from the U.S. farm bill in exporting artificially cheap ethanol, or any other product, into Canada too.

Mr. Bradley Trost: Thank you.

The Chair: Okay. Mr. Eyking is next.

● (1710)

Hon. Mark Eyking: Thank you, Mr. Chair.

You mentioned some of the costs. Is there a difference in the price of land in southern Ontario and, say, Indiana?

Mr. Brian Doidge: Yes.

Hon. Mark Eyking: Is it more expensive here?

Mr. Brian Doidge: Yes, generally. I shouldn't say that as a blanket statement, but, yes, there are obviously discrepancies.

Hon. Mark Eyking: What's being produced on all this land that was in corn but is not in corn now?

Mr. Brian Doidge: Right now in Ontario, there has been quite a shift to crops that are less costly to produce—in effect, to crops for which you can use seed that's not purchased, like soybeans and wheat. They call it bin-run. If you're a farmer, you'll know what I'm talking about.

There has been quite a shift to those crops that are not as costly to produce, but not because you make more money. In fact, at current prices, winter wheat, spring wheat, soybeans, you name it, are all below the cost of production. What is going on is that the farmers are making a decision to lose the least money, so they're shifting away from corn and into those crops.

Hon. Mark Eyking: So in terms of what would be happening with the same farmers that are growing, say, one-third corn or whatever, they would just start going back into corn.

Mr. Brian Doidge: What they're doing this year is planting more winter wheat. The winter wheat acreage in Ontario has gone up to a record of probably 1.4 million to 1.5 million acres.

Hon. Mark Eyking: So it wouldn't take very long for us to get into that corn production if conditions were right.

Mr. Brian Doidge: That's correct. The issue is return on investment, and if the prices for corn are artificially low, or lower than the cost of production, you are going to get back into corn production if we correct that issue.

Hon. Mark Eyking: Let me turn to my second question. We've pretty well figured out how much subsidy goes on U.S. corn. I think we had some sort of 90¢ figure. With all the programs we have federally and provincially, whether it was NISA or whatever was floating around in the last few years, or what we have now, like CAIS, did you ever figure out what ours is? Is it a number like 10¢ a bushel that we somehow give to directly or indirectly help our farmers? Is there a number?

Mr. Brian Doidge: Yes, I've done some studies and I presented some graphics before, and I can get them to you again.

We took a theoretical 500-acre grain and oilseed farm in Ontario. It grows 200 acres of corn, 200 acres of soybeans, and 100 acres of wheat. That's the acreage shipped or the acreage mix in Ontario. I put that farm into all the programs—the U.S. program, the Quebec program, and existing Canadian and Ontario programs. Had it been under U.S. Farm Bill programs, that farm would have attracted $130 Canadian per acre on its corn acreage. In total, that farm would attract something like $83 per acre under U.S. programs. In Quebec, it's somewhat less, but close. In Ontario, we don't have market revenue—it's gone—and CAIS doesn't work. I couldn't make that farm trigger a payment under CAIS in either 2003 or 2004. There is none. We have nothing.

Hon. Mark Eyking: So there's very little help, if anything, from any governments to help the corn producers.

Mr. Brian Doidge: That's certainly true in Ontario.

Hon. Mark Eyking: Right now, in the last few days, the big debate on the Hill has been softwood lumber. The Americans are accusing us of subsidizing our lumber production and are leaning it back toward stumpage fees. They've collected $5 billion so far, and it's in some sort of pot.

So what do you suggest? It's pretty blatant that they subsidize their corn, so should we just do the same thing they're doing to our softwood lumber? Should we just collect the duty as that corn comes across the border? Is that what you're suggesting?

Mr. Brian Doidge: We're suggesting four prongs. The first one is to add grain corn to the Byrd retaliation list. He indicated a tariff and an injury phase solution.

The second was to launch a WTO complaint. That is the long-term solution, the only way out of this in the long term.

The third prong, because it's within our right, is to impose an anti-dumping countervail duty.

As the fourth prong, collectively we have to fix CAIS to make it work for grains and oilseeds. We're not going to get to the happy future when the WTO solves all our problems unless we have a patch on CAIS to get us there.

The Chair: We're moving to the Conservative side, and Mr. Anderson.

Mr. David Anderson: You talked about one of your prongs being the patch on CAIS and trying to make that function. My initial question would be whether you think it's possible to fix the program. I guess you think it is if you've come here with a repair job.

Have you costed out what this would cost to support corn to the level that you're asking? And we have several other commodities that are basically in the same situation right now. In peas and lentils in western Canada, we have some of the same things happening there. Do you have any idea what the cost would be for corn, and to cover the industry?

● (1715)

Mr. Brian Doidge: I would answer the question this way: The risk management program proposal in your kit applies to Ontario. We developed it in Ontario to solve Ontario's situations. What we're asking nationally in a patch on the CAIS approach is maximum flexibility, so that the program looks different in each province. In Quebec, it might look like additional funding to support ASRA. In the west, it might look like something different. But in Ontario, what we're suggesting is the risk management program.

To answer your other question, over the last five years, the risk management program in Ontario would have averaged a cost of $342 million, after the $100 million premium the producers in Ontario would pay. That's an annual premium they have to pay. The $342 million is not all new money. Had CAIS been in operation for those five years, CAIS would probably have paid out about $120 million to the crop farmers in Ontario. So you've got $342 million minus $120 million. The difference is $222 million. On a 60-40 split, Ontario's share is only $88 million in new funding. Obviously, the federal government's share—whatever the math is—is $126 million, I think.

Mr. David Anderson: I guess 60-40 is an issue, for me anyway, because I'm from Saskatchewan. We've got a high production and low population there.

Mr. Brian Doidge: If I could just butt in, and I will, in our CAIS on patch, we're asking for maximum flexibility so the program can look different, but also maximum flexibility on the cost-sharing split between the province and the feds. There's nothing magic about 60-40. In the case of Saskatchewan or Manitoba, in particular, our proposition is adjust that: 90-10 sounds good to me.

The other rationale for it is you're trying to solve a trade injury issue. Trade is a federal issue, so the feds should pay a larger share.

Mr. David Anderson: That's a legitimate argument, and one we've made in the past as well. I guess you're being hit by this subsidized corn coming in. You're suggesting a duty. One of your biggest purchasers is the livestock industry. I'm wondering, have you done any study of the effect on the livestock industry—on the cost to them, the impact on them? Should the duty you're asking for be placed?

Mr. Brian Doidge: There's a number of players—and we had quite a few at the table just prior to us—who stand to be injured by the remedy we are pursuing. To the extent that livestock producers are corn buyers, they will be hurt.

There's also an argument that says those who produce livestock and grow their own feed are also injured. The argument goes like this: the U.S. Farm Bill depresses feed grain prices in the United States. That corn is fed to hogs, or cattle or whatever, at artificially cheap feed prices. That flows through the system so the hogs, the pork, and the beef produced in the United States are likewise artificially cheap. So prices for those products, which our people have to compete against, are artificially depressed too. The U.S. Farm Bill injures all of Canadian agriculture. That's the issue.

Mr. David Anderson: I want to address another issue here. You said the dumping margins are approximately 20% to 34%. The CBSA says 4.4%, and they had a range from 0.1% to 161%. They thought the average was 4.4%. What's the discrepancy there? Do you know?

Mr. Brian Doidge: It's a legal issue, but I'll take a stab at it. From what I know, part of the issue is called the period of investigation. In most CBSA studies, particularly in agricultural products, it's a year. In fact, the study in Manitoba in 2000 was a year. If you lengthen that backwards, in particular our case, you're getting into some relatively high-priced periods where there was minimal damage. If you're including that in your formulation, which we did not in our brief or our submission, it's little wonder they would find a lower rate of dumping.

Mr. David Anderson: Well, there's a huge change just in the last year, actually.

Mr. Brian Doidge: Yes, absolutely.

Mr. David Anderson: I guess Manitoba's had a tough year.

Theresa, I'm wondering if you have anything you'd like to say to address the issue.

Ms. Theresa Bergsma (Secretary-Manager, Manitoba Corn Growers Association/Canadian Corn Producers): We have had a tough year. For the first year in eleven, last year we lost a crop entirely. That hadn't happened for quite some time, mostly due to hybrids, selection, and improvement. All crops have had a bad year in western Canada, and have continued this year. Corn is improving. We do hope to see a good provincial average for the acres that did make it in.

As you all know, there is a huge area of Manitoba that didn't get planted, not just corn but all crops, but the corn that did make it in is looking quite good. The harvest is just starting, so we haven't seen too many results, but it's good quality; it's good out there.

I would like to comment that we can increase our acres in Manitoba as well. In the long-ago past we've had over 500,000 acres but we had increased our acres to 200,000 previous to 2004, and I think we'll see that again very quickly if the price rebounds. We had this spring for the first time growers who have been growing since the early 1970s in Manitoba and gone through some of the worst times for corn not grow corn this spring already before the weather issues hit simply because of price. They said they can't afford to plant it. What I've been hearing all summer is, “Theresa, if this thing doesn't work, we're not growing next year”.

So that's our concern for our producers, but not just for our producers. The corn crop in Manitoba is a wonderful rotation to other crops and is used by the livestock industry for their manure production. With all the updates in manure management and stuff, they need that type of crop for the uptake of their manure.

I think it would be a real shame if we're pushed out of the industry because of the subsidized crop coming in from the U.S.

● (1720)

The Chair: Mrs. Ur.

Mrs. Rose-Marie Ur: I have a couple of quick points.

We understand that the subsidies in the United States are playing a major factor in the low prices of corn in Ontario. Is China playing a big factor as well? They used to be a large importer, and now they certainly are a large exporter. Are they much of a problem with the low commodity prices?

Mr. Brian Doidge: I think the way you have to look at it is that there are two components in the price for corn: a Chicago futures component, and the basis. What we are arguing is that the Chicago futures component of that price is artificially depressed because of the U.S. Farm Bill. There are other factors at play, certainly, but we are arguing that it is unfair and indeed illegal to impact our market through U.S. Farm Bill subsidies. That's the proposition.

Mrs. Rose-Marie Ur: Could I ask you, on behalf of the committee, to provide us with a fact sheet as to how you come to your cost of production, what criteria you put in to evaluate your cost of production in Ontario, so that if we look around we analyze what our researchers came to and how you get to your $3.50 or $4 cost of production? Is that available from OCPA?

Mr. Brian Doidge: I think I could get you one. It won't be right away. We have a lot of things on our plate, as you can well imagine.

Mrs. Rose-Marie Ur: I understand that quite well, but if you have time, I would certainly appreciate that.

Also, the market revenue program that was there at one time, which I strongly supported, was a provincial program, and there was certainly federal money in it. Is that the kind of program you're looking at right now with your “patch”?

Mr. Brian Doidge: No. The program we're looking at is in the kit that's in front of you; it's the risk-management program.

Mrs. Rose-Marie Ur: I understand. It's a different name, but on the same principle. You're looking for grains and oilseeds support.

Mr. Brian Doidge: In a way. There are a lot of differences between the risk-management program and the old market revenue program. They are similar if you would think that they are triggered by price, and provide the difference between a support price and the trigger price, and they're based on your planted acreage and your historic yield. In that sense, they're similar. But the market revenue program only had one payment twenty months after the fact. This one has two, triggered by distinct six-month periods. In the market revenue program, you didn't have to do anything. You just got it. In this program you have to do one heck of a lot. This puts an onus on your marketing and financial management. In fact, there's a requirement to take marketing and financial management courses. This program says “thou shalt be in crop insurance”. Under market revenue there was not that constraint. In this program “thou shalt be in CAIS”. Market revenue was totally distinct from CAIS.

So I wouldn't agree that there's just simply a whitewash of market revenue.

Mrs. Rose-Marie Ur: No, I didn't think it was that, but it's an improved program, obviously, if there are more compulsory venues for farmers that have to take place for them to participate in the program. I don't find anything wrong with that, and I don't think farmers would find anything wrong with that.

We get information from the library, and your information as well. I want to clarify this to make sure we're on the right track.

In your briefing you had said that rather than getting subsidized corn from the U.S., we should expand the domestic corn production. Some of the work that our researchers do at the Library of Parliament is really quite good, but it was different from what you had said. In the information we got, it said that there was a general increase in corn production over the past decade, 347 million bushels in 2004, which was 23% higher than the harvest a decade earlier, and although the average crop sown dropped, the yields had increased. But you were saying that we needed to expand our production, which actually happened according to the research information that I got. Within the last 10 years it's gone up about 78.

● (1725)

Mr. Brian Doidge: Are you talking Ontario or Canada?

Mrs. Rose-Marie Ur: I am talking cost in Canada.

Mr. Brian Doidge: Okay. In Canada, as Theresa has indicated, for example, we have expanded corn acreage into the west, so yes. In Quebec, corn acreage continues to go up, not so much of late, but it had gone up.

What I was referring to was Ontario. In Ontario, acreage has declined from 1.98 million—2 million—in the year 2000, down to 1.6 million this year.

Mrs. Rose-Marie Ur: Right, but as a committee, we represent Canada. We like to talk about our own individual provinces and ridings, but we are here for the good of Canada.

Thank you.

Mr. Brian Doidge: I would say that's the difference in the data, yes.

The Chair: We'll move to Mr. Lapierre for the last couple of questions. We'll try to close on time, but we want to give you time.

[*Translation*]

Mr. Réal Lapierre (Lévis—Bellechasse, BQ): My question is for Mr. Legault, as a representative of Quebec.

I understand that ASRA has paid an amount of $127 millions in 2003, compared to an amount of $217 millions in 2004.

I would like to know, first of all, how that discrepancy can be explained. Does this really reflect the reality? Was the amount paid in 2004 sufficient for producers?

Mr. Benoit Legault (General Manager, Federation of Quebec Producers of Cash Crops): To start with, I would confirm the figures that you have given. The increase in the payments made by the provincial program ASRA was due in fact to the widening gap between the market price and the production cost. Because of the gap attributable to this phenomenon, mostly the decrease in price, in 2004, we had compensations that were much higher.

For 2005, according to our present estimates, it will be higher still, that is to say the compensations are estimated at some $260 or $275 millions.

The provincial program ASRA allows producers to more or less get by presently, but it does not aim at covering this kind of harm. ASRA is an insurance program. In the past, this program has worked well because the federal government was helping as well during difficult periods such as the one that we are going through at the present time.

Right now, the ASRA fund is compensating for the lack of contributions from the federal government, but it is a situation that can only be maintained in the short term, because the amounts that we are anticipating this year under this program represent almost the total funding envelope of the ASRA fund allocated for the total farm production in Quebec. So the situation cannot be allowed to continue.

This situation has also had an impact on the premium paid by large scale farming producers. This premium that they must pay at the present time is higher than the net revenue that is allocated within the program, in the case of...

[*English*]

The Chair: Thank you very much, committee members, for a good series of questions, and certainly to our panel members today for presenting a very serious issue. We take this very seriously. We realize that no matter which way we go on this, we either do it right or we're going to have continued injury. It's our duty to listen, and that's what we're doing this for. It's a process that we feel is very important. We will have to see where we go from here, but you have made your presentation, and we thank you for it.

Ms. Bergsma, Mr. Legault, and Mr. Doidge, thank you for presenting. As I said to the previous group, hopefully we can see you again, but under perhaps more favourable circumstances.

Thank you very much.

The meeting stands adjourned.

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