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EVIDENCE

**Thursday, June 15, 2006**

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**Chair**

Mr. Gerry Ritz

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## Standing Committee on Agriculture and Agri-Food

Thursday, June 15, 2006

• (0910)

[English]

**The Chair (Mr. Gerry Ritz (Battlefords—Lloydminster, CPC)):** Good morning, ladies and gentlemen. We'll call this meeting to order. We're actually missing two of our gentlemen. They must have decided they were in the second hour or whatever, but as soon as they get here, we'll give them their 10 minutes of fame and glory and then move back to questions at that point.

Welcome, everyone, to the table this morning. We're going to have a good, fulsome discussion on the WTO, what's happening, what's not happening, what should be happening, and where we go from here—all of those aspects. I know we'll have a good discussion and some great questions.

We'll start right in. On my list as I have it here, we have Canadian Dairy, Poultry and Egg Producers, who were to go first.

They are here. Good. I'll have you guys go first.

We have 10 minutes for the presenters. There are two of you from each group. Break it down any way you want. You have the 10 minutes, and then we'll move into the questioning round.

Gentlemen, please go ahead and lead off.

**Mr. Laurent Souigny (Chair, Canadian Egg Marketing Agency):** Thank you, Mr. Chairman, for giving us this opportunity.

We are entering the final phase of the WTO agriculture negotiations. The chairman of the WTO agriculture negotiations, Crawford Falconer, issued a comprehensive paper on market access on June 9, 2006. The WTO objective is to agree on modalities by the end of July 2006 with a view to concluding the Doha Round of negotiations by the end of the year.

Canada entered these negotiations with a balanced position. Canada's dairy, poultry, and egg farmers supported Canada's initial negotiating position in 1999, as it represented the best opportunity to provide a win for all Canadian agriculture. Canada's mandate is to eliminate export subsidies, significantly reduce trade-distorting domestic support, substantially increase market access, and defend the import measures that are needed for effective supply management. To date, the gains secured for Canada's non-supply-managed agriculture sectors are positive.

In Hong Kong, WTO members agreed to eliminate export subsidies by 2013. Trade-distorting domestic support will be reduced by up to 70%, with the biggest cuts being made by the EU, U.S.A., and Japan. According to Falconer, "the real zone of engagement" of the tiered tariff reduction formula would substantially cut regular

tariffs by 45% to 75%. The same cannot be said for Canada's supply-managed sectors, as there remains a high degree of uncertainty regarding sensitive products. The only chance for the survival of supply management depends on the positive outcome within the sensitive product category.

Canada's dairy, poultry, and egg sectors actively supported the Canadian strategy to pursue aggressive tariff reduction in the regular formula on the understanding that there would be no connection between that formula and the treatment of sensitive products. However, there is now a direct link between the general tariff reduction formula and what is required for sensitive products. As a result, we are facing a 15% to 25% cut in over-quota tariffs. While our over-quota tariffs seem high, in many cases they are already dangerously low and not doing the job they were intended to do. Simply put, we have no room to reduce our over-quota tariffs.

Cuts in over-quota tariffs would take away our ability to predict the level of imports coming into Canada. In turn, we would be unable to match supply with demand and would thereby be unable to ensure there are enough Canadian-grown products to meet the needs of Canadians from coast to coast. This could destabilize food prices that Canadians pay and that we receive for our work. The fact that all countries are prepared to take a cut in their over-quota tariffs only indicates that they have sufficient room to lower these tariffs without risking any additional access to their markets.

It is these countries that are aggressively defending, not expanding TRQ access. Why? Because expanding TRQ access would mean providing real market access. Canada already provided real access in the last round of negotiations. In fact, we already allow greater access than do other countries. They aren't even willing to provide real market access by coming up to our access levels. If these countries are not prepared to provide the access that they should have in the last round, Canada must not increase minimum market access to its supply-managed markets.

Now I will complete my presentation in French.

[Translation]

The fact that Canada has stood firm for supply management has been recognized in the Chairman's text.

It is in this regard that the government has been criticized within Canada for being isolated 148 to one. Let's explore this so-called isolation.

First, it is not really 148 against Canada because there was no vote. The text was the product of one person—Chairman Falconer. At best one can say that the 25 or so countries that are actively involved in the agriculture negotiations might not fully support Canada's position.

Second, what happened was far from being detrimental. If Canada was recognized by the Chairman, it was because Canada has a significant issue that needs to be addressed. This provides Canada with negotiating leverage. It is similar to the European Union being singled out on market access, the US on domestic support, India on services and the G10 on sensitive product selection.

In addition, with respect to the general tariff formula, Falconer singles out certain G10 members and warns them that they may block consensus. The fact is that there are over 200 square brackets in the market access text alone representing areas where there is no consensus. Each of these brackets involves issues of importance to WTO members that need to be addressed in the negotiations.

I am a little perplexed with regard to recent comments attributed to the Western premiers. On one hand, they are reported as saying that Canada has isolated itself and positioned itself as a deal taker. On the other, there are further reports that they are arguing that Canada is poised to single-handedly derailed the Doha round. Claims have been made that the government is now putting aside the interest of non-supply managed commodities. In fact, the firm position of Canada will only serve to enhance the ability of Canada to secure real market access globally and preserve supply management at the same time.

If the government is to deliver on its mandate for these negotiations, supply management interests must be the overarching priority for sensitive products. There is no way to consider anything less than this as a "win" for Canadian agriculture but very clearly the alternative is a significant loss.

For several years, Canada's dairy, poultry and egg industries sought to have the way countries use tariff rate quotas cleaned up. This would have delivered for all sectors of Canadian agriculture. This being impossible now, we are left with the unfavourable option of putting our products into the sensitive products category. Now, there is no longer room for adjustment. Let us be clear: unless the government sharpens its focus, this round will be a disaster for supply management.

Note that our brief also includes the economic contribution of the dairy, poultry and egg sectors to Canada.

That ends my opening remarks.

• (0915)

[English]

**The Chair:** Thank you so much.

You have a couple minutes left of your 10.

David, do you have anything to add at this point?

**Mr. David Fuller (Chair, Chicken Farmers of Canada):** No. We're prepared to answer questions now.

**The Chair:** That was an excellent presentation. Thank you for being so concise.

Serge Lefebvre and Serge Lebeau with the UPA have now joined us.

Thank you, gentlemen, for coming.

We'll move to the Canadian Cattlemen's Association for 10 minutes.

Darcy and John, which of you will be presenting?

**Mr. Darcy Davis (Chairman, Alberta Beef Producers, Canadian Cattlemen's Association):** Thank you, Mr. Chairman. Thank you for holding this hearing on international trade and inviting us to advise the committee on trade policies, which are needed by Canada's nearly 100,000 cattle producers.

My name is Darcy Davis. I am an elected member of the Canadian Cattlemen's Association's board of directors, and I am the vice-chair of our foreign trade committee. I own a cow-calf operation near Acme, Alberta.

With me is John Masswohl, who runs CCA's Ottawa office.

Canada's cattle producers are highly dependent on international trade for our livelihood. We learned very vividly how the loss of access to international markets impacts our industry. When we lost every single one of our export markets for both cattle and beef on May 20, 2003, we lost the outlet for nearly 60% of our national production. Until the United States and Mexico resumed limited imports of Canadian beef in the fall of 2003, our industry was losing approximately \$11 million every day.

We have gradually fought our way back into the international market with a series of steps. The public might recall a major milestone being reached when some live cattle exports to the U.S. resumed last July, but there is still a long way to go. Today, we estimate that the industry is still losing \$1.2 million to \$2 million every day from lack of full access to the U.S. Globally we have partial access to five of what were the top 10 export markets in 2002.

But cattle producers are a strong-willed and determined bunch. We are determined not to be as vulnerable as we were back in May 2003. Firstly, we learned that we have to be less dependent on exporting live cattle, so we have increased slaughter capacity in Canada from 72,000 to a little over 100,000 head per week.

Rather than just export all that extra beef to the United States, the second lesson we learned is that we need to be more diversified in our markets. That leads us directly into the importance of the WTO negotiations. Excessively high tariff protection and non-tariff barriers in several countries impair Canada's ability to export our high-quality beef to their markets.

Europe effectively prevents Canadian beef producers from accessing a market that consumes eight million tonnes of beef per year. Japan's beef tariff is 38.5%, which can be increased up to 50% whenever they want to protect their domestic market. Korea's beef tariff is 40%. Markets with huge future potential, such as China and India, have beef tariffs in the 25% to 35% range. Either access to these important markets must improve, or Canada will need fewer beef producers.

We understand that Europe, in particular, intends to designate beef as a so-called sensitive product. For this reason, Canadian negotiators must be charged with placing a high priority on ensuring that sensitive products are not exempt from making significant increases to market access. To be very specific, Canadian beef exports to Europe are subject to a minuscule 11,500-tonne quota—shared with the U.S.—at a 20% rate of duty. Beyond the 11,500 tonnes, Canada beef attracts an additional duty in excess of €3,000 per tonne, equating roughly to some 140%.

Canadian negotiators must seek an outcome that does three things to the European beef tariff: first, we have to expand the size of the quota for North American beef up to some 300,000 tonnes; second, we have to eliminate the 20% in-quota tariff; and third, we have to get a significant cut in the over-quota tariff rate.

I also want to note that any beef exported to Europe must meet European standards. The cattle must be raised without using certain growth promotants, and the beef must be processed in a facility configured in a particular manner. If as a cattle producer I decide to produce for the European market, I have to commit to raise my herd according to European standards, and that takes approximately two years for each animal. It is more expensive to raise an animal that way, so I will do it if and only if the market access is there. The 11,500 tonnes isn't enough access for the cattle producer to make the two-year commitment, and it isn't enough for the slaughter facilities to make the capital investment.

Overall, we believe Europe should permit some 10% to 15% of its domestic beef consumption to be imported. Currently, they allow about 2%.

I would like to spend a moment to comment on some bilateral free trade initiatives that are currently under way or may be under contemplation, namely with Japan and Korea. These were Canada's third and fourth largest beef export markets in 2002.

We would welcome duty-free access to these markets and support free trade agreements with both, for that reason. However, we have concerns that neither Korea nor Japan are living up to their existing sanitary and phytosanitary obligations. The World Organization for Animal Health, the OIE, requires the acceptance from BSE countries of beef animals up to 30 months old. Japan is currently accepting Canadian boneless beef only from animals under 21 months old, and Korea is providing no access at all.

● (0920)

I hope the prospect of free trade agreements will help to resolve these outstanding issues and create even greater access than we had in 2002. But before Canada signs off an eventual agreement, we have to make an assessment as to whether existing obligations are being respected.

On the beef import side of the equation, Canada's WTO obligation is to allow 76,409 tonnes of duty-free beef imports from non-NAFTA countries. Imports above this quantity are supposed to be subject to a 26.5% duty. However, prior to the BSE crisis in 2003, the Minister of International Trade would routinely authorize supplemental imports so that imports in the neighbourhood of some 130,000 tonnes were annually coming in duty-free from Australia, New Zealand, and South America.

Without supplemental imports, Canadian beef users have utilized domestic beef coming from our new slaughter capacity. If we want to keep the new slaughter capacity, the discontinuance of supplemental imports must be permanent. That said, we would not stand in the way of reciprocity and improved access coming as a result of trade negotiations.

Although my presentation today has focused primarily on market access, I do want to state that the beef industry depends a great deal on a sustainable grain-growing sector. Where there is corn, barley, or wheat, we all know that many factors, including trade-distorting subsidies, have had their impact on Canadian grain growers.

I see three potential futures available to them: one, the WTO will succeed in significantly reducing production and trade-distorting subsidies around the world; two, grain farmers will be protesting on Parliament Hill every year, looking for you to match what others do; or three, there will be fewer grain farmers.

Growing less grain in Canada is not what Canadian cattle producers want. The future of Canada's nearly 100,000 beef producers truly is global. Without exports, approximately 50,000 to 60,000 of us would have to find another way of making a living.

Please ensure that the Government of Canada pursues ambitious export-oriented trade policies that enable Canada's beef sector and the majority of Canadian agriculture to grow.

We'd be pleased to answer any questions. Thank you.

● (0925)

**The Chair:** Thank you, Darcy.

There are a couple of minutes left, John. Do you have any other points to raise?

**Mr. John Masswohl (Director, Governmental International Relations, Canadian Cattlemen's Association):** I have just one housekeeping matter. Our statement is currently in translation and should be circulated to all the members some time today.

**The Chair:** Good. Thank you.

We'll now move to the UPA from Quebec. Serge or Serge, you have 10 minutes, gentlemen. Please begin.

[Translation]

**Mr. Serge Lefebvre (President, Fédération des producteurs d'œufs de consommation du Québec, Union des producteurs agricoles du Québec):** Thank you, Mr. Chairman.

I would like to begin by thanking the committee for having us today. I think it is important that time be taken to listen to all the comments of everyone affected by these negotiations that have reached a crucial stage.

The Union des producteurs agricoles, the UPA, as well as the other federations involved with supply management in Quebec, that is, those from the dairy, poultry, turkey, table egg and hatching egg sectors, would like to begin by thanking the Standing Committee on Agriculture and Agri-food for having invited them to express their positions on the WTO agricultural negotiations and to attend its sittings.

Today's presentation will focus specifically on three areas. We will begin by presenting the reasons that led to Canada establishing the supply management system 30 years ago. We will then delve into the more technical reasons underlying our greatest concerns with respect to the current negotiations, which affect our supply-managed commodities more directly. We will then touch upon the Canadian government's position on this file.

I will now give the floor to Mr. Serge Lebeau.

**Mr. Serge Lebeau (Senior International Trade Manager, Union des producteurs agricoles du Québec):** Thank you, Mr. Chairman.

Members of the committee, I would like to begin by recalling why Canada established the supply management system 30 years ago. Over 30 years ago, the Canadian and Quebec supply management systems were originally set up to stabilize farm incomes and end the massive injection of government funds to support them, two objectives that were achieved over time and are still applicable today.

Now that the WTO agricultural negotiations have reached a crucial stage, namely establishing a set of modalities, we are urging Canada to move in favour of supply management in this area. The UPA has some concerns regarding the significance, speed and direction that the current agriculture negotiations are taking in this regard. These concerns involve the negotiations themselves and several technical points, as well as the Canadian government's position on this file.

Allow me to present some of the technical issues being covered by the current negotiations.

I will begin with the treatment of sensitive products and the principles in the July 2004 Framework Agreement. It stated, and I quote, "The reforms in all three pillars of the negotiation form an interconnected whole and must be approached in a balanced and equitable manner." This principle, documented in the July 2004 Framework Agreement, is very important for Canada. While the G10 countries, the European Union and the United States directly subsidize farmers, thereby enabling them to lower costs and tariffs, which ultimately protects their marketplace from imports, Canada must maintain supply-managed sectors by ensuring that they preserve the only protection available to them, that is, tariff barriers.

Why should we have to do more in terms of market access than other countries? Mr. Pascal Lamy, the Director General of the WTO, during a meeting that we had with him on June 5th, told us that in order to maintain our supply management systems, all we had to do was use the blue and green boxes. However, in the same breath, he admitted that in order to protect the whole market, the shortfall had to be made up by direct payments, which is exactly what the Europeans, the Americans and the G10 countries are doing. We are not particularly interested in that.

The second technical point is that of the selection of sensitive products. Canada needs at least 7% of the tariff lines to cover the roughly 100 over-quota tariff lines of supply-managed products. Proposals put forth to date vary this rate from 1%—that's the American proposal—to 4%—that's the European position—and to 15%—the G10's position. We are concerned about the selection of sensitive products being expressed as a percentage. Europe, for example, apparently needs the same number of tariff lines as Canada does, namely 100. This number, expressed as a percentage, is 4% of the European tariff lines, which covers the sensitive products that Europe wants to register with the WTO. If percentage of tariff lines is the method chosen for selecting sensitive products, there will have to be sufficient flexibility so that countries can go about it equitably.

Let us move on to tariff quotas. Let us recall that during the Uruguay Round, the countries established guidelines setting minimum market access at 5% of domestic consumption. However, not all those countries applied those guidelines in the same way. For example, Canada allows imports of approximately 4% of domestic consumption of dairy products, 7.5% for poultry, 5% for turkey, 5% for table eggs and more than 20% for hatching eggs.

The United States allow only 2.75% for dairy products, whereas Europe allows .5% in the poultry sectors. Altogether, those countries gave 2% market access under the tariff quotas. For reasons of fairness, we feel that what is required first is reaching an equal minimum level of access before contemplating expanding access to our markets.

I will now talk about exporting state trading enterprises. Given that our state-trading enterprises are the only tools available to farmers for competing with the large private sector players internationally, in all segments of the chain, we believe it is important to preserve what was learned from the Hong Kong Ministerial Conference, namely that it is not the state-trading enterprises or their monopoly power that are in question, but rather their practices.

In terms of the government's position, the federal Minister of Agriculture, Mr. Chuck Strahl, stated on May 31, with respect to the negotiations, that when the vote is 148 against us, we have the choice: we can give up or we can defend our interests in supply management.

• (0930)

In light of that comment, we are worried that Canada will sign an agreement, regardless of whether it is in the interest of agriculture supply and management. It is also important to remember that, while the Canadian economy as a whole relies heavily on exports, the same cannot be said of the agricultural sector, in spite of what is often claimed. The domestic market is, by far, the principle market for Canadian farmers and processors. Canadian farmers and processors generate more than \$91 billion in sales annually, the vast majority, 70%, of which are domestic sales. The same trend can be noted across the world, as only 10% of the world's agricultural production is traded internationally. Why then should we sacrifice our agriculture for that 10%?

Canada must therefore take a firm position on agriculture and, like Norway did in July 2004, invoke the exception if necessary to ensure the survival of its supply management systems. Moreover, a Léger Marketing survey, commissioned by producers themselves and conducted between May 16 and 21 among 1,500 respondents, revealed that 85% of Canadians agree that the federal government should support the supply management approach to dairy, poultry and egg farming. It also revealed that 83% believe that supply management is a better approach to ensuring a stable income for farmers and taxpayer-funded subsidies.

According to our sources, Cabinet has recently renewed the mandate of its negotiators. It is imperative that this mandate be crystal clear in order to ensure that current negotiations do not result in a reduction in non-quota tariff or an increase in tariffs quotas. This objective should be considered before supporting any amendments to the WTO agriculture trade rules. Supply-managed sectors must be able to continue to provide producers with a fair return from the marketplace. It must also be ensured that consumers continue to have access to high-quality products in sufficient quantity and at reasonable prices; that processors benefit from a very stable supply and achieve an advantageous bottom line; and that the state, and therefore taxpayers, no longer pay subsidies to support the incomes of the farmers concerned.

Thank you very much.

• (0935)

[English]

**The Chair:** Thank you so much, gentlemen.

We'll now move to the Canadian Agri-Food Trade Alliance.

You folks have 10 minutes to give us your presentation, if you care to proceed.

**Mrs. Alanna Koch (Vice-President, Canadian Agri-Food Trade Alliance):** Good morning, Mr. Chair and committee members. Thank you for the opportunity to be here today. We congratulate the committee on holding this hearing on the WTO.

I'm a grains and oilseeds farmer from Saskatchewan, and I am vice-president of the Canadian Agri-Food Trade Alliance. With me here today is Tyler Bjornson, who is with the Canola Council of Canada. The Canola Council is one of the 15 members of CAFTA.

CAFTA is a coalition of 15 organizations made up of farmers, processors, marketers, and exporters, as well as input suppliers. We

represent the majority of the farmers in Canada, and we represent all of Canada's important agricultural export commodities. We also represent value-chain partners. We are the only trade advocacy organization that represents the entire agricultural value chain.

Our members do about \$50 billion worth of business annually, and we provide half a million Canadian jobs. It's important to note that 91% of Canada's farmers depend on international markets, either as international price-takers on their products that are sold domestically or more directly as exporters of product.

We have circulated a submission. Today I'm just going to be making a few comments as an overview of the submission we have circulated to committee members.

Canada is the most trade-dependent of the G-8 countries. Canada is the world's fourth-largest exporter of agriculture and agrifood products. One in three jobs in Canada depends on exports.

CAFTA's members are highly dependent on international trade, and we continue to be forced to compete in a market that is highly distorted by subsidies, prohibitive tariffs, and non-tariff barriers. If Canada's agriculture and food sector is to make a growing contribution to the Canadian economy, we require a solid set of international rules that will address these distortions.

A more open trading system would mean increased opportunities for Canadian farmers, processors, and exporters. Estimates of the benefits of more open trade for Canada and for the world are as high as \$56 billion U.S. annually.

The Doha development round of the WTO, launched in 2001, is a chance in a generation for countries to address unfair subsidies and access barriers, to create a better trading environment for trade-dependent countries like Canada, and to provide a development tool to lift millions of people in the world's poorest countries out of poverty.

Canada was a strong supporter of the ambition prescribed in the Doha mandate in 2001, where three outcomes were outlined: substantial reductions in trade-distorting domestic support, substantial improvements in market access, and reductions of export subsidies with a view to phasing them out completely.

Then Canada went further in 2004 by signing on to the framework. There were three commitments there: it committed countries to an end date for export subsidies; we committed to the harmonization of domestic support cuts by ensuring higher subsidizers make deeper cuts; and we committed to substantial improvements in market access for all products, including sensitive—meaning politically sensitive—products.

This would lead us to believe that Canada is committed to an ambitious WTO deal and, as one of the world's largest exporters, may even be a leader at the WTO table. I'm here today to tell you nothing could be further from the truth. While we have one of the best teams of negotiators in the world, their work has been complicated and conflicted by messages and directions from our politicians.

I will give you three examples of this. Last November, a motion unanimously supported by members of Parliament in the House of Commons called for Canada not to accept any reductions in over-quota tariffs or expansions in tariff rate quotas, and this seriously impacted Canada's negotiation position.

Then in December in Hong Kong, ministers from around the world were prepared to accept language on agricultural market access that would have moved negotiations forward on sensitive products. Canada's minister stood alone in rejecting the language, ensuring that no progress was made and putting the WTO process at risk.

The third and perhaps most alarming example is from only a few weeks ago. On May 5, Canada's negotiator stood alone in a session on sensitive products to block an emerging consensus that would have seen at least minimum reductions in over-quota tariffs. We stood in the way of progress at this critical stage of negotiations, and Canada stood alone—148 to 1.

Let us be clear why Canada's current position on sensitive products is a problem. Canada's two largest exports are meat and grain or grain products. Meat and grain are the two most sensitive products in the world. Canada's resistance to negotiations towards any compromise on sensitive products sentences Canadian farmers and processors to continue to face prohibitive tariffs and tariff quotas in the majority of WTO countries, because in these countries our major exports are considered sensitive.

• (0940)

Canada's isolation in the agricultural market access negotiations poses other risks for our international trade interests.

Firstly, it puts at risk our ability to play a strong role in other areas of the negotiations, in export competition and domestic support.

Secondly, it threatens overall progress in the entire round of negotiations, since progress in agriculture will determine the level of ambition in services, rules, industrial tariffs, and other areas where Canada has strong interests. It threatens progress and it threatens the round due to critical deadlines being pressed.

Thirdly, it puts at risk Canada's ability to participate fully in the post-modalities phase of the negotiations, where small group negotiation sessions will determine schedules.

Improved trade rules are vital to the majority of Canada's farmers and the industries that depend on them. We must remove some of the distortions in the international marketplace and improve the futures of Canadians who rely on it.

CAFTA asks this committee to direct the government to take three specific actions. One, clearly and publicly state its commitment to the Doha Round and to an ambitious outcome in all three pillars of

agricultural negotiations, including improved access for sensitive products. Two, give clear direction to Canada's negotiators to seek ambition in all three pillars of the negotiations, including agricultural market access. Three, take a leading role in these negotiations by participating fully in all ministerial level negotiations in a way that will help to build consensus on an ambitious outcome.

Thank you very much for your attention. I look forward to your questions.

I'm now going to turn it over to Tyler to speak about canola, which very clearly has some good examples about the damage I've spoken about.

**Mr. Tyler Bjornson (Director, Canadian Agri-Food Trade Alliance):** We thought we'd use canola as a bit of a live example of some of the issues that Alanna just talked about, and in particular how Canada's isolation on certain issues in the WTO can have a serious impact on its ability to push for ambition in other areas.

As most of you know, canola is a highly trade-dependent sector. That's not unique in Canada, as we've heard; we're part of that 91%. Seventy-five per cent of our annual production is exported. So what makes canola special? Well, it just so happens that 75% of the world's trade in canola products actually originates from Canada; 80% of the canola seed exports are from Canada. No other country has such a vested interest in canola. So that means that if Canada isn't at the table, pushing hard for ambition in tariff reductions, canola gets left behind.

This isn't just a hypothetical scenario; we have some experience with this. In 1994, the WTO agreement actually left canola behind in a large number of areas, three in particular. We're left with systematic discriminatory tariffs in all of our key markets—Japan, China, India, Pakistan. In every one of those markets we have higher tariffs than all of our competitor products, such as soybean and palm.

The second issue is that we face tariff escalation. In most of the countries around the world, they have higher tariffs on value-added products in comparison to the raw product. That means value-added canola exports simply don't make it into most of those major markets.

Thirdly, we face unbelievably high subsidies that our competitors put on their products. No greater example exists than the soybean industry in the United States.

So by way of example, I thought it would be useful to just give you those figures and tell you that if Canada isn't at the table pushing for ambition, canola will lose, because nobody else is interested in it.

Thank you.

**The Chair:** Thank you, presenters. You're all well within your 10-minute allotment. I really want to congratulate you for that. We see so many folks stretch it out and out, but you have very concise opinions and directions you want followed, and it comes through in the speed with which you can get them out there.

We'll now move to our round of questioning. The opening round is seven minutes per person.

Mr. Easter, please.

• (0945)

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

I want to come to the supply management group, but first, Ms. Koch, I'm absolutely amazed at your statement on Canada's isolation, that Canada's minister stood alone on sensitive products. Could you tell us your information base?

I was there. I was in Hong Kong. We didn't stand alone. We got fairly good support in terms of sensitive products. I think that statement hurts us, as does the statement that the premiers made in terms of our balanced position.

So if you could tell us your information base, I would like to know that, because that is just absolutely incorrect.

**Mrs. Alanna Koch:** With respect to Hong Kong, I was there too, and we certainly were informed by many that in fact Canada did stand alone with respect to sensitive products and did stand in the way of seeing progress on sensitive products. So I'm not sure who each of us is speaking to, but I can tell you that several nations indicated to us that Canada was very alone and put the entire WTO process in jeopardy.

As exporters, we came home from Hong Kong quite alarmed that Canada had taken the position it had, considering that 91% of our farmers depend on international markets. So that would be our experience in Hong Kong.

With respect to the balanced position that Canada has taken, I would say that we would look forward to a balanced position that Canada would take. Right now, we don't really feel as if it's balanced. We hope that when our negotiators and our government go forward with negotiations, they remember all of Canadian agriculture: that we are the fourth largest exporting nation in the world and that 91% of our farmers are dependent on international markets.

You speak to how dependent we are. Tyler spoke about canola and how much is exported. The majority of our production is exported.

**Hon. Wayne Easter:** I don't want to cut you off, Ms. Koch. I understand how important international trade is to the farmers in this country, and our balanced position can in fact get us there. But I am absolutely surprised that CAFTA would allow itself to be led down a path to jeopardize Canada's positions by listening to the enemy, who want to get that information out there. I'm surprised at that.

Anyway, we've got a different information base, and I can tell you unequivocally, Mr. Chair, that Canada is not isolated in its position on sensitive products. Anybody who expresses that point of view is giving an advantage to the enemies of Canada's position.

Turning to the—

**Mrs. Alanna Koch:** Mr. Easter, may I speak to the enemies question?

**Hon. Wayne Easter:** I have only seven minutes, Madam. If we get a chance, we can address it later.

**Mrs. Alanna Koch:** All right, I'll address that later.

**Hon. Wayne Easter:** The impression to the supply management groups in this country has become that because of supply management, we're a protectionist nation. In your presentation, you alluded to our not allowing imports with supply management in place. In fact, we allow more imports, even in the supply management industries, than most of the free-market countries.

Could you expand on that somewhat? Supply management is used against us consistently, giving the impression that we're protectionist, by the likes of CAFTA and by other nations that want to break the supply management system.

In your second point, can you explain, "Unless the government sharpens its focus"?

**Mr. David Fuller:** Through you, Mr. Chairman, I'll speak first on the market access issue.

Mr. Chairman, supply management does in fact allow imports into this country, well above many other nations and what their access levels are in many different commodities. I need only look at the poultry and the dairy industries. Dairy is around 5%, the turkey industry is around 5%, and the table egg industry is around 5% as well. The chicken sector is around 7.5% over domestic production, and our hatching egg producers allow 21% market access.

In fact, Mr. Chairman, supply management is not a closed shop. We allow more market access than many countries around the world. I need only look at the EU, which only allows 0.5% of poultry, or the U.S., which allows less than 2.5% of dairy products. So Canada's supply management system is not closed, and we do allow a significant amount of imports into this country.

To give you an idea of the magnitude, in the chicken industry we allow enough imports to match what Atlantic Canada and Saskatchewan produce on an annual basis.

That's the level of imports to our industry, so it is not a closed shop.

• (0950)

**Hon. Wayne Easter:** The second question was about the government sharpening its focus. This round will be a disaster for supply management, and I expect that potentially for the whole round. Can you expand on this? What does sharpening the focus mean?

I am very worried about the minister's statement, saying we're 148 to 1. That's not correct. What worries me, with the minister making that kind of statement out there, is that it sends a signal that the government is prepared to sell out. It's not 148 to 1. I believe you mentioned it's potentially nation 25 nations that don't support Canada's position, and the other 125 nations really don't give a darn about supply management; they're kind of neutral either way.

**Mr. David Fuller:** I think what is extremely important is that Canadian agriculture must win at the WTO. This is what it's about. It's about a win for Canadian agriculture; it's not about one sector versus another sector. When we look at the agriculture negotiations—and I was part of those deliberations before Canada set its initial negotiating position back in 1999—Canada came out with a very balanced position.

Their objective is clear, Mr. Chairman. The objective is to make sure we manage to maintain an effective supply management system in Canada and also to provide as much opportunity for our non-supply-management industries through the different avenues, through the negotiations.

When I look at the negotiations and I look at the export subsidies pillar, I see we have a clear win for our non-supply-management industries when we have an export deadline of 2013. When I look at the domestic support pillar in agriculture, I see again a clear win for our non-supply-management commodities. We have proposals on the table that are going to cut some of the high-spending countries such as the EU, the U.S., and Japan—again, a win for Canada's non-supply-management commodities.

And when I look at the third pillar in agriculture under market access, Canada has been very focused on a general reduction formula that has been very aggressively pursuing that to again allow our non-supply-management industries an opportunity for more market access around the world.

Mr. Chairman, for Canada to maintain its balance, it must focus solely on sensitive products for supply management because it is the only area we have left for those industries. If the government is successful in that area, it will have brought back a win-win for Canadian agriculture, a balance for supply management as well as for our non-supply-management farmers. And that, Mr. Chairman, is what this round has to be about: a win for Canadian agriculture.

**The Chair:** Thank you, Mr. Fuller.

Mr. Bellavance, seven minutes, please.

[*Translation*]

**Mr. André Bellavance (Richmond—Arthabaska, BQ):** Thank you, Mr. Chairman.

Thank you for your presentations.

The Doha Round of WTO negotiations constituted a turning point for Canadian and Quebec agriculture. Indeed, the further negotiations progress, the more concerns we have.

Mr. Lebeau, Mr. Lefebvre, you often find yourselves in Geneva for these negotiations. You are not there on holiday or to have fun; you are there to closely monitor the negotiations, and that involves a lot of work. We are very grateful to you for what you do for Quebec agriculture.

As you spend more time than we do on site, you are doubtlessly better informed than we are. All of the other countries are exerting pressure on Canada, and the very survival of supply management is at stake. In fact, other countries are not the only ones to be pressuring Canada. This morning we heard some fairly enlightening testimony from Canadian producers. In addition, the Manitoban, Albertan, and

Saskatchewan ministers of Agriculture have written to the Minister of Agriculture and Agri-food to argue the case for greater market access. Pascal Lamy, the Director General of the WTO, came to Montreal to tell us that we had to make compromises, starting with supply management. On May 30, when we raised the issue of WTO negotiations, the Minister of Agriculture and Agri-food, Mr. Chuck Strahl, told us that Canada was isolated, a lone voice against 148 other countries, and that, at the end of the day, WTO membership was important and an agreement should be signed. To my mind, making such a statement publicly can only significantly weaken Canada's position.

As you are on site, you have the opportunity to speak with the Canadian negotiators and consult the preliminary text. That is why I am interested in your opinion. What direction do you see this taking?

● (0955)

**Mr. Serge Lefebvre:** Mr. Chairman, in answer to Mr. Bellavance's question, I would first like to say that we go to Geneva as a team. We are mandated to defend supply management, and several of us are in Geneva at any one time. That is an important point.

I will let Mr. Lebeau speak about the more technical aspects, but I would like to point out that Canada voluntarily provided more access to its supply-managed markets during the last rounds of negotiations. That was the directive of the day, although there was no official, written text to that effect. I think that this shows that Canada opted for fair play and cooperation, believing that other countries, in turn, would increase access to their markets.

However, that is not what happened. I think it is important to mention that, as it often gets ignored. The common perception is that we acted out of obligation, when in fact that was in no way the case; it was a voluntary measure. It was a case of Canada and producers of supply-managed products choosing fair play.

In some areas, we ceded more than had been requested. Seven point five per cent and 20% on hatching eggs is a lot more than had been asked.

Obviously, I was in Geneva with several of our colleagues. A lot goes on there. We have the opportunity to talk with people from other countries who were in Geneva to negotiate. This allowed us to realize that, on certain questions, we have some allies. Unfortunately, we also have foes, and there is also disagreement within Canada on this issue.

Like Mr. Fuller, I believe that a balanced position, such as the one we are suggesting, is in the interests of all Canadian farmers. Bear in mind that if all countries were to increase market accessibility by 5%—as the directive proposed—world trade in agricultural products would double. That is not to be sniffed at. That is what we are asking. It is a matter of bringing other countries around to Canada's starting point; then we can negotiate. Think about it: if all countries took the same measure, we would double world trade in agricultural commodities. That is not to be sniffed at.

**Mr. Serge Lebeau:** Allow me to add to my colleague's answer.

There is no doubt that we have allies on the question of sensitive products. Several European countries, as well as Japan, are members of the G10. These are all countries that are determined to protect certain commodities.

The Europeans and the Americans also have sensitive products. I think that we now have unanimous consensus on sensitive products; the principle was agreed to in July 2004. Now it has to be decided how sensitive products will be treated. The July 2004 framework agreement provided some assurance. However, it now feels as if the issue of sensitive products is being downplayed, and that concerns us.

As I explained earlier, the reason why some countries, especially European countries, downplay the matter of sensitive products is that they have dropped their guaranteed price. They have reintroduced direct subsidies and, consequently, are able to reduce their tariffs. It is very important to understand that the US and Europe, especially Europe, are playing smoke and mirrors; they are not going to increase access to their markets. People in the know have told us that the Europeans will not give an inch, particularly on dairy products, and that we will not gain greater access to these markets.

As I said, it is a case of David against Goliath. The firepower is unequal. They have reintroduced their subsidies, while we are left with tariffs. That is why I spoke about the interconnected nature of the three pillars of the negotiation. This is something that has to be understood.

The last point I would like to make is that we should follow in the footsteps of Norway. Norway was given special treatment regarding the blue box, because it was found to be full of subsidies. They asked for reductions, the timeframe was reduced, and concessions were made. Legend has it that the Norwegian negotiators slept at the doors of the meeting room because they were not allowed in to make their case. However, one day, they met the American negotiator and argued their point. Perhaps we should do the same. If we cannot reach an agreement with the other countries, I think we should probably do as Norway did and invoke the exception.

• (1000)

[English]

**The Chair:** Your time has evaporated.

Mr. Bezan, seven minutes.

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

Thank you, ladies and gentlemen, for coming out and making presentations today. It's a timely topic, as you well know, with the negotiations that are going on in Geneva right now.

We don't have a lot of time, but there's a number of areas I want to cover.

There seems to be some conflict at your end of the table as to the issues surrounding the sensitive products side of it. A comment was made that we're isolated on this topic, and another comment was that we're not isolated on this topic. If we're not isolated, who do we have as allies at the table who are supporting our position, when the outcome in Geneva last month was fairly overwhelming against a Canadian position? Does somebody from SM5 or UPA want to deal

with that? Who do we have as allies for our position that we're putting forward?

[Translation]

**Mr. Serge Lebeau:** I would basically reiterate what I have already said. The principle of sensitive products was recognized in 2004. The countries most closely aligned to our position are the G10 countries, including Norway, Switzerland, Japan, Israel and Korea. All continents are represented in the G10 membership. These countries really are our best allies.

Let us take the example of the Japanese. When they set their tariffs for rice in 1994, for example, they set them in absolute terms, that is to say in dollars per kilogram or yens per kilogram, while we used a percentage system. When their rice tariff is expressed as a percentage, and not as dollars per kilogram, it is 700%. They were not too smug, but they must have been saying that it would not really matter if their tariff were reduced by 50%. Inequity already existed in 1994.

The Japanese would be far less affected by a 20% tariff reduction than would Canada. At 299% on butter and 238% on chicken, we are already at the limit of what we can accept.

Due to the strength of the Canadian dollar, it is almost possible for Brazilian chicken to enter the market. At one point, skimmed milk powder and butter were able to enter the Canadian market, because of currency fluctuations. Although these countries are our allies, for the reasons I have just mentioned, it is nonetheless difficult for Canada to be on an equal footing with them. What happened in the past has given them an advantage and allows them to weather tariff reductions in a way that we cannot.

[English]

**Mr. James Bezan:** I appreciate that.

I want to go back to this issue that the G-10 might be allies, but it definitely doesn't correspond with some of the positions they're putting out there on what we want to accomplish in grain, oilseeds, and red meats.

Alanna or Darcy.

• (1005)

**Mr. Darcy Davis:** No.

**Mrs. Alanna Koch:** I would comment on that with respect to our isolation. As Mr. Bellavance indicated earlier, even the director general of the WTO has indicated that Canada is isolated in our position with respect to sensitive products. As further proof with respect to our isolation, two times we've been cited in Chairman Falconer's reference papers—that one country is standing to the side of an emerging consensus with respect to market access for sensitive products.

Clearly we're isolated, and clearly that is damaging our ability to influence the negotiations, not only with respect to the export interests of our country but in fact with respect to being there to support all of our Canadian industries. As was indicated earlier, this deal needs to be there for all of Canadian agriculture, and being isolated is not helping Canada's position at all.

**Mr. James Bezan:** I'm a cow-calf producer just like you, Darcy. The comment was made that only 10% of our exports right now overall in agriculture are going to non-NAFTA countries. Do you think that's because of the trade rules that we have in place right now under the WTO, that we have better access to the NAFTA markets than we do to other worldwide markets because of red meats being considered a sensitive product and highly protected in those other markets?

**Mr. Darcy Davis:** I certainly think it is. The fact that we share this 11,500-tonne quota into Europe is a huge factor. If we had larger access to that eight-million-tonne market that is a market for our kind of product, which is a grain-fed product.... An over-quota tariff of 3,000 euros per tonne is an incredible penalty to pay for access to that market. As well, there are the Asian markets. If we want to access these markets in free trade agreements, I think we have a tonne of work to do. We have to put more effort into each one of those than we are putting even into the WTO right now.

As for our standing alone on sensitive products, as beef and red meat are listed as sensitive more around the world than most other products—as well as grains—as we stand alone.... As I understand it, the discussion was to be around over-quota tariffs. Canada said we would not discuss them. The other countries were willing to discuss them—even members of the G-10. That's my perception of it.

My other perception after having been in Hong Kong was that the text said one thing and the text was changed at the request of Canada. That's my perception. As far as what happened and what didn't happen is concerned, I think we have to keep going forward. I've been in Geneva myself. I've been there for a missed deadline. I would like to see our country get going and get to be a part of the solutions.

I'm a cow-calf producer. We've seen over 19% of our domestic consumption filled by imports, but we've exported over 40% on a value-added basis, so our producers understand trade and want to continue it.

**Mr. James Bezan:** You've been dealing a lot with sensitive products. One thing I've always been concerned about is whether we are spending enough time at the negotiations talking about non-tariff trade barriers, the phytosanitary and sanitary trade barriers?

**Mr. Darcy Davis:** I think a lot of those negotiations have happened at the OIE, and a lot of countries have the liberty to look after their own food safety rules in each nation. Much of this is a lot of hard work. I know Ag Canada is working hard at this in countries such as Korea, trying to deal with their concerns, even when some of those concerns seem pretty disingenuous. The WTO may be an avenue for us to use some discipline with Korea.

**Mr. Tyler Bjornson:** Let me add to that. Actually, in this round of negotiations, from a non-tariff-barrier perspective we have to make sure we get the rules right on the dispute mechanism, so that countries actually abide by the outcome of the panels. Beef hormones provide a great example of that, and I suspect that the moratorium on genetic modification...hopefully it isn't an example of that. But these sorts of things arise, and it's important that Canada push hard for countries to abide by the rules.

**The Chair:** We have consensus on the dispute mechanism. That's something to start from, folks.

Mr. Fuller, you have one last point. Mr. Bezan's time is up.

**Mr. David Fuller:** Mr. Chairman, it's just one point I want to clarify.

I don't want the group around the table to have the feeling that Canada is holding up sensitive products. There was one issue under the sensitive product category on which Canada, as has been said around this table, is isolated. There are a number of issues around that table on which other countries are in exactly the same boat. The G-10 has clearly said under the sensitive product category that a cap is a "no go" for them.

Does that mean the G-10 is isolated on sensitive products? What it means, Mr. Chairman, is that sensitive products are still under negotiation. There are several members who have concerns with different areas and aspects of the sensitive product category, and it is yet to be determined.

• (1010)

**The Chair:** Thank you, Mr. Fuller.

Mr. Atamanenko, you have seven minutes, please.

**Mr. Alex Atamanenko (British Columbia Southern Interior, NDP):** Thank you very much to all of you.

Here is a general question, and maybe everybody could give me just a quick response.

The western premiers wrote the letter. They want more increased market access for grain and oilseeds. My first question is whether that is possible without any move on supply management.

The second question in that regard is this. When I spoke with the Minister of Agriculture from Saskatchewan, he was adamant that Saskatchewan wants to protect supply management but at the same time wants more access to markets, but he suggested that we are somehow physically not at the table. I want to clarify that. Are we physically at the table, even though we have this position on supply management? Also, do we get a deal imposed on us if we're not there? That seems to be the concern they have.

I'd like you to comment on that one, please.

**Mr. Tyler Bjornson:** Thank you very much for the question.

With respect to the first question related to increased access for grains and oilseeds, I'll give you a live example where, as we've heard a number of times, I think Canada is in a 148-to-1 position on a particular area under the sensitive products category.

At the same time, Canada is pushing very hard for a paper on tariff escalation. This is extremely important to canola products. It relates to the higher tariffs on value-added processed products in comparison to raw products.

The problem is credibility. If Canada isn't able to play in part of the negotiations in one area, they have a credibility problem in pushing other areas. So if Canada is perceived by other countries as being isolated and not willing to move in that area, they really don't want to talk about what Canada wants in other areas.

**Mrs. Alanna Koch:** With respect to the question, you indicated that Minister Wartman had said that we're physically not at the table, and you asked whether that has an impact on the deal that Canada may get. To further emphasize Tyler's point, the problem is that once you are unwilling to move on one point and you're completely standing alone on that, not only does it put into question your credibility, it also excludes you from some small group discussions where some very critical issues are being negotiated.

So yes, we're part of the group discussions, certainly on the broad issues, but when it comes to some specific issues, in fact our negotiators won't be part of those discussions because we're unwilling to talk about other issues; we're completely unwilling to move on another issue.

It does exclude us. In fact, I believe it does physically remove us from the table. My view would be that Canada's ability then is very limited in being able to influence what the deal might be with respect to other market access issues.

**Mr. Alex Atamanenko:** Maybe we could go to this side of the table.

**Mr. David Fuller:** Thank you, Mr. Chairman.

I do believe that we have some potentially significant opportunities to increase market access for our grains and canola and our non-supply-management commodities. If I look at domestic support, we see an opportunity for countries that will have to start to erode some of that domestic support. That hopefully gives an opportunity for the world market price to increase, which will benefit our non-supply-management commodities.

When we talk about Canada being isolated, the United States must be isolated, because they are on their own when it comes to a base period for AMS on domestic support. When I look at the G-10 countries, they're on their own, too, for the cap on sensitive products. And the EU was on its own for market access on the flexibility they were looking for. To say that Canada is isolated by being on its own, I think, is really inaccurate.

You have a number of groupings of countries, whether it be the G-20 or whatever. I look directly to the G-6—the European Union, the United States, Australia, Brazil, India, and China—of which Canada is not a member. In my opinion, that's a core group that is running this negotiation. The other groups are all falling in behind.

To say Canada is not at the table is inaccurate. By everything I have been told in Geneva, Canada is seen as a bridge builder to help move the negotiation forward. I heard that in Hong Kong, I heard that in Cancun, and I have heard it in Geneva a number of times.

In my opinion, Canada is not isolated. They are a team player working to try to build bridges to move these differences very close together. In my opinion, there is opportunity under domestic support, export subsidies, and the general reduction formula for increased market access for our non-supply-management commodities. Canada is still very much part of the negotiating team in Geneva, as well.

• (1015)

[*Translation*]

**Mr. Alex Atamanenko:** What do you think, Mr. Lebeau?

**Mr. Serge Lebeau:** Can we improve access to the market without changing supply management? We should certainly be able to.

Earlier, we heard that, according to a serious study, there would be an 80% increase in agricultural commodities trade, provided that everyone complied with the Uruguay round agreements, which forecast a net 5% increase in market access. Unfortunately, there was no such compliance. I think there is room for improvement there.

However, I believe that Canada should—and I believe has—put a strongly focus on support. For example, we looked at grain prices in Canada. The issue is not the markets, but rather the subsidies that US farmers get. The result is that it becomes very difficult for us to continue producing, and to be competitive. There are major gains we could make there, and Canada should be making an effort in that direction.

There is also the general formula for reducing tariffs. I believe we have some margin for manoeuvre there too. Tackling that issue as well would lead to additional market access.

Sensitive products are the exception, and we should work on them.

You also asked whether Canada was still at the table. Yes, it is. The proof of it is that there will probably be a ministers' meeting at the end of June, and Canada is among the 30 countries invited. To date, I have never heard of Canada being excluded from meetings, even when the meetings are among 25 to 30 countries, or even meetings in green rooms that are even more restricted. So far, I do not believe that Canada has been isolated. I am confident that Canada will remain at the table.

[*English*]

**Mr. Alex Atamanenko:** *Merci.*

John.

**Mr. John Masswohl:** Thank you.

I guess I think of this as not so much what's happened up to this point, but what could happen. What could happen in the next couple of weeks, and where are the opportunities? And what does Canada have to do to maximize the opportunities to get access for Canadian agriculture exporters and to reduce domestic subsidies?

I'm very glad to see that Minister Strahl, in the public column he writes each week, did mention this week that he is going to go. I believe he said Minister Emerson is going to go to Geneva at the end of this month. So that's very positive, and we certainly appreciate and thank them for doing that. Compare that to a couple of weeks ago. There was a meeting at the OECD of some of the ministers from some of the countries, and Canada wasn't there.

You've mentioned some of these other groups, the G-6. I wonder that Canada could have been in the G-6. If we'd had a different position, if we'd had a more ambitious position from the start, we could have been in the G-6. I would agree that the G-6 is probably the group that's driving this and it might be part of the group where the consensus comes out. So I ask, why isn't Canada there? We could have been there, but we're not there.

Some of those things may be the semantics, as to whether we're isolated on this or somebody is isolated on that. The real question that it comes down to is, what does Canada need to get for its agricultural exporters and its agriculture industry, and then to do those things to get there.

So if we can have our ministers going there.... Basically, the issue of sensitive products is going to be very key in there. As I've listened to this, I've tried to think, well, where is the common ground here? I've heard a bit about the fact that supply-managed industries do provide access into Canada, and it's based on a percentage of domestic support. That's really what we're seeking in Europe. We're seeking a certain percentage of the European domestic market.

Now, we can debate and negotiate over what that percentage should be. We'd like to see in the neighbourhood of 10% of the European domestic beef market be open to imports. That's really what this boils down to for cattle producers and cattle exports on the question of sensitive products for beef. I've become very uncomfortable when the question is asked, "Who are Canada's allies?" and the answer comes back, "Well, it's Europe and it's Japan and it's Norway", those countries that all want to prevent beef from going into those marketplaces. That makes cattle producers very nervous in this country.

So I guess rather than getting caught up sometimes on some of these peripheral issues, let's get down to the core issue. I don't think anybody would disagree at this table that having better access for beef exports or meat exports or grain exports into Europe would be a bad thing. So how do we make that happen?

• (1020)

**The Chair:** Thank you, Mr. Atamanenko. Your time has expired.

We now move to a five-minute round, and we'll go to Mr. Steckle.

**Mr. Paul Steckle (Huron—Bruce, Lib.):** First, let me commend you for your presentations, Mr. Lebeau, Mr. Fuller, and Mr. Davis. We've had a lot of great presentations here this morning.

Mr. Masswohl, you touched on something I was going to ask in my first question, and that is whether the absence of a political presence at our negotiations has been a factor in our having been isolated, or at least being left with the impression of having been isolated?

I've been to negotiations. I haven't been to Geneva, but I was to Cancun, and we had ministers there. And we had ministers in Hong Kong in December. Somehow I don't believe that either one of our ministers have been attending anything in terms of negotiations since this government has come in. Has there been a lack of a presence there?

**Mr. John Masswohl:** I believe that the meeting at the end of June will be the first ministerial meeting of the WTO. There have been

some little side meetings of groups here and there, but this will be the first time that the WTO director general has called ministers and asked them to come.

**Mr. Paul Steckle:** What is the response of the countries that are talking about over-quota tariffs and the reduction of those? As someone mentioned this morning—Mr. Lebeau perhaps mentioned—reducing a 700% over-quota tariff by 50% is somewhat different from reducing a 100% tariff rate by 50%, which is 50%. There is such a disadvantage to us. Why can we not find some common ground in meeting that point where we come together, rather than leaving us, even though we have reduced our tariffs and they also have, with them still having the greater advantage? How do we come to some sensible common ground on that?

**Mr. John Masswohl:** I guess that's the question I often struggle with. Why can't we find some common ground? Why are we entrenched in our positions domestically at one extreme or the other? I think having this dialogue this morning to try to find that common ground perhaps could be useful in getting to that.

I've seen some of the comments and read some things about whether it's 5% of domestic consumption, as long as it's clean.... You know, there are a lot of these details that we could get to, but we're not getting to those details yet, because we're stuck on the position that Canada cannot accept any cuts to over-quota tariffs. So we don't even get into having that discussion.

I think if we could get past that first psychological barrier and get into that discussion, that would be a very positive thing.

**The Chair:** Mr. Steckle, Mr. Lebeau wanted to make a comment on that.

[Translation]

**Mr. Serge Lebeau:** I have met many representatives of other countries, and what we have always found surprising is how poorly other countries understand our systems. We have to explain that what we do is different from what the Europeans do. The Europeans have quotas in the dairy sector as we do, but they continue to export. The issue there has really been to reduce export subsidies. In Canada, our goal is not the same at all. Our primary goal is to supply our domestic market. When we tell people that, they say they were unaware of it.

Last week, we learned about the Japan issue, which I mentioned earlier. I did not know that Japan had established what we call specific tariffs. Japan did not have the fixed-percentage tariffs we call *ad valorem* tariffs. In making the conversion, Japan ended up with very high tariffs.

The mechanisms of individual countries' programs are often poorly understood. We try to standardize systems, and end up with the result we have here. It is extremely difficult to reach an agreement.

• (1025)

[English]

**The Chair:** Go ahead, Mr. Bjornson.

**Mr. Tyler Bjornson:** If I might, I will just comment quickly on how we get there, how we make this an equitable situation.

I think countries have already struggled with that question in the framework agreement, and that's one of the reasons there's a harmonizing formula out there to bring higher tariffs down more quickly than lower tariffs. So that question was struggled with by the entire membership of the WTO, and they came up with what I believe is an elegant way to try to tackle that very question.

**The Chair:** Thank you.

We'll go to Mr. Souligny.

**Mr. Laurent Souligny:** Thank you, Mr. Chairman.

On the over-quota tariff reduction, and I'm going to speak for the SM5 here, any over-quota tariff reduction would be too much for us, even at 5%, because right now there is already product coming into this country. I'm talking about eggs here, and maybe other products, but more specifically eggs. The amount of eggs imported with the over-quota tariff paid today has more than tripled. For us, it's a big concern. When we say we cannot take any more over-quota tariff reduction, we mean it, because it's already happening.

**The Chair:** So you are back to the point that the dispute mechanism has to be better than it was.

Mr. Steckle, one final point.

**Mr. Paul Steckle:** I quite understand, and I'm trying to come to the defence of that point.

To Mr. Davis, when was the last time we brought in supplementary imports on our beef? We have the 76,000 tonnes and, beyond that, supplementaries. When was the last time we brought in supplementaries?

**Mr. Darcy Davis:** I believe 2003 was the last time. I think one was issued since then, but I don't believe any product was brought in under that.

**The Chair:** We will move to Madam DeBellefeuille, for five minutes, please.

[Translation]

**Mrs. Claude DeBellefeuille (Beauharnois—Salaberry, BQ):** Thank you for your comments.

Since the committee began its work, I have noted that the agricultural sector and the processing sector find themselves on opposite sides in many areas.

My question is to Ms. Koch. Today, I sense some opposition between the two sectors, the supply management sector and the beef and grain producers and processing sector. We are under the impression that you are asking for the supply management system to be sacrificed so that imports can go up and beef and grain trade can expand. Have I understood this correctly? Do you believe that sacrificing supply management will boost trade in those other areas?

[English]

**Mrs. Alanna Koch:** What we would want to make clear, first of all, is that supply management is not being negotiated at the WTO. What is being negotiated is market access. I don't think it is a matter of one sector winning and one sector losing. It isn't about the

exporters winning and our domestic marketing systems losing. I think it's about an overall good deal for Canada. We're not asking to play one off against the other, but what we are asking for is for Canada to stick to the commitment it already made in 2001, when it signed onto the Doha mandate, and again in 2004 when it signed onto the framework, in which it said that it agreed to give substantial market access on all products, including sensitive products.

I don't think that CAFTA or its members, as exporters, farmers, processors, are asking that supply management be gone. We clearly understand that supply management is a very important part of the agriculture sector in the country, but what we are saying is that Canada needs to stick to what it has already said it was going to do, because if it doesn't... the problem is our sensitive products, like grain and wheat, won't be exported.

[Translation]

**Mrs. Claude DeBellefeuille:** Ms. Koch, forgive me for interrupting you. When we read, look around, and read all the research done, it becomes very clear that many people question what you are telling me. Many farmers, including farmers from Quebec, UPA representatives and the representatives of many associations, believe that the supply management system will be destroyed if we expand market access. As a result, even though we may not negotiate it as such, there will be a direct impact on the supply management system, which is extremely important in the farming industry, particularly for Quebec farmers.

My other question is this: what do you think about the fact that Canada still played the game by the rules, as Mr. Lebeau said, and expanded its market access by 5% when other countries did not? Unlike you, I am quite proud of that. I find that Canada is very ambitious, stands tall, cares about its agricultural sector and tries to defend it. I believe we should put pressure on other countries to show good will in their turn. I do not believe that following this trend downward is going to do anything to protect and develop our agricultural industry in Quebec and Canada.

• (1030)

[English]

**Mrs. Alanna Koch:** You indicated that Canada is a fair player and that we should be satisfied with that and shouldn't be looking at more access. I guess I have a couple of points on that.

The reality is that all of the countries, unfortunately, could be considered fair players, because they are all playing by the rules. All the countries basically are playing by the access rules that have been outlined in past agreements. In fact, I could give you some examples of where Canada actually hasn't fulfilled its commitments in a couple of products. We could get into that, but it's a bit of a mug's game.

Basically everyone is playing by the rules. So what we need to do is to ensure that the rules are better, that we get a better deal, and that overall we get the deal that we said we were going to get as part of the Doha Round, which was to bring down subsidies, bring down trade distortions, and to improve market access for all products.

I think you spoke to the 5% question, and I will just say quickly that the idea of limiting access to 5% has not gained any support internationally. It's not part of the current negotiations, nor has it been mentioned in the market access papers that the chair has recently put out. With most of the markets that are important to Canada, both where there are tariff rate quotas or where there are high simple tariffs, we already import more than 5% of the domestic consumption. So a simple 5% limit across the board would actually have very little positive impact on Canada's exporters. Though 5% sounds like a good basic starting point, it really would do very little for Canada, and it's actually not even part of the negotiation process right now, anyway.

**The Chair:** Thank you, Madam.

Is there anyone else on that point?

**Mr. Darcy Davis:** Just quickly, I think it's too bad that the myth gets perpetuated that we as exporters are against supply management. I don't think we are. As a producer who's elected by producers, I'm trying to represent the people who put me there and to look after their livelihoods as well.

Supply management has been described as a unique system in the world. I think that's probably true, but to break this impasse or the problems we're having may require some unique solutions or some unique ideas. Those have to come from both the people involved in supply management, I think, and our leadership.

[Translation]

**The Chair:** Mr. Lebeau.

**Mr. Serge Lebeau:** With regard to compliance with the Uruguay Round Agreement, I doubt it. We always cite the US as an example; the US awarded ice cream import quotas to Jamaica. But you know full well that Jamaica does not produce ice cream. It barely has any cows. So you can see the kind of circumvention war we are facing. We come up against this at every turn.

There is another important aspect, which I think is going to change. At present in the European market, 5% is for red meat, but no distinction is made among beef, pork, horse meat and lamb. This makes it very difficult for Canada to enter the market. They tend to award import quotas—particularly to eastern Europe—for products they need, or for which there is less competition. That applies particularly to pork, and probably to beef as well.

If 5% of the market were specifically set aside for individual products, Canadian pork and beef would have a better chance of penetrating the European market. I'm sure of it.

• (1035)

[English]

**The Chair:** Thank you, Mr. Lebeau. Jamaica didn't have a bobsled team either, until John Candy made the movie!

**Some hon. members:** Oh, oh!

**The Chair:** Mr. Gourde, for five minutes, please.

[Translation]

**Mr. Jacques Gourde (Lotbinière—Chutes-de-la-Chaudière, CPC):** Good morning. One thing I should say is that, before we

can decide where we are going, we have to understand where we have come from.

Agriculture in Canada developed over the past 100 years, in the wake of World Wars and everything else that happened in the world. Western Canada had huge expanses available for farming, and grew its grain industry until it became an enormous success for the Canadian economy. In Eastern Canada the dairy and meat industries were also very successful. Now we are seeing two huge successes coming up against each other, because they each want to continue being successful. This is a very important factor, which we must bear in mind.

At present, Canada's agricultural industry is at a turning point. As everyone says, we would like all industry participants to be able to make a living and we would like the sectors in eastern and western Canada both to continue growing.

Canada has 161 million acres of viable land. That is quite a garden for 30 million people. Of course, we will always have to take our production and turn it into products which are exportable, or which we can consume and which will improve Canadians' incomes. At present, the average revenue for those 161 million acres we have in Canada is \$192 per acre. That certainly is not enough for everyone to live on.

Let us talk about the ethanol industry. Do you believe that investment in ethanol over the 10, 15 or 20 years to come could reduce our dependence on exports? Could it solve part of the problem and make it possible for our industries in the east and west to be sustained? I will give you a chance to answer. Thank you.

[English]

**The Chair:** Would anyone care to take a shot at that?

Go ahead, Ms. Koch.

**Mrs. Alanna Koch:** With respect to the question you had on reducing Canada's dependence on exports, I guess I would like to say that I could predict very accurately what might happen in the next 10 to 20 years, but I think I can just broadly say that Canada will always be a great exporting nation in this world. We simply don't have the population to consume everything that we produce in this country, and we, as you said, are blessed with a great land base that is very productive. So we simply will continue to be very efficient and very productive farmers and, therefore, processors in this country. And I don't believe that we will ever be able to decrease, in a significant way, our dependence on exporting to other countries around the world.

**Mr. Darcy Davis:** I believe the same thing. We have this huge production capability. We have a growing population in Canada, especially in western Canada. However, our climate allows us to grow certain products.

Alberta is a semi-arid region that is very suitable to beef. It produces 50% of the cow herd and 70% of the fed cattle production. The trucks that haul our product, our beef product, south to the U.S. and Mexico return loaded with vegetables and fruit that we can't grow in our climate. So trade is good for everyone involved. If we can export beef to Japan and then in return, as everyone knows, we import things from Japan, like electronics and those types of things, we create a balance of trade in different products.

So if we can value-add by processing these products in Canada, we can increase jobs and do those kinds of things. But I always believe that we will have things that we do best, and those are the things that we'll have to export.

**The Chair:** Mr. Fuller, go ahead, please.

**Mr. David Fuller:** It was a very good question, and through you, Mr. Chairman, I'd like to respond to it in a different way.

I think first and foremost the most important thing we have to ask ourselves is whether there is going to be agriculture left in Canada, because unless we can somehow get some handles on the subsidies that are paid by other major exporting countries in the world—if we look at the trend line showing where agriculture and profitability has been, and the trend line showing where farmers are going, the trend line that I have seen, if you go out 25 years, at the current rate of profitability in Canadian agriculture—there won't be any farmers left. So more importantly, the first thing we have to do is to get a handle on some of these domestic supports that are being paid out. Some of these countries are paying significant money. These kinds of things have to come into play in order for this country to even think of having agriculture in 25 years.

Will we be moving more offshore? I can't answer that question. My concern right now is where agriculture is going to be in five years. I am also a grain and oilseed producer, and I have watched my fellow farmers disappear, no matter what sector they're in. And unless we can get a rules-based system at the WTO that provides opportunities for Canadian agriculture in all aspects, there will be no Canadian agriculture left. So we have to identify profit as the key thing.

It is no good to find market access around the world, or anything else, if we're losing money on everything we ship.

• (1040)

**The Chair:** Thank you, Mr. Gourde.

Mr. Thibault, you have five minutes, please.

[*Translation*]

**Hon. Robert Thibault (West Nova, Lib.):** Thank you, Mr. Chairman.

First, I would like to thank all of the witnesses for the presentations, which gave an accurate reflection of reality, and the answers they have given us. You can see the desire, the willingness to find solutions to protect all sectors. It is not exactly easy, but I think that is what the country needs.

[*English*]

The part of my riding where I live is the Annapolis Valley. When the BSE hit, you wouldn't think it would have immediately affected that part of the world as hard as it did. But we do have some cow-calf operators. We do have a lot of mixed farmers and beef is part of their income. Also, we have our supply-managed sector in the dairy industry. The revenue from cull cows is important as part of the mix at the end of the year. That evaporated overnight and created some great difficulties.

We have hog producers. We have some SM5 producers. We have mink producers, producers of grains and oilseeds, vegetables, and

fruit trees. All of them have cyclical difficulties, but the one thing that's very disconcerting is that the trend line has not been good, in every sector except the supply-managed sector. The supply-managed sector has maintained and sustained those communities for a long time. What's more important, it's one of the only sectors—the mink industry perhaps being the other one—where there is confidence in the future, where people are still willing to make investments and young people remain in those communities because of stability that they foresee in that sector. So losing it is absolutely something that cannot be considered.

We saw some vegetable and fruit juice processors leave our area because of imports we're getting out of China. Concentrates are coming out of there at prices we can't compete with. So it's important for us, in that sense, to maintain that stability in the agriculture field. It's also important for consumers, because the price we get comes out of supply management.

The case has been well made for open access. I don't think there's a soul in this country who would not agree with that. Farmers in my area always talk about the level playing field, that if we have a level playing field internationally, Canadians can compete effectively. So we have what sometimes is portrayed as an opposing view, and we get those questions. I've heard some tell us this morning that because of our position on supply management—which I certainly would support and hope we maintain—we are isolated. Others are telling us that we aren't.

I certainly hope that we can achieve a balanced position. In your view, is it achievable that Canada maintain, for the next two generations, supply management in this country and improve our access to international markets, therefore stabilizing agriculture from one coast to the other?

**The Chair:** Mr. Fuller.

**Mr. David Fuller:** Just so it's clear in my mind exactly what the question is, you're asking if it's conceivable that Canada could come out this round with a win-win. I am 100% positive that we can do this. I think we have the opportunity to do this. As I've said earlier, Canada is seen as a bridge builder, to try to bridge the gaps to make this round move ahead.

Our chief negotiator has lots of credibility. I think he has the opportunity and he has the tools he needs to do this. The biggest thing we have to do in Canadian agriculture is to be there to support him and make sure he does deliver what the Canadian agriculture industries need, and that is a very balanced position. I think it is achievable, absolutely.

• (1045)

**The Chair:** Does anyone else want to comment?

Mr. Thibault, you have 30 seconds.

**Hon. Robert Thibault:** Perhaps the last point I would ask is whether there are tools that can strengthen that position, that could be given to our negotiators, and what would those tools be? How should Canada change its tack or its actions, if we should, and in what direction?

**Mr. John Masswohl:** One thing that has been done is obviously to have an open dialogue with all the sectors that are involved, that before the ministers go to the negotiations we have discussions like this, forums where everybody is represented and we talk about defining what a win-win situation is. Cattle producers would be very uncomfortable if, for example, the chicken farmers were defining what is a win for the cattle producers, as I think we've heard him attempt to do a couple of times already this morning.

As long as we could have an open dialogue where everyone is involved, and we're at the ministerial meetings and there are round tables and daily, or perhaps several times daily, interaction with the ministers, I think those might be some of the tools you're getting at. Those are the sorts of things that are useful—the more information, the better.

**The Chair:** Mr. Devolin, five minutes, please.

**Mr. Barry Devolin (Haliburton—Kawartha Lakes—Brock, CPC):** Thank you, Mr. Chair, and thank you to all of you for being here today.

My riding is in central Ontario, and like Mr. Thibault, I have a really mixed bag of farm producers in my riding, from fur to beef to organic dairy to mainstream dairy to corn producers. I have a non-partisan farm council I meet with regularly, and we talk about this. I'm usually asking questions, and sometimes the folks at the table agree and sometimes they disagree with each other.

But I had a specific question, mostly for the Canadian Cattlemen's Association. You mentioned bilateral trade agreements, and I know Canada is at the table at the WTO and we are continuing to pursue an agenda with multilateral trade deals. Recently I was in Taiwan as part of a parliamentary group, and it was clear they are aggressively pursuing bilateral deals. I think Korea is doing the same thing. I don't think Canada is the only country Korea is in negotiation with. It seems the United States is doing it.

I don't know whether it's two schools of thought, the multilateral school of thought versus the many bilateral deals school of thought, but where are you on that? I think you mentioned Korea and Japan, and I'm just wondering if you think that's an area the government needs to focus on more.

**Mr. Darcy Davis:** Thank you very much for the question, because it's a very pertinent issue, and I couldn't agree more with David's earlier comments. We in the beef industry have benefited tremendously from a trilateral agreement, the NAFTA agreement. That's where we've seen growth. But when you get to bilaterals, that's where we've seen more cattle, more producers on the land in the last 15 years. We've gone from exporting unprocessed product to adding value to what we're bringing out on the land.

In bilateral agreements something gets left behind, and it's often domestic support. That's what's happened to our grains industry as we've gone forward with NAFTA. Our cattle-feeding industry in southern Alberta is in a really tight spot because of the corn subsidies in the U.S. They're having to compete for feeder cattle, and these feeder cattle are a mobile product. We can move them to Nebraska or Texas or wherever, and these guys have to compete against those corn subsidies.

In the multilateral world of the WTO, this is where these answers come from. We deal with market access on one hand and domestic support on the other. This is where, if we can get a 65% to 70% reduction in U.S. subsidies, we could see a real market decrease in what they're doing with grain and possibly even dairy products. We operate, and we're willing to operate, in a competitive environment, but we need that level playing field, and that happens at the WTO.

If it doesn't happen, I will be here again and I will be talking to you about bilateral agreements in dozens of countries, and it's going to take a tonne of effort on this government's behalf to get those done. It's going to take a lot more work to get those accomplished, but we won't stop if we don't get what we need. We'll have to go on to those with Korea, with Japan, with those nations that can afford our grain-fed product.

Thanks very much.

• (1050)

**Mr. Barry Devolin:** Does anyone else have a comment?

**Mrs. Alanna Koch:** That's why it's so important that the WTO is about three pillars: it's about eliminating export subsidy and trade-distorting domestic support, and it's about market access, because bilaterals have really only addressed the market access issue, and the distortion side of subsidies is what creates a lot of the damage to many of our exporting interests.

**Mr. Barry Devolin:** I have another quick question.

A lot of dairy farmers—I have a lot of dairy farmers in my riding—believe opening up access, giving a little over here to get a little over there, just won't work. I throw it back to the more export-oriented people.

That's the sense I get from supply management people—how many times do you guys have to get whacked before you realize our trading partners are going to take what we'll give them? But at the end of the day they won't actually do what we want them to do, and therefore we just lose twice.

**Mrs. Alanna Koch:** That's why it's so important that we get a comprehensive deal at the WTO to ensure we have a good set of rules. International trade negotiations have gone on for decades and they have addressed many issues, but with respect to agriculture, we have never really had a good solid set of rules to ensure that... Not every country is a boy scout, so we need to ensure that those that are bullies and those that are prone to stretching things are disciplined with a strong set of rules. That's what's really important.

With respect to much of the trade we're involved in around the world, much of it does go on undisputed. We have been successful in exporting our product. We need to improve that environment, improve our ability to be competitive, to be profitable and to understand that this country is very dependent on exports.

**The Chair:** Thank you, Mr. Devolin.

Mr. Bellavance.

[Translation]

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

To answer Mr. Thibault, who was asking a bit earlier whether we could win on both scores, I would say that the House of Commons already gave a unanimous answer on November 22, 2005. That was when the Bloc Québécois tabled a motion to protect supply management while allowing for increased market access. Ms. Koch claims that this motion did great harm to our WTO negotiations, but the unanimous opinion of the Parliament of Canada is that we can defend supply management and increase market access. Ms. Koch, by saying that, you have insulted not only Canadian parliamentarians, but also the elected officials of the National Assembly of Quebec and other provinces—New Brunswick and Ontario, I believe—who have also passed unanimous motions. I do not think that all parliamentarians are off the mark in mentioning that we could at least negotiate to try to win on all scores. That is what any good negotiator should do.

We have heard your opinion on this, Ms. Koch. I find it puzzling because the opinions that I have heard from farmers in Quebec were to the contrary, that this motion had probably saved a good part of our agriculture. I would like to know Mr. Lefebvre's opinion on this. The motion is still there and still very helpful.

**Mr. Serge Lefebvre:** Mr. Chairman and Mr. Bellavance, I also feel that the adoption of this motion on the eve of the Hong Kong meeting, as was mentioned, was very important. There was some discussion about this earlier, but I think that in so doing, Canada was not isolated because it did manage to influence some of the texts. It may be said that it was done at the last minute, but I think that Canada played an important role at Hong Kong in that regard.

Let us talk more specifically about Quebec. Supply management covers 40% of farm income in Quebec, which is hardly insignificant. I think it is important to maintain the motion passed by the House of Commons, because it is important. If you read the motion carefully, you can see that it provides openness for all agriculture while protecting one sector, as is mentioned, of Canadian agriculture that is very important, that is, 40% of income in Quebec, 30%—and probably a bit more now—in Ontario and 20% of Canadian farm income. The supply management tool has been very important, after all. It has been unanimously supported by the House of Commons.

•(1055)

**Mr. André Bellavance:** I have great memories of that day because I tabled that motion myself. I can tell the committee that we spent the entire day negotiating with the then Minister of Agriculture, Mr. Mitchell. In addition, the party that is currently in power, the Conservative Party, also unanimously supported that motion. I distinctly remember seeing Mr. Duceppe discuss it with Mr. Harper. I discussed it with the then Agriculture critic from that party, Ms. Finlay. The NDP also voted in favour of that motion. The Parliament of Canada and a number of provincial legislatures all understood the purpose of that motion. It was very helpful in Hong Kong and still is today. I do not agree with the claim that it was harmful to Canada's negotiations.

Ms. Koch, I would like you to comment on a poll that was done quite recently, from May 16 to 21, and that was commissioned by producer members of the SM5 coalition. The poll shows that 85% of

Canadians agree that the federal government has to support the supply management approach in the dairy, poultry and egg industries, and that 83% of them believe that supply management is a better approach than subsidies funded by taxpayers to ensure stable income for farmers.

I do not want to pit exporters against people who want to protect supply management, but it is clear to Canadians that the supply management system, which other countries want to disrupt, has to be protected. A bit earlier, you apparently said that I agreed with what Mr. Lamy said. I most certainly do not. I do not think we should have all the pressure on us and have to make all the concessions while other countries, legitimately, also want to protect their markets, and at the same time gain access to other countries' markets.

What do you think of the fact that the Canadian public supports the supply management system?

[English]

**Mrs. Alanna Koch:** You had a long list of points and questions there. I'll try to address at least some of them.

First of all, with respect to the motion in the House last fall, while it was unanimously supported, as I stated earlier, I think it was misguided, unfortunately, because of how it impacted in a negative way on Canada's position at the WTO.

[Translation]

**Mr. André Bellavance:** So you are saying that all of the political parties and all of the provincial legislatures that voted in favour of the motion were wrong?

[English]

**Mrs. Alanna Koch:** What I'm saying is that because the statement within the motion that spoke to supply management spoke about zero change to anything with respect to TRQs and tariff levels, it doesn't allow the Canadian negotiators to have any room whatsoever, and that is not consistent with Canada's position with respect to the Doha mandate and framework.

**Mr. André Bellavance:** No—

**The Chair:** Mr. Bellavance, allow her time to explain her position.

Your time is actually up, so I'm being tolerant in allowing this to go on.

[Translation]

**Mr. André Bellavance:** I think I am allowed to intervene. This is not question period in the House of Commons.

[English]

**The Chair:** I understand that.

[Translation]

**Mr. André Bellavance:** I see what she is getting at, but...

[English]

**Mrs. Alanna Koch:** With respect to your second point about a poll, I'm not familiar with the specifics of the poll. I'm not aware of exactly what the questions were, how they were asked, or what the exact results were. But you've indicated that the Canadian public supports supply management and believes the Canadian government should support supply management.

What I will say generally is that I don't think I'm being inconsistent with that position. I don't think I'm being inconsistent with what obviously the Canadian public must have said in that poll. What I have indicated is that the interests of our members as exporters must be remembered too.

It isn't a win-lose or zero sum game; it is about taking our best position and going forward, from Canada's perspective. Unfortunately, we have no allies. We have no room at the WTO to be so intransigent on that one position with respect to sensitive products.

As I said earlier, supply management is not being negotiated at the WTO; market access is, and the way we treat sensitive products is. That doesn't mean supply management is gone; it just means that Canada has to make some adjustments.

As a grains and oilseeds producer, I'm probably going to have to make adjustments as well, once we get a WTO deal. I am willing to make those adjustments, because I believe many opportunities will also come that will impact me, so I'm willing to make the adjustments.

To say that Canada is the only one making concessions at the WTO simply is not the case. We have many other protectionist countries at the WTO that are willing to make concessions and willing to make adjustments. Even the G-10, which are 10 of the most protectionist countries in the world, recognize that they're going to have to make adjustments within their own systems.

• (1100)

**The Chair:** Thank you.

Mr. Valley, I'll allow you a minute at the end here. We're out of time, but I'm trying to give everybody a shot.

**Mr. Roger Valley (Kenora, Lib.):** Thank you. I'll be very quick.

Mr. Davis, you mentioned you're here representing your people. Well, so are we, and so we understand that very clearly.

You talked about the lessons learned from BSE and what we can do about it and how we plan for our future. I think the terms you used were that we slaughter...our capacity was 72,000, and it's over 100,000 now. What's the future for that? How far can we go? What more can we do there?

**Mr. Darcy Davis:** What's interesting and what more we can do lies in the fact that 33% of the world's beef is consumed in North America—we know that—in Canada, the U.S., and Mexico. The fact is that we've brought new entrants into the processing sector; there are two or three coming on. Those individuals or those companies are going to have to compete with large international companies for customers in North America if we don't get access to new markets and gain an ability to put our product in a competitive position in countries such as Japan and in the EU and those places.

**Mr. Roger Valley:** Did you mention that our actual capacity, what we're slaughtering right now, is 100,000?

**Mr. Darcy Davis:** That's at six days a week if we run wide open. Right now we're probably not running at that. But we're exporting very few live cattle at this point right now; we are doing them here in Canada.

**Mr. Roger Valley:** That's the capacity, not the actual kill.

**Mr. Darcy Davis:** Yes, the actual kill is somewhat less than that right now.

**The Chair:** Thank you, Mr. Valley.

Mr. Atamanenko, you wanted to raise a point.

**Mr. Alex Atamanenko:** Yes, I have a quick question.

It's no secret that the U.S., the European Union, and others want us to water down our system. New Zealand wants us to do away with supply management so that we can import butter and milk. It seems to me that we need some courage in our country to stand up for what we believe in.

I notice that in the policy statement and in your CAFTA document, Alanna, CAFTA's long-term objective is for global free trade in agriculture and agrifood products. I would like you to make a quick comment. As you gaze in your crystal ball, if this happens, does it mean the end of supply management and other state trade enterprises like the Canadian Wheat Board?

Could you give a quick answer?

**The Chair:** Very quickly, gentlemen and Alanna.

**Mrs. Alanna Koch:** Are you asking me for a comment?

**Mr. Alex Atamanenko:** I'm asking for a quick comment.

**Mrs. Alanna Koch:** I think that in the long-term we're still going to have the ability in our countries to determine what our domestic marketing structures will be. Yes, our overall long-term goal is global free trade, but I don't believe it has an impact on what our domestic marketing structures are, as long as they are not trade-distorting.

**Mr. John Masswohl:** I think we can learn from history. I think you know the B.C. wine industry very well. I grew up in the Niagara region, and I recall that in the late 1980s the Canada-U.S. Free Trade Agreement was going to be the death of the wine industry in Canada.

When you have these market forces, you have competition and you force an industry to be more competitive, to make changes, and to make adjustments. Sometimes there are some transitional issues that go along with it. I think that in those areas it's appropriate for government to be involved in transitional assistance. I think that all sectors in Canada can do very well with global free trade in agriculture.

• (1105)

**The Chair:** Is there anyone else?

Give a very short response.

[Translation]

**Mr. Serge Lefebvre:** It is important to keep working as we have. Of course, there will always be sectors that develop and get interested in exporting. I think, however, that one of our first duties is to feed our own population. So we have decided to feed Canadians and not to export. We are asking the government to keep supporting the choice we have made to produce for Canadians, which enables our consumers to have access to quality products, produced here, by us.

[English]

**Mr. David Fuller:** Thank you. I only have a couple of points.

First, today it was raised that Canada is the fourth largest exporter in the world. I would like to remind the committee that we are the fifth largest importer of food in the world as well.

I do not believe there will eventually be free trade, because I am not naive enough to believe there will ever be countries that play completely by the rules, without paying any money, so that free trade will be able to happen. My concern is that free trade will never happen because there will always be little games being played by other countries, and it concerns me that our farmers will not be able to compete when we are not on a level playing field.

**The Chair:** Thank you, David, for the final word.

Ladies and gentlemen, thank you so much for your presentations here today.

We have a little housekeeping to look after at the end. If the witnesses would excuse themselves, we will continue with our housekeeping. Thanks again.

I thank the committee for their indulgence in allowing us to go a little over the time in order to get everybody in.

The first thing on the agenda, folks, is that we need a motion to pay some of our witnesses who came. We have a list of them, if you'd care to hear who is asking for operational budgets, and so on.

We have the Canadian Wheat Board's biofuels strategy and hopper car fleet.

**Hon. Wayne Easter:** Mr. Chair, in order to save time, I think you and the clerk can work that out. The witnesses should be paid.

**The Chair:** We need a motion from the floor to allow me to do this.

**Hon. Wayne Easter:** I so move.

**The Chair:** Okay, it's moved by Mr. Easter. Is there any discussion?

When we go past a certain margin for reimbursement of committee witnesses, David, we have to have a motion from the floor to allow that to happen. We're looking at a \$13,000 expenditure here to reimburse some witnesses.

All right, I have to read them into the record, if you'll bear with me.

For the Canadian Wheat Board: "That the budget of the Committee in the amount of \$13,300 for the briefing of the

Canadian Wheat Board be adopted." That's for the witnesses who came, not the board.

We also had witnesses here on the biofuel strategy, and the motion reads: "That the budget of the Committee in the amount of \$6,900 for the study on Biofuel Strategy be adopted."

The third is on the hopper car fleet, the hearings we've had to date on that. It reads: "That the budget of the Committee in the amount of \$10,800 for the study on Hopper car fleet be adopted."

Mr. Easter is moving the first one.

We have the second one on biofuel strategy, and we need another mover on that one.

Mr. Thibault so moves.

Would someone care to move the budget for the hopper car fleet hearings?

Mr. Steckle so moves.

Is there any discussion?

(Motions agreed to)

**The Chair:** Moving on, the discussions have been ongoing on our trip to Rothsay on Tuesday. The clerk and I will actually be attending the Liaison Committee at one o'clock today to present that budget of \$2,500 and change.

Is there any discussion?

There's been some talk that we'll have extra room on the bus. I know someone talked about bringing staffers, and I know Mr. Atamanenko would like to bring his wife along. We checked that out, but unfortunately, even though there's room, the liability of the House of Commons doesn't allow us to do that. If there were a problem or something like that.... They're saying nobody other than designated staffers and MPs.

**An hon. member:** So staffers can go.

**The Chair:** No, only our committee support staff and translators, not your staff. We did check it out, but that's the ruling we got back.

Is there discussion?

Roger.

**Mr. Roger Valley:** Is there any question about people like me attending? I'm not a permanent member.

**The Chair:** Well, we're open to lunch when we get there, or something, Roger, if you wanted to pick up the tab for that.

**Some hon. members:** Oh, oh!

**The Chair:** There you go.

Mr. Anderson.

**Mr. David Anderson (Cypress Hills—Grasslands, CPC):** I assume we're limited to the numbers that we have assigned to the committee. So you can make a choice of who you want to go, but they would have to be—

**The Chair:** Right, and the percentage as well.

Mr. Bellavance.

[Translation]

**Mr. André Bellavance:** I missed a little bit of the conversation about our schedule, Mr. Chairman. However, as I indicated to you the other day, my party's whip tells me there may be votes in the House at 3 p.m. that day, the day we are supposed to leave.

When we discussed this, I had indicated that the whip wanted—at least, that is the message he asked me to give you—the members from the Bloc Québécois to be back in the House for the votes. If we travel until 6 p.m. as indicated in the message we received yesterday by email, I am afraid that we have a problem. I do not want to prevent the committee from travelling. It is just that my party's whip told me that he absolutely insisted that we be back for the votes. So I put it to you. Perhaps you got the same message?

•(1110)

[English]

**The Chair:** Okay, yes. We have the same message, André. We're covering this one crisis at a time. We'll try to get this past liaison, and if it doesn't pass, then we have no problem with the whips. If we do, we will then make a presentation to unanimously move the vote to 5:30, as opposed to right after question period. That would give us that window. I don't know if that's possible or not. We're saying it's an option.

So we'll work with the Liaison Committee. If the budget passes, then we still have to get past those great friends of ours, the whips. Okay? It's one step at a time. We'll keep you posted, so keep your BlackBerries on, ladies and gentlemen.

We have a third thing on the agenda. Mr. Easter has given us notice of motion; it'll be coming before us now.

Mr. Easter.

**Hon. Wayne Easter:** I'll just read the motion, Mr. Chair. It's pretty straightforward.

We heard the other day from a number of people in regard to the Canadian Wheat Board. I would put this motion forward:

That the Standing Committee on Agriculture and Agri-food report to the House the following recommendation: That the government, prior to any legislative or regulatory action affecting the mandate of the Canadian Wheat Board as it is currently constituted under the Canada Wheat Board Act, submit through plebiscite to all those eligible to vote in Canadian Wheat Board elections a clear and direct question asking whether those eligible to vote support or oppose the single desk selling provisions of the Canadian Wheat Board.

I put that motion forward, Mr. Chair, because at the meeting the other day there seemed to be a reluctance to give producers a vote collectively on their overall future. Some believe the election results were just related to the Wheat Board, and I don't believe that to be true. I think farmers should have the right to decide their own future, especially on a piece of legislation that is in fact their marketing legislation. So I put it forward that way.

**The Chair:** Thank you, Mr. Easter.

Is there any discussion?

Mr. Bezan.

**Mr. James Bezan:** I'd like to move that we table this motion. I really want a legal opinion on this through Parliament, through the

library. I have a concern that we're asking for a plebiscite every time there's a legislative or regulatory change.

There are a lot of changes that the Wheat Board has brought into place through regulation, such as new products they've offered. If we start setting a precedent that there has to be a plebiscite for everything they want to do through regulation, I think there's a real issue here. Before we vote on this motion, we should have a legal opinion.

**The Chair:** We have a motion to table.

Is there any discussion on the motion, or a question?

**Hon. Wayne Easter:** I think the motion to table is immaterial at this time. The fact of the matter is that there are Wheat Board elections. Directors are elected.

**The Chair:** I take your point, Mr. Easter. But that motion is on the table.

There's a motion on the table to table the motion—that's sort of convoluted, isn't it?

**Mr. James Bezan:** It's to get a legal opinion.

**The Chair:** Your point is taken, Mr. Bezan. Thank you.

(Motion negated)

**The Chair:** We're back to Mr. Easter's motion.

(Motion agreed to)

**Hon. Wayne Easter:** Mr. Chair, on a point of order, I expect that will go to the House at the earliest opportunity.

**The Chair:** We will do that, Mr. Easter.

Mr. Anderson.

**Mr. David Anderson:** I expect it will take a bit of time. We'll probably have a dissenting report attached to this. We'll be dealing with the issue there.

**The Chair:** Thank you. Fair enough.

Mr. Devolin.

**Mr. Barry Devolin:** There's been some discussion around Ontario on the proposed risk management program that grains and oilseed producers in Ontario have been putting forward. I have—

**The Chair:** Hang onto that thought for a second. Mr. Easter is still on his motion.

**Hon. Wayne Easter:** I'm sorry to interrupt, Barry.

The normal procedure for dissenting reports is that they be given a timeframe. I suggest that any dissenting reports to be attached to that motion be in by 6 o'clock Friday evening, so the report can be tabled in the House on Monday.

Is that agreed?

•(1115)

**Mr. David Anderson:** No, it's not agreed. We'll get it in when we can.

**Hon. Wayne Easter:** That is no good. The parliamentary secretary to the minister is trying to delay this being reported to the House until after we're closed for the summer. Standard procedure is that there is a deadline for dissenting reports, and if necessary, I'll move a motion to that effect.

**The Chair:** There actually are timeframes specified. We'll stay within those timeframes, you can rest assured. The dissenting report also has to be comparable in length to the original motion.

**Mr. Paul Steckle:** What are the timeframes for this?

**The Chair:** Mr. Easter is suggesting it be 6 o'clock on Friday.

**Hon. Wayne Easter:** I have no problem with that. So it could be tabled on Monday.

**The Chair:** It's very short. That's the suggestion.

**Mr. David Anderson:** We'll table it when we can.

**Hon. Robert Thibault:** Perhaps the clerk can tell us what the procedure is. We're hearing a suggestion by Mr. Easter that it be Friday, and the parliamentary secretary is suggesting that it be—

**The Chair:** You're asking whether a motion by Mr. Easter for 6 o'clock on Friday takes precedence over—

**Hon. Wayne Easter:** It could be 3 o'clock. It doesn't matter to me, as long as it's done on Friday.

**The Chair:** Okay.

The clerk advises me it comes down to the will of the committee to accept the time that's put forward by Mr. Easter.

So I guess we'll need a motion to that effect, Mr. Easter.

**Hon. Wayne Easter:** I move that any dissenting reports to be attached to this report to the House be in by Friday at closing time—6 o'clock is fine, or 5 o'clock, say—so the report can be tabled in the House on Monday.

**The Chair:** We may have a bit of a problem. The first part of the motion is in order. The second part dictating when the House will receive it...we have to get on the clerk's list, and so on. So I may not be able to deliver it on Monday; it may be Tuesday.

**Hon. Wayne Easter:** No later than Tuesday.

**The Chair:** Again, I can't order them in such a way to direct that. But we will certainly do it in the most expeditious route.

I'm giving a friendly amendment. I don't know if I can even do that as chair...I can't do that as chair.

Would you restructure your motion, Mr. Easter?

**Hon. Wayne Easter:** The motion stands that any dissenting report should be attached.

What is the normal timeframe?

**The Clerk of the Committee (Mr. Jean-François Lafleur):** There is no specific timeframe in terms of numbers, but generally—

**Hon. Wayne Easter:** I could change it to today, but in fairness I'll leave it until tomorrow at 5 o'clock.

**The Chair:** Do we have that on the record? Are we good with that?

(Motion agreed to [See *Minutes of Proceedings*])

**The Chair:** Mr. Anderson.

**Mr. David Anderson:** We'll meet the deadline, or we'll try to. I don't know if Mr. Easter understands how poorly written the motion actually is and the implications that come out of it. So we'll certainly have to take a look at that, but we'll meet the deadline.

There are substantial problems for western Canadian farmers involved in this motion. I don't think Mr. Easter understands that.

**The Chair:** The motion was passed. We will do our best to get it in as soon as possible. The dissenting report will be attached by the end of business tomorrow.

Mr. Devolin has a comment.

**Mr. Barry Devolin:** Some Ontario grains and oilseed producers have provided me with a description of the risk management plan. I do not have it translated, but I have it here if anyone on the committee would like a copy.

**The Chair:** Leave it with the clerk, and we will have it translated.

**Mr. Paul Steckle:** For your information, we've had that since the election.

**The Chair:** We've had it as well.

**Mr. Paul Steckle:** It's a good document.

**The Chair:** Leave a copy with the clerk. We'll have it translated, and then if we want to refer to it, we can. Is that okay with everyone?

Is there anything else, ladies and gentlemen? We'll keep you posted on Tuesday.

**Mr. James Bezan:** What happens on Tuesday?

**The Chair:** We have a bit of a problem with our witnesses. They are in agreement to carry the meeting until Thursday, with the exception of CN, who say they're not available on Thursday.

So we will keep you posted as to whether or not the *tour de Rothsay* is going to happen.

This meeting stands adjourned.





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