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Chair

Mr. Gerry Ritz

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• (1155)

[English]

The Chair (Mr. Gerry Ritz (Battlefords—Lloydminster, CPC)): Thank you, folks, for your patience while we did that in camera portion, just some of the housekeeping that has to be done around here.

Today we will begin our discussions on the Grain Commission report that was tabled just a short time ago. Conrad Winn undertook to put that forward.

Before us today we have Christine Hamblin, who is the chief commissioner, and Terry Harasym.

Thanks for your patience, folks. If you would care to make your presentation, we'll move right ahead.

Ms. Christine Hamblin (Chief Commissioner, Canadian Grain Commission): Thank you, Mr. Chairman. It's certainly a pleasure to be here today to have a chat with you about the COMPAS review. It is obviously early in the stages of reviewing the report. We haven't had a lot of time to digest it, but I think it's a good opportunity to have some initial discussion around the COMPAS review of the Canada Grain Act and the Canadian Grain Commission.

You have already introduced us. I will just comment that we have three commissioners at the Canadian Grain Commission: in addition to myself, we have Terry, and Albert, who is back in Winnipeg holding the fort. Albert is from Alberta. I am from Manitoba; my husband and I have a farm just south of Winnipeg. Terry is in Winnipeg now, but he has come to us from Saskatchewan and has had some involvement in the grain industry there.

As you may know, the Canadian Grain Commission administers the Canada Grain Act, which was established in Parliament in 1912. Our mandate, as set out in the act, is to, in the interests of producers, establish and maintain standards of grain quality and regulate grain handling in Canada to ensure a dependable commodity for domestic and export markets. This mandate involves the delivery of a national grain quality assurance system, with approximately 700 employees located throughout Canada.

The CGC is organized around four strategic outcomes that reflect our planned direction and the daily delivery of our program activities. Our four strategic outcomes are, firstly, a grain quality assurance system that addresses the changing requirements of domestic and international grain markets; secondly, grain quantity assurance that addresses the evolving needs of the grain industry; thirdly, research and development on grain quality that enhances the

marketability of Canadian grain; and fourthly, support of producers' rights to ensure fair treatment within the grain handling system.

The Canada Grain Act has been modified on a number of occasions, but not significantly since the early 1970s. The last time the act was amended was in May 2005, when specific changes were made to bring Canada into compliance with the WTO commitments. During the legislative process, stakeholders requested an amendment calling for an independent, comprehensive review of the Canada Grain Act and the Canadian Grain Commission.

Upon passage of the bill, Agriculture and Agri-Food Canada was tasked with hiring a consultant to complete this review. COMPAS, a public opinion and research firm, was the successful candidate in the competitive process. Throughout this review, the CGC provided supportive information but had no direct influence on the final report. The COMPAS report is now complete and has been tabled in Parliament for consideration by parliamentarians such as yourselves.

This brings us, obviously, to today's business. As I mentioned, there is a general sentiment among some sector participants that change is needed for Canada to maintain its reputation and competitiveness in international grain markets. There is no question that the industry is changing, and we agree that it is time to consider change for the CGC.

We are facing numerous challenges, both as the Canadian Grain Commission and as an industry as a whole. Over the past 15 years, we have witnessed the removal of transportation subsidies, many grain company mergers, the rise of high-throughput concrete elevators, altered transportation patterns and conveyance options, increasing demand for grain quality and grain safety assurance, many technological advancements, and evolving end-user needs and preferences. Despite these changes, grain quality assurance continues to be essential to the success of Canada's grain sector and is likely more important now than ever before.

While our legislation has not been substantively updated to keep pace with these changes, the CGC has continued to deliver its mandate in a relevant manner. We have achieved this through policy and regulatory initiatives, and prioritizing resources to emerging issues.

For example, our current organizational priorities are to enhance Canada's grading system with our wheat quality assurance strategy to address the challenges of visually indistinguishable wheat varieties and the constraints of kernel visual distinguishability, or KVD, as we more commonly refer to it.

The second priority is to strengthen the grain safety assurance by developing new and improved objective testing methods for toxic substances.

The third priority is to respond to grain-related trade issues to enhance the acceptance of Canadian grain in a changing regulatory and global environment.

The fourth priority is to enhance our licensing and security program, which we call our licensing and compliance initiative, to ensure that companies handling western Canadian grain are in compliance with their legal obligations.

That's just a bit of background. Now I would like to discuss the contents of the COMPAS report. In general, the report is reflective of stakeholder positions on various issues. The COMPAS report recognizes the ongoing value of CGC's role in the grain sector. We are pleased that it reaffirms our mandate with respect to establishing and maintaining standards of quality for Canadian grain and regulating grain handling in Canada to ensure a dependable commodity for domestic and export markets.

We are also in favour of bringing clarity to the phrase "in the interests of producers", although the details of this still need to be sorted out. Specifically, the report also recognizes the value of the CGC's grain research laboratory and its linkage to the competitiveness of our grain exports.

Additionally, COMPAS suggests that CGC consult on an alternative to our current security program. We agree that this is important, and we have been seeking feedback on this issue for numerous years. In the meantime, we are moving forward with our licensing and compliance initiative.

The report also provides some useful direction on the issue of funding. For instance, the report recommends that grain quality and quantity assurance infrastructure be publicly funded, while incremental costs associated with service delivery be cost-recovered. However, it will be a significant challenge to define what CGC activities should be considered infrastructure, and if so, to what extent they should be publicly funded. This is something that needs to be defined as we move forward.

In its efforts to address the subject of grain quality assurance and specifically KVD, kernel visual distinguishability, COMPAS recommends that the federal government commit itself to developing fast, economical technologies for varietal identification testing. In the absence of an immediate solution to KVD, the report affirms the direction we have taken with our wheat quality restructuring proposal.

Overall the report provides about 102 recommendations, but many require further analysis and discussion. A number of these may be difficult and/or costly to implement. For example, the report recommends that inward inspection at terminal elevators become optional and be contracted out to the private sector. Simultaneously,

the report suggests that the CGC maintain a capacity to deliver the same service. These recommendations may be somewhat contradictory or at least are not the most efficient way to establish cost-efficient services.

This recommendation also appears to introduce the concept of publicly subsidizing some industry participants to limit the costs of optional inward inspection to maintain industry competitiveness. We feel this would be a significant change in direction and needs careful consideration.

COMPAS has also recommended that a binding arbitration mechanism be established, as appeals to the court are slow and expensive. However, there is no guarantee that this will result in decreased costs or more informed decisions than the current structure, which already has a quasi-judicial nature. It is likely that if stakeholders do not like the results from this recommended arbitration mechanism, they will still proceed to the court action.

• (1200)

In addition, the report does not address the potential costs of all the recommendations. Implementing all the proposed recommendations would result in a significant cost to the inspector, including producers, and increased funding requirements for the Canadian Grain Commission. The potential costs or benefits flowing from implementing individual recommendations require further study.

Although these are just a few examples, for the sake of time I will leave others to be addressed during the question-and-answer portion of the session.

In terms of next steps, the Canadian Grain Commission will continue to assess and analyze the COMPAS recommendations and work with the minister to determine an appropriate course of action. Legislative change will depend on the government's parliamentary agenda, but we hope that any changes to the Canada Grain Act will be comprehensive.

In closing, I would like to thank you, Mr. Chairman and members of the standing committee, for the opportunity to present to you some of our perspectives on the review. The COMPAS report provides a very good base for moving forward. In the meantime, the Canadian Grain Commission will continue to deliver on its mandate to serve the interests of producers and the entire grain sector.

Again, it's a pleasure to be here today, and we look forward to answering your questions.

• (1205)

The Chair: Thank you, Ms. Hamblin.

Mr. Harasym, do you have any follow-up points?

Mr. Terry Harasym (Assistant Chief Commissioner, Canadian Grain Commission): No. We're ready to go.

The Chair: Mr. Steckle, you have seven minutes, please.

Mr. Paul Steckle (Huron—Bruce, Lib.): Yes, I may, in the interest of time this morning.... We have a lot of people who want to speak to this topic.

Given that there is a move afoot by the current government to address the whole issue of single-desk selling in this country, if the Wheat Board were to be altered in such a way as to remove that single-desk concept, what kind of impact would that have on your organization in terms of the movement of grain ultimately through to the consumer? Would that same access be there? Would you still be there? How do you foresee that, or has there been no consideration given to how that might affect you?

Ms. Christine Hamblin: Regardless of the changes that would occur with the Canadian Wheat Board, the Canadian Grain Commission's mandate would remain the same. We will continue to operate as a neutral third party for the inspection and weighing of grain.

Our mandate covers 21 different grains, not just wheat and barley. So I won't say that there would be absolutely no changes, but the mandate will continue, and changes would be minimal.

Mr. Paul Steckle: It's fair to say that the people buying our grains and various products that you people inspect before they reach their destination realize the quality assurance program that we have, and that coming from Canada, they can be assured of timely—in most cases—delivery of product, and certainly of a safe and quality product. And I think the Canadian Grain Commission has done an excellent job in doing that.

Anytime that we've had reviews of past organizations and their structure and how they've conducted themselves, there's always been a need for a committee or an organization or a body that does this kind of review to come up with substantive changes. And I guess the question that farmers might want to ask of you, were they here today to do that, would be how much of this new cost is going to be passed on to the farm community. I think that's a very important question, given the very difficult times we're in, particularly in the grains and oilseeds sector.

I'm just wondering how you see the recommendations. I haven't read them all, so I'm not in a position to ask questions on the details, but I can certainly ask how you, from your perspective, initially looking at the report, see where this might lead us in terms of the costs and where those costs might be passed on.

Ms. Christine Hamblin: I think we need to first of all recognize that COMPAS was not instructed to do a funding or a costing basis for their recommendations. So the COMPAS report does not include an answer to your question.

I think it's very important that we look at the recommendations that would be implemented and discussed, exactly some of the issues you've talked about: the impact on producers, the costs. Ultimately there needs to be a decision made on funding.

The Canadian Grain Commission has been in a situation of being underfunded for a number of years because of the desire to not increase costs to producers. It is a question that is going to have to be addressed going forward. COMPAS puts forth the suggestion that infrastructure costs be funded by appropriation and that service costs be funded by fees. I think it's a model that has some merit, but obviously there needs to be some definition of infrastructure and a definition of services, and then a decision can be made as to whether it's appropriate for government to fund or for producers to fund.

● (1210)

Mr. Paul Steckle: Who would be the basis of the report recommending outsourcing of inspection, when that's been done in-house? How do you think it will impact the work you people have done in the past and will do going forward? How would you have the assurance of continuity of quality assurance, given that it would likely be contracted to the lowest bidder? If this were to be the case—I think you talk about outsourcing and inspection—where would you see that going? I have some difficulty with that, because I've seen that kind of thing happen in other areas in which we've done those kinds of things, and they haven't always been positive.

Ms. Christine Hamblin: First of all, on what they're talking about, our mandate has us responsible for inspection and weighing as a product moves into the terminal elevators and again as it moves onto a vessel. We call it “inward” as it's going into the terminals and “outward” as it's going onto the vessels.

The report is suggesting that those services be contracted out, with the Canadian Grain Commission having oversight. They also have suggested that the Canadian Grain Commission continue to be one of the providers of that service. That model, we feel, would probably have some cost implications that perhaps would not be reasonable. I think the whole issue of contracting out needs to have some further work done on it. As you know, we have had an independent study by Meyers Norris Penny to look at that issue. Other studies in the past have also looked at that issue. Meyers Norris Penny have presented their discussion, but they didn't put forward solid recommendations. We need to evaluate those recommendations. We need to acknowledge the work our inspectors and weighers do, and the value it adds to the marketability of Canadian grain. Those things all have to be taken into consideration before decisions are made to move forward.

The Chair: Thank you.

Mr. Anderson is next, for seven minutes, please.

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

I had really hoped that this review would set the tone and direction for the next thirty years in grains, and we've talked about that.

I'm wondering if you see that this report really addresses some of those approaching issues. It talks about things like ethanol as a big thing; I'm not aware that it deals much with things like neutraceuticals, pharmaceuticals, or that kind of thing. Does it address the changes that are going to be taking place in the grains industry?

I'm particularly concerned that there really doesn't seem to be any solution presented by the report to this issue of KVD. Second, you've come forward with only a suggestion of adding one more new class of wheat to the list. I'm not sure that's going to meet their future requirements either. I'd be interested in your comments.

Ms. Christine Hamblin: To save my voice, we're going to take turns answering questions. Terry will respond to this one.

Mr. Terry Harasym: Thank you for the question.

The whole area of KVD is an issue we've been wrangling with, at the commission and in the industry, for probably 40 years or more. We have pretty much decided that there are clearly balance issues with respect to preserving the existing market for milling wheat while at the same time trying to create a new class of wheat that can be used on the domestic feed or ethanol side of the equation.

I think the approach we have taken—and it has been supported by COMPAS in the report—is that there is a need to do both these things simultaneously. I think if you asked anyone in the industry whether we would want to remove the constraints of KVD on the plant breeders, and therefore the ability for farmers to have new varieties to use in new ways on the domestic front—either feeding or ethanol or other uses—they would say that of course we do. It is hooked, fundamentally, to some mechanism to be able to segregate the milling and the non-milling classes.

Obviously the answer, in a simple way, is technology. We do not have anywhere in Canada—or worldwide, for that matter—the ability to use a technological solution to do what we're talking about in a way that is either cheap or effective or capable of reliable use close to an elevator driveway.

I think the answer is that we are moving forward to answer the needs that are on the domestic side. We are doing it in a measured way; we are doing it in a balanced way. It does provide an interim solution to addressing the needs of the livestock feeding sector, as well as the ethanol side. It is clearly not as fast as some would like, and it is probably faster than others would like. We do have competing uses for the wheat we produce, and the issue is how you do it in a measured way as you go forward.

I think COMPAS has recognized the complexity of the issue; I think they've also recognized that our solution has been a long time coming, but it is progress and it is moving in the direction you've just described.

● (1215)

Mr. David Anderson: One of the problems is that the farmers have waited, as you say, a long time and this has not changed and it doesn't change. We lose varieties. They have to move across the border usually and they're producing ones that we've developed up here.

I'm just wondering if you have any comment on this. Rather than just introduce one new class and accept that this is what it's going to be, is there a way of introducing a process that could be put in place to amend those classifications rather than just saying for now we're only adding one new class and that's how it's going to stay forever? Isn't there some way whereby we could put a process in there so that we can then be flexible as time goes on here?

Mr. Terry Harasym: I think the issue of one new class is that we are trying to address the general purpose component of the wheat non-milling market uses. We could end up with many different types of varieties, specifically aimed at different end uses. It may be ethanol or it might be, as you suggest, other uses. So I don't think the creation of one new general purpose class is in any way limiting the ability of the breeders to specifically tailor a variety for a specific end use.

Mr. David Anderson: There's just one point, though. That doesn't give any option on anything that looks or has that same visual look as your two main classes.

Mr. Terry Harasym: That's correct.

Mr. David Anderson: So those things are still ruled out, and that's actually what the issue is with seed growers and with farmers. They want the ability to produce those other varieties and to find some way of segregating them so that they can grow them. Isn't that correct?

Mr. Terry Harasym: That is correct. I think there is clearly, as I said earlier, a need to.... The CW red spring and the CWAD classes account for 85% of the wheat produced in western Canada. It is milling classes of wheat. What we were trying to do by removing ultimately KVD requirements from the six minor use classes and the creation of a general purpose class is to in fact move in the direction of providing our plant breeders with the ability to do exactly what you're talking about. Until we have a technological or better way of ensuring that we have the capacity to keep the milling-quality wheat segregated from the non-milling types, I think it's prudent for us to do it in a phased and stepwise fashion.

Mr. David Anderson: Western farmers continue to wait.

Paul brought up the issue of inspections. I see that COMPAS is recommending that inward inspections become optional. I think this is something that in the past you didn't oppose. Am I correct on that?

The suggestions in here regarding inspection would bring some fairly radical changes to the system if they were implemented. Is that correct? You're talking about doing away with inward inspection or making it optional, so limiting your role there, but also privatizing some of the services. Do you have any comments about that, other than the ones you made in your statement?

Ms. Christine Hamblin: I think they are significant changes. If we go down that path, there's no question, and my comments in the opening were that really we need to do some work on evaluating the impacts of some of the recommendations around inward inspection and contracting out.

We don't feel that it's efficient to have those services contracted out and at the same time be one of the competitors in that environment. We think that would add a significant cost to our system, which could be producers paying or government paying. But there is value in the work that our inspectors are doing and we need to make sure that as we move forward we're giving full credit to what we've done in the past but acknowledge that there is room for changes. And if the decision to view it in a different way is made, then we need to ask ourselves how we best accommodate the needs of the industry in doing that.

● (1220)

The Chair: Mr. Bellavance, seven minutes, please.

[Translation]

Mr. André Bellavance (Richmond—Arthabaska, BQ): Thank you, Mr. Chairman. I would imagine the Liberal Party will be up before the Bloc Québécois when the next round of questioning begins. I just wanted to be clear on the order of questioning.

Thank you for joining us and for testifying. This review is thorough, if not comprehensive. After all, 102 recommendations have been made. Are any of these recommendations priorities to you? You're well acquainted with grain growers. They've also had an opportunity to give testimony and to take part in this study.

In your opinion, which recommendations should be given priority consideration? I'm not asking you to list every single one, but surely the Commission feels that some priorities are more urgent than others. Which recommendations would top the Commission's list? What issues would the Commission like the government to address?

[English]

Ms. Christine Hamblin: As you know, the report was released last Monday. We are still working through the report ourselves.

In terms of prioritizing, I'm not sure whether we'll be prioritizing specifically or whether we'll be looking at a plan for the future that encompasses many of the recommendations that would move the CGC forward with the industry but accommodate some of the things that are in the COMPAS report. I'm not sure that we will go through them line by line and prioritize them, but we need to spend some more time doing an analysis of those recommendations and making some preliminary costings. I say "preliminary", because some of them we don't feel are very operationally feasible, so we're not going to spend a lot of time costing something that perhaps is something we don't feel can be easily implemented. But we do need to do a preliminary costing and we need to do some analysis as to how the recommendations fit into a Canadian Grain Commission going forward. We will be working on that in the next few weeks and bringing something back to the minister with our views on that.

[Translation]

Mr. André Bellavance: Given all of the recommendations and comments that have been made in conjunction with the legislative review, in your opinion, are there any specific objectives that should have been included and that are not? Are there other specific recommendations that should have been made? Or do you feel the review is fairly thorough and agree with the proposals set out?

[English]

Mr. Terry Harasym: Perhaps I could take a whack at that.

As Chris said, there are 102 recommendations or thereabouts in the report. There are many recommendations that have been made. I think we are looking at the recommendations from the perspective of how we would see the Canadian Grain Commission in a comprehensive way move forward into the future to be able to add value to the Canadian grains and oilseeds producers and the rest of the industry.

What we've seen in the COMPAS report is a hundred recommendations, but I think what we are trying to do collectively now is to see how they work together or don't work together in a comprehensive way to address the needs of producers and the rest of their industry as we go forward. So, really, that is work we are trying to do currently in terms of assessing the recommendations that are in front of us.

[Translation]

Mr. André Bellavance: I'd like to elaborate on what David said. I believe Paul touched on this subject as well.

In your testimony you mentioned optional inward inspections and pointed out that this might not be consistent with one of the other recommendations. I have some concerns about the recommendation that optional inspections be contracted out. Perhaps a little money would be saved in the process, but I'm concerned that product quality and safety would be compromised. Producers and consumers could be affected as well. I foresee a number of risks.

Do you share these concerns and is the apparent contradiction the element you find the most troublesome in the recommendations? Are my concerns justified? Is this something that you considered?

• (1225)

[English]

Ms. Christine Hamblin: I think your concerns are definitely well founded. I'm not sure that what they're recommending would automatically cause issues for safety or for consumers, but I certainly think that while we're making decisions on moving forward that include perhaps contracting out of inward inspections, we need to keep in mind the impacts on the quality assurance system.

Canada has a good reputation for our grains in both the international and the domestic markets because of the historical work that we've done with our lab in helping to set standards and identify some issues, as well as with the work our inspectors do. I think when we're moving forward we need to make sure that the quality assurance system is not compromised and that quality assurance does include the safety of our grains.

Mr. Terry Harasym: I agree.

Can I add to that?

The Chair: Yes, certainly, Terry.

Mr. Terry Harasym: I think there are two issues we're talking about here: one is the notion that inward inspection wouldn't be made optional; and the second is the idea of potentially contracting out or accreditation by the CGC for others to perform some or all of that work.

In terms of the accreditation or contracting out, I think it speaks to your question in the sense that, frankly, I don't know whether in fact that would necessarily be the most efficient mechanism to perform this function. That's precisely why we are thinking our way through the recommendations you're talking about or the question you asked earlier. I think the current structure is probably the most efficient and effective way of doing it.

The issue with respect to being able to perform the function in a manner that is adequate to the needs that are being placed on our inspectors has everything to do with funding and the ability for us to resource our staff appropriately. Contracting out, by itself, does not guarantee reduced costs in any event. Certainly, in any event, there would continue to be an oversight role of the CGC that would have to be added on top in a very direct way.

Again, I think it's probably premature for us to definitively answer your question, but it is a question that we are asking and one we are looking at very directly in terms of its applicability as we move forward.

The Chair: Good. Thanks, Terry.

Mr. Atamanenko, for seven minutes, please.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): Yes. The first question that I have is on structure. In the recommendations, point 4.0, the second one, my understanding is that the commission now has six assistant commissioners. It's my understanding that the farming community in general is happy with that structure.

The recommendation is to create an office of grain farmer advocacy, which will be reviewed in three years or so, to replace the commissioners. In your opinion, do you see this as an advantage or a disadvantage to farmers? In other words, would there be fewer people to advocate on their behalf if we adopted the recommendations of this point?

Ms. Christine Hamblin: I think the act provides for six appointed assistant commissioners. In the past few years we have had five and they are regionally located. I don't think anyone questions the role they play in communicating some of the Grain Commission issues. They certainly provide an increased awareness in their respective regions for some of the work that the Canadian Grain Commission is doing, and they provide a mechanism for complaint resolution. Producers come to the assistant commissioners to deal with some of their complaints.

The Canada Grain Act is not very clear on what the roles of the Canadian Grain Commission are. One of the challenges is that the activities of the assistant grain commissioners and how they perceive their roles can vary from one region to another. There's probably some merit in looking at that as we move forward.

COMPAS has put forward the suggestion that there be an office of grain farmer advocacy. I think it's one method of dealing with the issue. Obviously, the current structure is another way of dealing with the same issue, and there are probably other methods out there.

I think your concern is a genuine concern and one that needs to be considered. If we are making a change to the structure, we want to make sure we are not in any way putting producers at a disadvantage by putting forward a new structure.

• (1230)

Mr. Alex Atamanenko: I want to follow up on that question, given the fact that we have to do all we can to help our primary producers who are being hit the hardest in the crisis.

The whole idea in the previous section, the last point, is to enhance the ability of stakeholders to work well with each other. If we put everybody on an equal footing, would that then put the farmers or the farming community at a disadvantage? If this is revised to consider everybody an equal stakeholder, maybe the industry would come out more in favour of the industry. Once again, I guess my concern is that we ensure the primary producer is looked after in this recommendation.

Ms. Christine Hamblin: I don't have the specific recommendation in front of me, but COMPAS does spend a fair bit of time talking about stakeholder communication and consultation. The structure we have includes a number of ways in which stakeholder communication does occur, and ways in which we receive feedback from various parts of the sector. The assistant commissioner certainly is one avenue for receiving that feedback. We also have our standards committee, which includes a significant portion of producers as well as other industry players. COMPAS has not suggested that the industry and producer players be changed. We also hold meetings throughout the year with various players of the eastern and western industry. We attend numerous producer meetings and trade shows.

We already have in place many ways in which we facilitate consultation and communication with producers and with other industry players. There may be better methods of doing that. I think we always need to be prepared to look for ways to improve the system, but I think the bottom line is that we do a lot of consulting now, and the current structure does allow for ongoing consultations with all members of the sector. We need to be sure that we consider all perspectives when we're making decisions about any changes we make both in terms of the Canada Grain Act, and in terms of policy as we move forward. We must consider the input from many sectors of the industry and the impacts to all of the sectors.

Mr. Alex Atamanenko: To follow up on the other question that was asked, regarding contracting out, is that in the report because funding is not as available as it was? Are you finding in your budget estimates that you have to cut back, and that contracting out would therefore be advantageous? Once again, if that's the case, would the quality of the inspection, specifically the inward inspection, be compromised?

Mr. Terry Harasym: As I said earlier, at times there are resource issues as far as the availability of our inspectors to provide the functions or services that are asked of them goes. Our work is dictated very directly by the amount of grain going through, in particular, terminal elevators. It is also true that in some of the regional offices in western Canada, at all times from all parts of the industry, our ability to actually meet the demands for our service are somewhat constrained. Unless you staff at a level intended for peak periods at all times, you're going to run into times when you cannot do it. Really, I believe the idea is to deal in some way with the inability we now sometimes have to provide the level of service asked for.

I'm not sure that you can ever necessarily get to the point where you can provide service that will be 100% at all moments. The approach we've taken is to work very directly with the industry and other partners, to get them to provide us with as much lead time as possible so we can satisfy their needs. We can move inspectors around, and we do so regularly. We have at times broached ideas with the industry to determine if there are ways we can move the product through more quickly than we currently do, by doing things differently, whether through composite grading or other mechanisms, to allow us to utilize our staff in a more efficient way.

Again, the point is that ultimately you will run into situations where you can not provide the service requested of you, no matter who you are.

●(1235)

The Chair: Thank you.

Mr. Easter, go ahead for five minutes, please.

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

To start off where you ended up, you've indicated in your presentation that while this discussion continues to go on, you'll continue to deliver based on your mandate. But the reality really is that the Canadian Grain Commission has been short-funded for a number of years, by the previous government and this one as well, and will probably have to come in with additional moneys for you to do your job.

In the COMPAS report they're saying there are several reasons for believing that the Canadian Grain Commission is funded inadequately and the dilemma is how much the benefiting stakeholders should contribute, meaning the producers. My first question, then, is how are you going to deliver your mandate now, when you already are likely tight on money? Question two: Is the burden of the cost for running the Grain Commission going to end up falling back on the primary producers in contracting out, when it really provides a service to the country, not only primary producers?

Ms. Christine Hamblin: Those are very big questions and are questions that I think are largely going to fall to the parliamentarians to answer.

Certainly funding has been a challenge for the Grain Commission for a number of years. As most of you are aware, we have not increased fees since sometime before 1991. In 1991 there was a legislative directive that we not increase funds, that there be a freeze placed on any fees that would be turned back to producers. Most of what at that time we were charging in fees was going directly back to producers...perhaps not directly, in some cases indirectly. But producers were paying.

Since 1991 we have not raised fees. What that has meant is that we've had a growing void between what we're able to collect for the services we provide and what it's costing us to administer those services.

Ultimately, that's a decision for government. How much is the government willing to pick up in appropriation and how much is going to be charged in fees and consequently passed back to producers? Those are not easy questions to answer, and I know that is something the government will have to struggle with.

Having said that, that's part of why this review has taken place. It is to look at whether there are some ways of doing things differently that perhaps could streamline the organization and create some efficiencies.

If we contract out, clearly those fees will be turned back to producers. They won't be fees that we will charge. They will be fees that the private agencies will charge, and they will go back to producers. So the decision with contracting out versus the decision with the CGC being involved is still ultimately a decision of whether government should pay or whether producers should pay, and those are difficult questions to answer.

●(1240)

Hon. Wayne Easter: At the end of the day, under the producers pay—and that's a huge problem—our competitors.... I think, Mr. Chair, these kinds of fees or kinds of services are GATT green or allowed under the WTO. Certainly in my view it's the country that should pick them up, not the primary producers, because the country benefits as a whole.

In your opening remarks as well, you quoted the mandate set out in the act, and the key words of it are “in the interests of producers establish and maintain standards of quality”, etc. There's no question, wherever you go worldwide, people who buy our grain swear by Canadian quality, and you're to be congratulated for ensuring that's there.

In terms of looking at this COMPAS report, where the original mandate was in the interests of producers, if many of the recommendations in this report are implemented, will it change that mandate? Will the balance of being primarily there for the interests of producers change to being more so for somebody else?

I know, Mr. Chairman, that I'm running out of time, but the ethanol question that David asked about is key, I think. The key for the primary production sector is that we don't want to lose quality but we have to find a way—and it has to be done fast—of growing other crops for other purposes and not jeopardizing our quality control system. That has to happen and it has to happen now.

Ms. Christine Hamblin: I was going to say, certainly no arguments on your last statement. That has been discussed already, that we agree there has to be a way to find the tools to accommodate some of the other needs of the industry. Ethanol is one that has been cited. There are likely going to be numerous others that are going to come at us. That's why we've put so much effort into the restructuring of our wheat classes, to accommodate that growing need for an avenue to register other products.

It's not perfect, and we'll be the first to admit it's not perfect. As David mentioned, there are producers who feel that we're still not giving them the flexibility they need. We understand that, but we also need to protect that export market, which is the premium market that has brought back some dollars for producers. We don't want to lose that advantage. So, clearly, we need to continue to do the work.

We are continuing to do the research to find better ways of evaluating grain, from the standpoint of variety identification, which is the underlying pin of our quality assurance system right now. But there are other tools, and we are looking at those as well. We've done some work on looking for tools to quickly identify falling number. With respect to chlorophyll and canola, we're looking at tools that can better evaluate chlorophyll, as opposed to crushing the canola seed and counting green seeds. We're continuing to do that.

COMPAS recommends a significant increase in dollars to the grain research lab, with some of that in mind. Now, I'm not suggesting that we necessarily feel we need the dollars that are suggested in the report, but certainly we need to continue to do the research that better evaluates the quality of grain.

Mr. Terry Harasym: I have one small comment. Again going back to the ethanol question and the technological solution, Chris is absolutely correct, and I agree with the recommendation that COMPAS has made. If there is a solution to this, it's going to come from the technology side. The only way we're going to get there is with a more concerted effort, one that is going to require more funding in terms of finding a technological solution than we currently have capacity to do.

Going back to your question regarding the funding for the CGC, I think the right approach—and it is really the fundamental question to a large extent—is to decide what it is we think the CGC needs to do, as we move into the future, to deal with the needs of a changing industry, and one that adequately adds value to everybody from farmers throughout the rest of the chain, and then deal with the funding question at the end of that time. How you deal with funding ultimately will become a question of some combination of government appropriation or fees, or either/or. I think that's the last question and I really do believe it's part of the solution to this issue.

● (1245)

The Chair: Thank you, Mr. Easter.

Mr. Bezan, five minutes.

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

I want to thank both commissioners for coming in today on short notice.

One of the things that we've been talking about here today is this whole issue of inspection, grading, and possibly having a third party involved.

I would recommend that one of the things we look at is what has happened in the beef industry. CFIA has taken the lead in food quality and assurance, on food safety. Grading is being done by the industry through a non-profit, third-party entity. Grading essentially is a process of price discovery. We have to have the flexibility in industry to meet the changing needs of consumers. Allowing that third-party involvement, with industry oversight, I think accomplishes a lot, without giving up anything on food safety, which is a role of government and regulation. I think we need to look at that whole aspect and how that could tie into a whole review of the Canadian Grain Commission.

One of the problems we've had, especially at the farm gate level, is when you're selling your crop off the farm, you're told dockage is going to be this and you're going to be graded this, but then it gets into the elevator system and it's inspected for the second or third time and the grades change. Farmers come in and want to go through a dispute resolution system, while the arbitrator appointed to this is a Canadian grain commissioner who is also the grader involved. We need to have that third-party involvement so that there is a true mediation taking place.

COMPAS did talk about dispute resolution and that there needs to be more of a third-party arm in there, so that we have a true unbiased mediation system. I want your comments on that and how that overall could tie in with what we're talking about in licensing and grading.

Ms. Christine Hamblin: With regard to the unbiased review of inspections, we already have that system in place. The system is in place for producers who are delivering to a primary elevator. We call it “subject to grade and dockage and protein”, which means that when they deliver to a primary elevator, they can immediately request that the sample be sent to the Grain Commission for an accurate grade. We are the independent party in that position, because the decision of the initial grading is being applied by the primary elevator, so the “subject to grade and dockage” is neutral. We're not inspecting it in the first place and then re-inspecting it. So that is already in place.

The other aspect of our inspection review process is from primary elevator to terminal elevator. You are right, the initial inspection there is done by CGC, and the second level would also be done by CGC. Ultimately we have the Grain Appeal Tribunal, which has inspectors from industry. They are not CGC inspectors who are reviewing it, they are neutral. They're inspectors who are called in to inspect the grain. We have a chairman who reports to the CGC, so there is a link there, but they have a list of inspectors who are brought in. They are getting that third-party look, which is not from CGC inspectors.

Mr. James Bezan: So much of this is perception, because there are those linkages. There's still a lot of animosity out there at the industry level and at the farmer level, because they still see it as a biased opinion that's being expressed. As we go through this review process, I think everything we can do to remove those linkages would be in the interest of the entire industry.

One thing we talked about the last time you were here was this whole issue of overtime—the cost that industry undertakes—and how that's impacted the outbound inspections, especially at the ports, and with demurrage, when you have a ship sitting there that needs to be inspected and loaded and sent out. There was recommendation as well from COMPAS about the overtime costs. I just wanted to get your opinion on that specific recommendation.

● (1250)

Ms. Christine Hamblin: COMPAS is recommending that all overtime costs be considered infrastructure and that they be paid for by government. It gets back to the funding question and who should be paying for services. We are in a situation where our dollars are tight and we have some challenges. As a result of some of those challenges for service, we've had some of these concerns raised through the COMPAS report. It's one way of dealing with it. I ultimately think the decision is about who should be doing the services and how it should be funded. If government is going to fund it, then that's a decision you make. If it's going to be done through contracting out, then I'm not sure it's appropriate for government to fund on a contracting out basis.

Those are decisions that have to be made before we can move this issue forward. It's really a funding issue. A lot of those issues are driven because of the dollars that have been available for our inspectors to do their work. Can there be some efficiencies through using the private sector? Perhaps there can, and I'm not ruling that out.

The Chair: Thank you, Mr. Bezan.

Mr. Boshcoff.

Mr. Ken Boshcoff (Thunder Bay—Rainy River, Lib.): Thank you, Mr. Chair.

Further to Mr. Bezan's question—because we had raised it earlier in the year and we had a meeting on it—I just want to let you know that I haven't heard anything further from any of the shippers at this time. I know the season is coming on again. It is an interesting perspective, because the Port of Thunder Bay has exactly those concerns that the previous speaker mentioned.

When we talk about the relations and operations of the Canadian Wheat Board, if the government succeeds in their plans to alter the mandate of the Wheat Board, how would that affect your operations?

Ms. Christine Hamblin: It really has minimal effect on our operations. We do have a good relationship with the Wheat Board; we have a lot of discussions with them on numerous issues. Obviously, a change in their structure would change our relationship with them. Ultimately, our mandate is independent of the marketing agency. We're not involved in buying or selling grain in any way, shape, or form. We are a neutral third party that does the inspection and weighing of the grain—21 different grains. Wheat and barley are not our only responsibility; we have responsibility for many other grains as well.

Mr. Ken Boshcoff: When we read these recommendations—and I found the report quite interesting because of the number of recommendations—it talks about the atmosphere of disharmony and mistrust of perhaps.... “A war of all against all” is the quote they use. That's got to be a challenge in itself when people are already coming in with pretty hard and set perspectives on who's at fault, and what can be done.

In terms of trying to address this as an organization, how do you take up this challenge? How are you going to deal with that, which is as important as any of these cost factors?

Ms. Christine Hamblin: It's not going to go away, no matter what decisions are made here and within the next few months with regard to our mandate. COMPAS talks about consultation and the importance of consultation. Clearly that is part of the solution. Communication is part of the solution. We are always going to have the challenge of different viewpoints, and any time a decision is made that is contrary to your personal view, you are critical of that decision. I think that's a reality of much of what we see, not just in the grain industry, but in all regulatory capacities.

The challenge is to balance all those different viewpoints and to create policy and, as in the case now, legislation that takes into account the bigger picture and the best interests of the industry as a whole.

Mr. Ken Boshcoff: We talked about how you and the Wheat Board have gained the reputation for the fact that so many countries

are proud to label Chinese beer, Polish products, super Manitoba, 100% Canadian, all those kinds of things. Do you see this report geared to enhancing that? Do you think it wanted to be helpful, or is there the feeling the Grain Commission wasn't living up to its efforts?

● (1255)

Mr. Terry Harasym: The report is written from the perspective of recognizing what the CGC does currently, and what it can do for the sector does add value. My own personal view, and it would be echoed through most of the people consulted, is that the CGC is a unique Canadian institution, and it confers huge competitive advantage to grain and oilseed producers in Canada specifically, and to the grain handling and marketing agencies in Canada generally. It's as relevant in terms of how we need to move forward today as it was when it was first introduced in 1912.

The big issues coming at us, and the ones the CGC is trying to deal with, are in the areas of the increasing competitiveness in the international marketplace, the new demands of our customers—which are sometimes difficult to meet—in the area of grain quality assurance and in the area of grain safety assurance. That is where the game is being played, and those are the reasons the CGC can confer a huge value on the industry from producers right through it.

You asked the question a minute ago as to the tone in the industry and how we could move forward, and whether that is accurate or not. The grain industry in Canada is one that is extremely good at finding problems in the industry and extremely bad at finding solutions. Part of the way to find the solutions is that, as Chris said earlier, we need to be talking to each other more, communicating, consulting in a real way, and ultimately getting to the point where solutions are a product of more than one perspective. It takes a lot to do that, and ultimately it boils down to leadership and the decision on the part of everyone in the industry to accept the leadership role to do that.

The Chair: Thank you, Terry.

Alex, do you have any last points to make?

Mr. Alex Atamanenko: With regard to the whole consultation process—we have a recommendation by COMPAS—in your opinion, is this a true reflection of the feeling specifically among the primary producers?

Also, were there stakeholders outside the western provinces that were consulted?

Ms. Christine Hamblin: The process that COMPAS followed did provide lots of opportunity for consultation. They had numerous written comments; they also held public meetings. They had one in Montreal, I believe; they had one in London, Ontario; and they had two in each of Alberta, Saskatchewan, and Manitoba. Invitations for those meetings did go out to many stakeholders, including producers, grain handlers, producers groups, and so on, and they advertised in the papers. So I think there was ample opportunity for input.

Did people take the opportunity? That's another question. It was at a time of year when some felt it difficult to get engaged. And it's a topic that a lot of people don't understand—the depth of what the Canadian Grain Commission does. They just accept the value we provide and perhaps aren't engaged in the details, in the manner that COMPAS and others had hoped. But there was certainly lots of opportunity for them to be involved, if they so chose.

Mr. Alex Atamanenko: Thank you.

The Chair: Thanks, Alex.

Mr. Gourde, do you have a short point to make?

[*Translation*]

Mr. Jacques Gourde (Lotbinière—Chutes-de-la-Chaudière, CPC): Good day. My question concerns the evolution of the grain market over the next few years.

It may be that grains grown are destined for biodiesel fuel and ethanol production. In terms of primary elevators, if the percentage of grains destined for biodiesel fuel production increases substantially — which may depend on the different regions — will problems arise in terms of these elevators' storage capacity and grain grading for human consumption? Could this potentially lead to some problems for you?

• (1300)

[*English*]

Mr. Terry Harasym: In terms of what is going to happen with biodiesel or ethanol production, my crystal ball is a little fuzzy right now. I think there are a great many options or variables in play in terms of whether it will take off or not. But there is definitely an opportunity for additional grain to be used in the production of ethanol and biodiesels, and it will happen.

For example, I believe that the numbers—which I haven't generated—are that if in fact the ethanol-biofuels strategy of 5% by 2010, which the government has announced, is actually reached, it would account for something in the order of two billion additional litres of ethanol. To produce this would require somewhere in the order of five million tonnes of wheat. To put this into perspective, it's ultimately about 20% of the current production of wheat in western Canada. So it is not an insignificant issue that we're talking about here.

Ms. Christine Hamblin: If I may, I would add to that. Certainly if the biodiesel and the ethanol industry takes off in Canada—and the signs are indicating that it will—as Terry mentioned, we may see that there's going to be a lot of grain pulled out of the system to be used in those processing facilities. It may have an impact on the overall exports from Canada, but my belief is that it's not going to have an effect on the high-premium markets.

We have a lot of international markets that put a high degree of value, for example, on our red spring and durum wheat markets—the two classes we protected in our restructuring. I don't think we're going to see a reduction in those markets. Our buyers are going to continue to want the high-valued product.

What we will see, if there is an overall decline in exports, is that the lower-end markets are going to drop, and that product will be used domestically instead.

So I think there's still ample opportunity for gains or maintenance of our high-value markets, but there may be some changes in some of the other markets.

The Chair: Thank you.

Do you have a short redirect?

[*Translation*]

Mr. Jacques Gourde: With respect to regional grain production in Western Canada, will some regions have a greater capacity to grow grain for biodiesel fuel, whereas other will be able to produce better quality red wheat? Will production be regionalized, or will growers be free to grow what they want, with grains shipped from one plant to another? Could this create some problems?

[*English*]

Ms. Christine Hamblin: Again, the crystal ball is going to have to come out.

That's difficult to answer. Every area is going to try to maximize the returns for products that can be grown locally. It may be that there will be some shipping of product between regions, but what breeders have been asking for is the opportunity to develop better varieties for those specific markets. It's why we went with our wheat reclassifying and creation of the general purpose class.

Canola is traditionally... High-value markets are identity-preserved already. We will see mechanisms continue that will allow for the creation of varieties that are better attuned to the new end uses that biodiesel and ethanol are going to require, but that's a process that takes some time.

• (1305)

Mr. Terry Harasym: Again, it depends to a large extent on the feedstock you're looking at putting into the ethanol or the biodiesel markets. Regionally, if you're going to be growing something for ethanol in the east, my guess is it would be corn. It isn't going to be corn in western Canada; it will be wheat or something like it, and eventually it will probably be trees or some other cellulosic type of product, once the technology gets us there.

So it's a difficult question to answer. I think farmers are rational in their decision-making, and they will grow whatever they think will give them the highest return.

The Chair: Thank you.

Mr. Easter, do you have a point?

Hon. Wayne Easter: Yes, I have a question on process, really, maybe for the parliamentary secretary, Chair.

What is the process from here with the COMPAS review and the Canadian Grain Commission and potential changes to legislation?

We're going to hold one more hearing, certainly, on Thursday, but what we're finding more and more—not just this government, but the previous government as well—is that consulting firms, for whatever reason, end up doing the hearing process, and the parliamentarians who eventually have to make the decisions are left out of that hearing process. They get a report written by some consulting firm instead of hearing the views directly from those affected in the industry.

My question is, what is the process from here in terms of getting to potential proposed changes to the act, if you know, David?

The Chair: I'll let David take a shot at it, and then you folks.

Mr. David Anderson: Go ahead, Chris; I'll fill in.

Ms. Christine Hamblin: The process is to evaluate the recommendations that are put forward. As I indicated earlier, we will be trying to package our vision for the minister to review. Much of it will include the recommendations from COMPAS. There are some areas where we feel there are some inefficiencies, if we try to go down all of the recommendations COMPAS has presented.

Ultimately it's going to come back to the legislators to make some decisions. I'm not sure what the agenda looks like for legislative changes. It needs to be put on the agenda, and the speed at which it makes its way onto the agenda will dictate how quickly this process is going to move forward.

The Chair: Terry, have you any point to follow?

David?

Mr. David Anderson: I think this committee has the opportunity to set the level of importance with which this report will be treated. The minister would like us to treat it seriously. We have set our agenda, and we'd like to see this committee treat the report seriously enough to have some hearings on it and to discuss the report and go through it.

So the committee is going to have to make a decision about how seriously it wants to treat the report. Outside of that, I can't give you the details right now of what the government's agenda is going to be with the report. I can try to find out and get back to you. Some of it will depend upon how seriously this committee treats it and how long we take in examining the recommendations in the report.

If we are finished this on Thursday, we'll move on from there, but if the committee decides it wants to have more input into the process, it is more than welcome to have it.

The Chair: Thank you, David.

Thank you, folks, for showing up here on such short notice.

Going back to one of your statements earlier, you talked about putting your recommendations on paper to the minister. That would be very helpful.

I'm wondering if there's any way to encompass a timeframe of implementing those recommendations and a cost analysis. There's a lot of talk here today about budgets and budgetary constraints. I seem to remember voting on a fairly substantive increase for the CGC not that long ago. I don't remember the exact number or the percentages, but a cost-benefit analysis of some of these changes, and so on, would be very helpful as well, if that's possible. We'll be asking some of the other players to do the same type of thing.

Ms. Christine Hamblin: As part of our process, we will be looking at at least some of the recommendations and doing some costing around them. It's going to take some time, but we do understand that this is high priority. It's high priority for us.

As I indicated earlier, our funding situation is on a year-to-year basis. You indicated that you voted on an increase in funding. That was a one-time, one-year funding. We're going to be back on the agenda for more funds for the 2007-08 year and beyond, because if there are legislative changes, we're going to be looking at a period of time to accommodate any implementation of a new system, a new budget, and so on. So our finances are going to be on the table for a few years.

• (1310)

The Chair: Good.

Thank you so much again, folks.

Just before we adjourn, gentlemen, we have a bit of a housekeeping issue. There's a parliamentary delegation from Tanzania coming, and they would like to sit down with us for a short time next Wednesday, if that's at all possible. So think about it quickly and get back to Jean-François as to who can attend that. At this point, we don't have a time or a date or a place. It will be in the afternoon on Wednesday. They just want to discuss some issues that go back and forth, so it's an opportunity to—

Mr. James Bezan: If he can give us a time—

The Chair: Okay. He'll e-mail it around, so keep your eyes open for that. Thanks again.

Is there anything else, gentlemen? We're all in, all done? All right.

This meeting stands adjourned.

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