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# Standing Committee on Agriculture and Agri- Food

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EVIDENCE

**Thursday, October 5, 2006**

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**Chair**

Mr. Gerry Ritz

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•(1105)

[English]

**The Chair (Mr. Gerry Ritz (Battlefords—Lloydminster, CPC)):** Good morning, everyone. We'll continue our meeting today exploring the Compas report on the Grain Commission, the changes they propose and some that we may add to or detract from. We'll listen to your presentations.

We'll just do a little bit of housekeeping here first, folks.

Jean-François, you have some news for us. A couple of meetings are coming up as soon as we're back from the break week. We have a revised calendar available for everybody and we'll pass it out. I'll let you have a look at that during the meeting, and we'll have a short question period at the end if you have some questions on that new calendar.

That will show us the meetings you have lined up, right?

**The Clerk of the Committee:** Yes, Mr. Chair.

**The Chair:** We'll begin our presentations here today. We have Dr. Brian Fowler, professor, from the plant sciences department. We have Conrad Johnson, president, from the Great West Railway. We also have Vicki Dutton, manager and owner of Western Grain Trade Ltd., which happens to be in my riding. It's a great facility.

Thank you, Vicki, for coming, and gentlemen.

Brian, please begin.

**Dr. Brian Fowler (Professor, Plant Sciences Department, University of Saskatchewan):** I'd like to thank you for the opportunity to address this committee. I'm a professor in the department of plant sciences at the University of Saskatchewan, and I've had a long-term interest in Saskatchewan farms. I've been involved in the wheat industry on the Canadian prairies for my entire life, and I've spent most of the last 38 years on winter wheat development and related issues.

Since 1991, my breeding program has released eleven winter wheat cultivars that have occupied as much as 95% of the winter wheat acreage in western Canada and have been grown extensively from Minnesota to Washington state. I've been the coordinator of the Central Hard Red Winter Wheat Co-operative test for the prairies recommending committee for wheat, rye, and triticale since the inception of the tests. This involvement has provided me with a unique vantage point from which to view and compare the practical operation of western Canadian quality and quality assurance programs.

In the time I have this morning I will restrict my comments to a consideration of problems associated with kernel visual distinguishability, or KVD, and the Canadian wheat quality assurance program.

As you know, the western Canadian wheat industry has been using KVD as the main tool for identifying wheat classes delivered to the elevators for over eighty years. For at least fifty of those years, KVD requirements have been criticized as a major restriction to cultivar release and the development of new wheat markets.

From the onset here, I must take issue with the second sentence of the quality and quality assurance section—this is section 6 on page 47 of the Review of the Canadian Grain Commission and the Canada Grain Act. This sentence states:

KVD has made possible the efficient segregation of quality based on defined visual characteristics of different classes.

As far as I am concerned, there is a complete lack of objective evidence in support of the claims that KVD has played a positive role in our wheat marketing system. All the data I have seen suggests that it never was an effective method for segregating cultivars according to class when the farmer delivers it.

**The Chair:** What is the page number you just quoted, sir?

**Dr. Brian Fowler:** It's page 47. I gave you the quote.

**Hon. Wayne Easter (Malpeque, Lib.):** I know, but I just want to find the page.

Thanks.

**The Chair:** Thank you.

Continue, please.

**Dr. Brian Fowler:** I would like to now present some of the evidence that KVD has never been an effective method for quality segregation of the different wheat classes.

One, evidence for the unreliability of KVD can be drawn from the hard red spring wheat class. Approximately 10% of the time, registered spring wheat cultivars have been classified as having unacceptable KVD when they're included as hidden checks in spring wheat breeding trials. If this is the case, then one should also expect that 10% of the hard red spring wheat farm deliveries to elevators would fail KVD. This has not happened, suggesting that KVD has never been successfully employed as a method for identifying wheat classes at the time of delivery.

Two, the Canadian Grain Commission will not provide KVD descriptions of entries in cooperative trials unless checked cultivars have been identified. If the KVD system can effectively classify the different wheat cultivars, then the identity of the sample should be unknown at the time of description. If the KVD system actually works, there should be no need for a farmer to declare the cultivar name or class at the time of grain delivery. The buyer should be able to determine this by looking at the sample. However, if the Canadian Grain Commission experts cannot routinely identify registered cultivars through class using KVD unless they have reference checks grown in the same environment, are we then expected to believe that the grain buyer, who is grading on individual deliveries, can efficiently segregate for quality based on KVD?

Three, this comes from recent experiences with the one-week cooperative testing program that provides as a clear example the limitations that KVD have imposed upon the Canadian wheat development programs. In the last four years, not a single entry from any breeding program has survived more than two years in cooperative trials because the Canadian Grain Commission describes them as mixtures of red spring and winter wheat kernel characters. This includes nine entries where both parents were registered cultivars with KVD characteristics that were acceptable for the winter wheat class. One of the parents of all the remaining entries had KVD characteristics that had been determined acceptable for the Canadian Wheat Board market class in early cooperative trials. Now, if KVD is an inheritable trait, in other words if it's consistent from year to year, then it is next to impossible for all progeny of all entries to show mixtures of winter and spring wheat.

I'd like to move now to the cost of this system and move directly from this point. If the Canadian Grain Commission will not allow us to register winter wheat cultivars because they are mixtures of hard and red spring wheat kernel types, then I think this probably demonstrates that KVD is also bringing a problem into the system. If the Canadian Wheat Board experts tell us we cannot release these varieties because they're mixtures, what is there to stop farmers or the people who are handling the grain from mixing the current winter wheat and spring wheat cultivars and selling it as hard red spring wheat, which is a premium product?

It would appear that KVD would not be effective in maintaining quality standards in this instance, and I suggest that our present segregation equality at the time of delivery of wheat is not based on KVD but is in fact based on farmer declarations.

Every additional character the plant breeder must select increases the cost of the program and reduces the likelihood that overall breeding objectives will be met. There are ten kernel characteristics that are used to describe KVD and have no direct economic value by themselves. As such, they provide a tremendous drag on breeding programs and they interfere with us accomplishing our other objectives.

As noted as well in the review that you have, KVD has necessarily blocked the introduction of some new varieties that were greatly desired by those who would buy it for feed or feedstock. Two of the biggest individual markets we have for wheat in western Canada in the near future—right now feed is the biggest one, and fuel stock for the alcohol industry will become the next largest one. If KVD is

interfering with us taking advantage of these opportunities, then I think we really have to question it.

I'd like to turn now to the solution to this problem. It's pretty obvious that the simple and most effective solution to restrictions imposed by KVD is the complete elimination of KVD requirements and the official recognition that we are actually using farmer declarations at the present time to segregate our wheat. The farmers tell the agent what they're delivering. Agents can't tell from looking at it what is on the load. The farmers are telling them.

● (1110)

There are examples where we have effectively separated out the different varieties. In 1985, U.S.A. hard red spring wheat semi-dwarfs were segregated on the basis of cultivar name; Grandin wheat was; and at the present time, KVD is not used to distinguish among quality types within durum and winter wheat classes. Cultivar name is used, and that name is declared.

There are no KVD requirements in other cereals that we grow. Oats never had KVD, and it was removed from barley a few years ago. We are the only country in the world, or western Canada is the only place in the world, that uses something like KVD to identify quality types.

I'd like to close by suggesting that the elimination of KVD requirements would allow for a completely fluid wheat marketplace based on cultivar name. A system would evolve that would allow for an immediate assessment of potential market opportunities. The availability of cultivars with the desired quality characteristics then becomes the factor limiting our ability to capitalize on market opportunities. This would make it important to have a wide selection of cultivar quality options available in the system.

The other option is the one we have at present, which is to identify a potential new market and then wait for fifteen or more years while plant breeders develop the necessary adapted prototype cultivars with accepted KVD so that true market opportunity can be established. We need a change in this system and we need it badly.

Thank you.

● (1115)

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

We will now move on to Conrad Johnson.

Mr. Johnson.

**Mr. Conrad Johnson (President, Great West Railway):** Again, I'd like to thank you for the opportunity to appear before you today. I farm in southwestern Saskatchewan—the Bracken-Climax area, in Mr. Anderson's area—and I'm chairman of the board at Great West Rail.

Great West Rail is a short line in southwest Saskatchewan. It was an abandoned CPR line that they started to salvage until a group of area residents banded together and we bought it from a B.C. company. Our owners consist of farmers, private individuals, towns, villages, rural municipalities, the grain company, and two terminals.

We operate on 306 miles of track. We have 38 loading sites along our line. In saving that line we've created 30 full-time jobs, and our railway has become an integral part of our economy.

We're also an investor in and operate Fife Lake Railway. It's another short line that runs from Assiniboia to Coronach in southeastern Saskatchewan. We have three loading sites on this line.

We moved 4,352 cars last year, and we're the largest producer-car short line in Canada. All our cars are moved back to Assiniboia, where it's a hook and haul for CP.

While this review of the Canada Grain Act and the Canadian Grain Commission covers many topics, there are a few that concern us, and they're extremely important to the viability of producer-car shippers.

We're pleased to see the right of farmers to load producer cars be kept in the Canada Grain Act. We know that loading producer cars doesn't work for everyone, but it's a very important option for producers in our area.

We would like to see the inward inspection remain mandatory. While some industry players may see this as unnecessary, we feel that with the system we now have in place, mandatory inward inspection is essential for producer-car shippers and should remain for producers in general.

We also feel the recommendation for mandatory licensing and bonding of producer-car loading facilities is unnecessary. While the review mentions a safety factor concern in not licensing all our facilities, producer cars and producer-car facilities should be as safe as you can get. The grain is virtually all identity-preserved, as each car is loaded by one producer and its contents can be traced back to that producer. While their initial destination isn't overseas, producer cars can be regarded as container shipments of grain. You can always link the product contained in the individual cars back to individual farms.

The mandatory bonding issue the CGC has put forward also affects many facilities on our line. Being bonded certainly doesn't guarantee total payment in the case of default and doesn't guarantee the honesty of the company that's bonded. These requirements simply add cost back to smaller facilities that are doing fine without the bonds now.

I'm involved with a cleaning plant in Bracken, Saskatchewan, where we ship cleaned yellow peas for several different companies. We've been careful in choosing the companies we deal with and we've built a good reputation as a reliable company to do business with. But we still continually see producers deal with unknown companies because they're offering a few cents more for a certain product than we are. Should we, as a reputable company, have to bear the cost of being bonded because some producers let greed drive their marketing decisions?

Failures happen in the business world every day. If producers choose to deal with companies that aren't bonded, so be it. Good business practice and prudent marketing will be more of an asset to farmers than simply making bonds mandatory.

On the governance issue, we would like to see the three commissioners remain at the top level. We believe the decision-making process could be adversely affected if it's done by just one person and not by the three commissioners who are there now.

As for the assistant commissioners, we want someone in the field working for producers, as was supposedly their role. They shouldn't be government appointments. They should be hired by the Grain Commission. What their job title is would be up to the commission itself, but they should be in the field, not back in a Winnipeg head office.

While the proposed office of grain farmer advocacy might work as a base for these people, they must be available to solve problems where they occur.

● (1120)

We don't know if there would have to be the six field people or if the workload could be handled by fewer employees. But we do know that some of the assistant commissioners were invaluable to producer car loaders and farmers in general as they straightened out mistakes and unfair practices that occur in our industry.

The last point we want to address is by far the most important to our rail line and to producers. While the Canadian Grain Commission is always associated with producer cars, it's our present visual grading system that we find to be the biggest detriment to growth on our rail line. Farmers are never sure of grade when they load a producer car, and far too often we find inconsistencies in the grades at unload. We continually have producers load cars with grain from the same bin on their farm, and we have those cars come back with different grades.

Everyone hears about these problems, and after the stories hit the coffee shops, it takes forever to convince new customers to try producer cars.

KVD or visual grading has cost prairie producers millions of dollars over the years. We must begin moving immediately to a different system. The so-called black box technology is out there now and should be implemented.

There seems to be this myth that if grain doesn't fit into KVD, it isn't quality grain. Our producers are being forced to grow grain that fewer and fewer markets want. The U.S. has spring wheat varieties that outyield ours by 40%, and they continue to take market share from us.

Customers want to buy on the physical attributes of grain, not what it looks like. With black box technology, where falling numbers of the grain could be more of a price factor than the look of the grain, producers could be sure of the grade when they loaded their cars. The CGC will still have a role in making sure all those machines are calibrated, but visual inspections have to be phased out.

Statutory declarations are used all over the world to ensure the variety of grain delivered by farmers. With statutory declarations and black box technology, we feel a lot more grain would find its way to rail.

While this change has been talked about, there is a move by the CGC to have some new varieties outside of the KVD system. Hard red spring wheat and durum would still have those KVD requirements. Waiting until 2008 to end KVD requirements for minor wheat classes means they have no plans to drop KVD for hard red spring wheat and durum. We have to begin this transition now.

Please remember that there will be resistance from within the CGC for this transition, as there are jobs that will be affected by the change.

While this is a review of the Canada Grain Act and the Canadian Grain Commission, please consider how it not only affects industry players, but take it right back to the farm gate. While our grain is graded with a visual system, it is being sold into a world market that uses a different system. Too often we are selling oranges into an apple market. Being located near the U.S. border, we are familiar with their grading system. While it's deemed a premium market, the first thing they want to see when given a grain sample is a falling number test. They don't care what it looks like. They want to know what it does.

Countless trade problems and irritants have occurred and will continue to occur if we don't move to similar technology.

Given our geographic location and the condition of our road system in southwest Saskatchewan, producer cars are extremely important to our area. We must do everything we can to see more grain move by rail. This past year we kept the equivalent of 12,000 B-trains of grain off our roads. Savings in elevation charges put \$4.5 million back in our producers' pockets, and that money finds its way into our local economies. Changing to a grading system that will give farmers confidence of their grade when they load producer cars will allow our line to grow and will ensure a more vibrant farm economy.

While we are sure these changes will be strongly opposed by some in the industry, please take this review back to the farm gate and consider how it affects the returns there. Farmers are too often the forgotten drivers of this industry.

Thank you for your time.

• (1125)

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

Mrs. Dutton.

**Mrs. Vicki Dutton (As an Individual):** Thank you very much for asking me here today. Some of you may know me. Gerry certainly does, and I'm sure David does.

I've been a kitchen advocate for agriculture for many years, and I have a passion for this industry. I also have a passion for politics, because I recognize how both of them work together.

On the decisions here today, I am so thankful to see the government moving to review this institution.

On page 28, there is a quote that says, and it annoyed me greatly when I read it:

It matters hardly at all insofar as the productivity, profitability, and viability of [the] grain sector...are impacted....

And that's basically by the policies of the Grain Commission. I don't think you realize how much this institution affects what I do at the ground level. We are farmers, we are exporters, and we are suppliers to exporters.

When the wheel hits the pavement, the tread marks are on my face and on the faces of the farmers. It is so important that we get this review correct, and that we then go and maybe risk, as Conrad said, some of the institutions that we have grown to love in this country but that need changing so much.

Anyway, thank you for the review. Thank you to the committee members and all the contributors.

I would like to add something to "Challenges Facing Canadian Producers in the Next 10 Years" on page 107. I think one key exclusion from that is the fact that we are competing with the world. I haven't travelled, as many of you probably have, but I face competition every day from the Ukraine, from countries that I do not even know how to find on the map in northern Europe, with names I can hardly pronounce. They are shipping grain into my major markets at \$20 and \$30 a tonne less than mine. When I say to you that \$1 or \$2 a tonne in efficiency matters, you bet your boots it matters. It matters so darn much that when I offer, and I am at \$20 a tonne over somebody else because I can't compete, you are damn right that it matters how efficient we are here.

It begins with the Grain Commission. I can only tell you how much money I have lost as a company because of improper grading. I ship it, as Conrad says, in the country and it is graded as something, and it gets to the coast and somebody says it is a grade something else. Then the process of review takes that sample and sends it back to Winnipeg and they say, "Do you know what? They're right in Vancouver. Saskatoon didn't know what they were doing." I would like to add that up. I know that in one instance an inspector took my sample, went to lunch and looked at it over lunch, and then the product entered the vessel, and that delay alone cost our company over \$300,000. That sample should have been inspected at the time, immediately.

So it does affect us, and it is important to get it right.

I would like to focus on grade, obviously, which I just have, and I would like to focus especially on your arbitration and your mediation committees. One of the problems I have is that when I have a grade dispute, I feel that the bureaucracy doesn't allow me a method of resolving the conflict. We normally deal with SGS, which is a private grading house. We don't deal with the CGC very often. Mostly we deal with the private grading house. So I do like the contracting out that you have in your policy. I think that's good. I do think you have to maintain the CGC as the benchmark and the provider of the grading standards, but I see no reason why you can't contract it out. We do it already every day.

We're container shippers. We're IP shippers. We ship to world markets, to niche markets, all over the world. So we're doing it. It is certainly possible, and private grading will work. I believe that contracting out, as I said, is certainly something we can use well, but you have to provide a benchmark.

I think you also have to recognize that there are many stages that the CGC does. They do it from the farmer. The farmer can go to the elevator, the elevator can go to me. The big problem we have is that there are many stages of that. Sometimes the arbitrators will have time. In the cases at the port where there is a grade dispute, they have no time. So we need an emergency response team for grade discrepancies that happen at the port that may indeed affect export shipments or the grade of export shipments.

I like research. I like your coordinated report. I like your round tables. But I think the centre should be in Saskatoon. Sorry, but we have the best darn university for agricultural research and we have the best place to have it. If there is a centre of excellence, I'm voting for Saskatoon.

• (1130)

In general, I find the biggest one that I have issue with is the licensing and bonding. We've operated our plant for 25 years. Up until 2006, I was not bonded. I believe it should be optional, because I think farmers know their risks. They tend to trust people. They can do credit reviews. However, if we are implicit upon maintaining risk management....

And don't get me wrong, I do think it's an important part of what we do. Indeed, in the financial times we face with farmers today, sometimes losing \$5,000 or \$10,000 on a load is key.

The current system, as you know, by Naber and Venture Seeds, is impossible to police. We know by the failure that the CGC cannot expect it to do a job that changes every day.

I see you've recommended this clearing house. I do not know why the committee or Compas did not look at the Ontario Corn Growers' model, which is basically temporary risk insurance that's put in place at the time of delivery. It works very well in Ontario. I would urge anybody in the committee to review that, or if there is an ongoing stakeholder review, as is discussed here, to review the best system, then that should be looked at.

The \$1 or \$2 a tonne, or whatever the cost of security, is not a cost borne in many of the countries I compete against. If I wanted to run a grain business in the U.S., I would have a \$150 licence in many of the major producing states. So let's try to make it simple, let's try to make it bankable, and let's try to make some way that they don't have to be the police. Let's make a system that works for everybody. Like the levies I collect for farmers every time, I could send in insurance remittance that would give them security for the time the grain is exposed. That's a big one for me, because I find that one of the things you don't want to do....

We are special crop producers. We came from the ground up. We're one of the few success stories of Canadian agriculture. We're the little guy. We're not big. But we're in a world that we weren't in twenty years ago. So enable the spirit of the pioneer, enable the builder, enable people to see and to be able to function.

For this risk management and the bond system, I have to have a fair amount of money. If you'd asked me to be bonded 25 years ago, I would have never got Western Grain off the ground, because we didn't have half a million, or a million, or two million. It inhibits my growth. Now that I'm bonded, I look every day at what are my receivables; what do I have in here? And, oh, we can't buy that because we're going to be out of our bond. Let me spend my money buying grain and shipping grain, and let farmers be aware of the cost. That's a big problem: farmers aren't aware of the cost.

At the end of the day, the big one is language. What I really appreciate about this report, and I don't know who to thank for it, is the language. There's a tone in this report that we haven't heard for some time—that is, respect for my industry and respect for it as an industry, and the realization that it serves Canada well. There are many quotes in there that I could pick out. So I really appreciate the language and the tone that recognizes the need, the desperate need, to get this industry profitable again.

I think that's probably about it.

**The Chair:** Thank you, Vicki. You're still within your timeframe, so that's fantastic. We have lots of questions to ask too.

I have just one point in regard to your presentation. The committee actually hasn't put its stamp on this report yet. This is solely the work of Dr. Winn and his group, and the people who put forward submissions, and so on. We will put our stamp on it once we've heard from folks like you and start to make recommendations, and so on, on a report that comes from that.

Mr. Easter, seven minutes, please.

• (1135)

**Hon. Wayne Easter:** Thanks, Mr. Chair, and thanks, everyone, for your presentations.

One of the key areas that Dr. Fowler certainly pinned down to a great extent is how we protect our quality. We are seen as one of the best quality suppliers of high-grade milling wheats worldwide. How do we ensure that we maintain that quality and reputation, move to a system that allows us to grow crops that may have similar-looking kernels, and accomplish other objectives, without jeopardizing quality? The government is thinking of getting into ethanol and biodiesel, and rightly so. You can breed those characteristics into seeds. Dr. Fowler and Mr. Johnson mentioned some of those points.

That is the first question for both of you. Mr. Johnson mentioned black box technology and statutory declarations. Can you elaborate on that? Can both of you give us your recommendations on how we can do this by utilizing this report and the changes to the CGC, and how we can get into some of those other opportunities out there without jeopardizing quality? That's what we have to deal with.

Whoever wants to can start.

**Mr. Conrad Johnson:** I'll start.

By black box technology, I meant that DuPont has what they call black box technology out there. You can rent one of those machines for \$750 a month. Essentially, it uses an imaging process and will tell you in about two minutes what the grain is. They've tested that against CGC inspectors, and it's far more consistent than humans are. It takes the human factor out of it.

As for statutory declarations, the Australians use them all. We asked them if they were followed, and they are followed because the producers police them themselves. If one individual messes up a whole silo of grain for them, they tend to get a little rough with them.

I'll go back to what you said about our being a quality exporter of grain around the world. I agree that we have that reputation, but you can't take a handful of grain and look at it and say that is quality grain. The board and CGC call the U.S. a premium market. If you go

to the durum plant in Great Falls, Montana, they'll take durum that you absolutely wouldn't feed to a chicken in Canada. They don't care what it looks like. The quality they are looking for is the intrinsic value of the product, not what it looks like. The board gets blamed for all the trade disputes that we have about getting into the U.S.—and we've had lots of them. Maybe some of them are the board's fault, but too often they're selling our apples into that orange market.

You can go back as far as 1992, when we had frost in our area, in David's area. They sold what was called feed weed into the U.S. It was our grain, and it was classed as feed weed up here. The falling numbers were great in the U.S. It was some of the best milling wheat they had. At three points on that little line—Bracken, Climax, and Frontier—we lost \$12 million on that one sale. That's been proven.

A lot of trade disputes we have exist because we give quality grain, but they get quality that they don't pay for. It's not the price so much. You can't mix and match the two systems. You can't use a visual grading system when you're selling into a market that doesn't give a damn what something looks like and instead wants to know what something does. There are going to be problems there, and there will continue to be problems.

As far as our statutory declarations go, we use them here now. There are two durum varieties that are IP'd, and they have no problem with them. We could do that with all the varieties, and we wouldn't have to wait until 2008. We could do it tomorrow if we wanted to, if they would move toward that.

• (1140)

**Dr. Brian Fowler:** We did that yesterday. We used declarations all the time.

I think the first question you have to deal with is, does KVD do what it's supposed to do? I do not believe there's any evidence. We're operating on the assumption that KVD is actually allowing us to identify quality classes. There are genetic and environmental differences, and we've heard about the environmental impacts on this from year to year. We have frost some years and rain other years, so you're not getting a constant product from the same variety.

It's important in the marketplace for anything that you actually measure the quality of the product, and this is what a black box should do. A black box shouldn't just identify variety, which is what KVD does; we have other factors that come in. We measure protein concentration—this was a step that had to be fought for tooth and nail before the Canadian Grain Commission would allow it to be introduced.

Falling numbers is another one that should be introduced and be part of your black box technology.

This is where we should be putting our money. We should not be wasting time and effort on trying to look for something to replace KVD. Declarations do that in a better fashion than what KVD does right now.

So to operate from this basis is incorrect.

**Hon. Wayne Easter:** Thank you for those answers.

As I understand it, the way statutory declarations would work is basically you declare that the product is what you claim it to be. Is that correct?

I was a dairy producer, and if I put penicillin into a tank or truckload of milk—and I'm just one shipper in that truckload—and they take a sample at my farm and I'm the one found out to have jeopardized that truckload of milk, it's going to cost me \$100,000, or \$60,000, or whatever the truckload costs. And they can trace it right back to you. We're dealing with a different product, but I can't see why the same thing can't be done.

On the question of bonding, both Vicki and Conrad mentioned this point. Also in my mind, the cost of security is a public good, which farmers shouldn't have to pay for. In any event, can you outline what you propose in terms of bonding? We want to ensure that there's not an additional burden of cost that ought not be there. So outline your point on bonding, and what's the risk on the other side from how you folks see it?

**Mr. Conrad Johnson:** In our view, as with White Water Coulee Cleaners, we're not bonded. We do about 600,000 to 700,000 bushels of field peas a year. We deal with companies where basically the farmer loses ownership when it hits the pit, and then it's our responsibility. We make sure the company we're selling to has a letter of credit in our institution, so that we're not going to be hung with it. The farmer gets 80% at unload and 20% when it unloads at the other end.

If people want to deal with us, fine. If a different company wants to be bonded and people deal with them, that's fine too.

Continually we see...a few years ago there were producers with chick peas—a high-priced crop—who could have dealt locally with us or with a plant in Frontier. Some of them went down and sold to a plant in Kansas they'd never heard of, because they were offering four cents more. So the product gets there, and they gyp them on the sizing of it and the payment. Then the producers come back crying to us. That's their decision; I shouldn't have to pay for it.

• (1145)

**Hon. Wayne Easter:** Leave that to the potato industry, son.

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

**The Chair:** Vicki.

**Mrs. Vicki Dutton:** What you need from the bonding system is a level playing field for the industry. Right now, I'm sure there are still people in the industry who are unbonded and operating outside the law, as we did for a number of years. There are people who are bonded, like the larger grain companies. I have no idea if the larger grain companies need to have the maximum extent of their grain in a bond. At one time, they did not. That's a question your committee would have to look at. So for the industry players, under the current system, the level playing field is not there.

The recommendations made in August, including the changes that allow us to apply to EDC to be bonded, have improved our ability. It ties up less capital, though it is an onerous process. We report monthly. Within our reporting timeframe, we are expected to be within the levels of our bond. This inhibits our ability to expand our business during peak periods. If we can't come up with more money for the bond, we are limited to it. I know the bonding this year will limit my trade.

I question whether a risk management system for farmers that inhibits business is something you would like to see as Canadian policy. The current bond requirement is fairly onerous. It's very simple to do \$7 million worth of business. It's a low margin but a high-volume business.

You want something effective: a level playing field that is efficient and simple to administer and that isn't subject to a regular audit. There's reference in this report to making the CGC accountable and liable to be sued. I would challenge that, because it would be very difficult, unless you're living in that office every day, to know exactly when somebody is over or under their bond.

So I think it's an impossible task you're giving the CGC, and any policy that requires the impossible is not good. We have been part of a committee that was a proponent for many years of the Ontario Corn Growers' Association model. It exists. This is one of the differences between western and eastern agriculture.

The Ontario Corn Growers' model is a system of insurance. You deliver to me, I fill out a form, and I buy temporary insurance until you're paid for. It's been a while since I've reviewed this model. Unfortunately, we had to give up on it because of the current round of CGC that enforced the mandatory requirements we're under now, which I disagree with.

So the Ontario Corn Growers' model is temporary insurance. There was a fee that was charged and it was accumulated. As I understand it, the money held has now gotten so large that the fees have gone down. Keep it simple: KISS. Also, it's bankable. When the farmer delivers, he knows he's going to get whatever was decided: 70%, 80%, 90%, 60%, 50%. When he delivers, he knows what the percentage is.

That's a problem. The report says that the Canadian Grain Commission, in their advertising, went to great lengths to deal with licensed and bonded people. I told I don't know how many grain commissioners that the system just didn't work. So when Naber Seed happened, it wasn't anything new to anybody in the industry. Everyone knew it was possible.

Needless to say, it's not bankable to the farmers, and the CGC cannot police it. So basically I'm in favour of the Ontario Corn Growers' model or something else. Another possibility: there is "buyer beware", but I would support risk management that's simple and effective.

The other beauty of this is that it could be extended to other commodities. There are many organic grains not covered, feed grains. It's simple.

So with regard to the part of the report that recommends taking time to find a better system, that's where I would go.

**The Chair:** Thank you.

Mr. Bellavance.

[*Translation*]

**Mr. André Bellavance (Richmond—Arthabaska, BQ):** Thank you very much for your testimony.

You are not the first witnesses to come and talk about kernel visual distinguishability. Mr. Fowler, this is an issue you have looked carefully at as an academic, and you discussed that in your introduction.

Could the system that currently operates in Ontario be used in the West without causing too many problems for producers and consumers? In Ontario, they have in fact eliminated the certification criterion of kernel visual distinguishability. Have you looked at the repercussions of that? Some say it is currently an irritant. In your opinion, would abolishing the KVD requirement be a good solution?

My question is addressed first to Mr. Fowler, but I would also like to hear from the other witnesses as well.

•(1150)

[*English*]

**Dr. Brian Fowler:** I am not all that familiar with the Ontario situation. I've worked with people from Ontario, and the plant breeders who I've been involved with, I know, are much happier with the system they have right now.

I am much more familiar with the system they have in the U.S. In fact, because of KVD, because I couldn't establish the market potential of material that was coming out of my breeding program, I have moved a lot of that to the U.S., simply because that's the only place I could establish the market potential. KVD prevented the

varieties I was producing from coming into the system in western Canada.

I have had testing in Ontario. None of my varieties has been adapted to Ontario. At least, it has never been released there. But there has never been any question as to whether farmers could grow them or not. It's completely the acceptability of a variety, any of my varieties, in Ontario and Quebec. There was more interest in Quebec than there was in Ontario, because of the extra cold hardiness. But the only questions that were asked was whether they were productive and whether they would fit the quality requirements of the local market. It had nothing to do with KVD, and that's the way it should be in western Canada.

**The Chair:** Conrad or Vicki, do you have a comment on that?

**Mr. Conrad Johnson:** Sure, I will.

Even for millers in western Canada—there aren't that many—KVD has no relevance to them. They go on falling numbers; that's where you get your baking quality. For buyers in the U.S. or other markets we go to, KVD has no relevance to them. Again, they want to buy on the physical attributes of the grain, not what it looks like. It's simply a system that's in place in western Canada that really bothers us. It's the only place in the world it's used.

It could be eliminated tomorrow I think and really not affect anyone outside of the CGC. That's my personal opinion.

**The Chair:** Vicki, do you have a short comment?

**Mrs. Vicki Dutton:** Yes, basically on the cost to farmers. It always comes down to that.

If the system isn't functioning, the farmer is the one who pays. So if the value of your grain is similar or the same...it's almost as if you age a bit and have a few wrinkles, you would be worth less under the grading system for people. So it's important. I've just heard the most convincing.... It has always been an irritant to us farmers, but when I hear scientific proof, it is even more annoying.

**The Chair:** Mr. Bellavance.

[*Translation*]

**Mr. André Bellavance:** Mr. Johnson, you raised an interesting point with respect to assistant commissioners. Based on the testimony we've heard, these commissioners can act as a counter-weight or insurance policy under the current configuration of the Canadian Wheat Board. One recommendation of the Compas Report is to abolish the role of assistant commissioners by appointing a single commissioner or CEO.

You said that it's very important to keep the current system. I would like you to expand on that. Why would it be problematic for agricultural producers if the Compas Report recommendations with respect to assistant commissioners were to be implemented?

• (1155)

[English]

**Mr. Conrad Johnson:** We didn't want to get hung up on the semantics of whatever you call a person. The current deputy commissioners were appointees. We wanted these people—basically call them field people—hired by the Grain Commission out in the field. With our producer-car sites, there are always problems. People like Donna Welke, who was assistant commissioner, were in the field all the time, face to face with these problems.

We're not adamant that you need six, but we would like to get them out of Winnipeg, out in the field, whether it's two or three. I'm not sure what that workload would be, but I think there should be those field reps out in the field. Whether you call them assistant commissioners or field reps, whatever, we don't care, but it needs someone to take some of the work that the assistant commissioners were supposed to do. We think it's important.

[Translation]

**Mr. André Bellavance:** Do you have any comment?

[English]

**Mrs. Vicki Dutton:** Obviously we support the removal of patronage appointments. Qualifying for a job and doing the job is an important part of a job description in most fields of work, and certainly in the Grain Commission. I'm not saying we haven't had some very good commissioners, but in the world of today we should be moving toward a hired position.

With the structure as we see it—the CEO that is being recommended and this advisory panel or board—I would expect it to perform tasks similar to what it has done in the past. I don't have problems with the structural changes as I see them.

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

Mr. Anderson, you have seven minutes.

**Mr. David Anderson (Cypress Hills—Grasslands, CPC):** There are a number of different directions I'd like to go, and I'm not sure I have enough time here.

Dr. Fowler, I appreciated some of your comments. When you were talking about winter wheat and spring wheat being mixed together, it reminded me that it's been done for years. Elevators have had many bushels of winter wheat delivered to them, but all of it has gone out as hard red spring wheat. So I think that confirms the point you were making about KVD not working effectively.

Another issue is HVK, the hard vitreous kernels in durum wheat that we've had an issue with for years. The third thing I understand is that brown on barley is not necessarily a negative factor either, and we've always been discounted for that as well.

I think the points have been made well this morning that we need to move away from that system.

I only have seven minutes, but could you give us the short version on how varieties are registered in Canada? Where do you run into the problem with registering your varieties?

**Dr. Brian Fowler:** To get a variety registered in western Canada it has to go through the cooperative testing system. That involves Agriculture Canada, universities, and private companies that do

testing. Lines have to be tested before they are allowed to get into the cooperative testing system to make sure they come up to the minimum standards.

So these varieties are grown across western Canada. The information accumulated is on agronomic disease and grain quality. What used to be the prairie registration recommending committee has been modified slightly in the past year, but all the interested parties who were members of that committee get together and a decision is made on whether the candidate variety will meet the standards for disease, agronomic performance, and quality.

You need to have three years of data for the test, and generally by the time it gets to that point the only candidates put forward will be the ones that have questions about quality. No breeding company is going to put forward a variety that has very poor disease resistance, because no farmer is going to buy it. It's the same thing with agronomic performance. If your variety is a dog, no farmer is going to buy it.

After it's recommended, it goes in for government approval.

**Mr. David Anderson:** At what point does KVD kick in?

**Dr. Brian Fowler:** In order for a variety to be considered for the grain quality characteristics, it has to meet the standards of KVD. If it does not meet the KVD standards, the Canadian Grain Commission will not do the necessary quality analysis on it and it will not be considered.

In the last four years there hasn't been a single winter wheat variety that has successfully gone through that system. In essence, we might just as well shut down all the winter wheat breeding programs in western Canada if the issue of KVD is not dealt with.

• (1200)

**Mr. David Anderson:** Thank you.

Con, I want to talk a little bit about inward inspection. You've suggested that it continue to be made mandatory. The report suggests that it be optional.

You deliver your grain to the elevator companies. You get a grade at the time. You accept the grade or you can appeal it if you choose to. Terminals use these inspectors to blend into cars and those kinds of things.

Where in the producer-car loading process do you feel that you need to have the CGC do a mandatory weigh-in and inspection of the grain? It's done at the coast as well when those cars are unloaded, I understand, so at what point or where do you see the CGC having a role if that's mandatory?

**Mr. Conrad Johnson:** Some of us get our samples tested inland and loaded in the producer car, but that really has no relevance to what they unload because that will switch. It's got to be unloaded at port. We're optional where we were. When you put that in, we were looking at it as a short-line business. If they're optional, it gives the larger grain companies we compete against a little more ability to blend.

In our area, some of them are offering up to ninety miles of free trucking to get the grain in there, and it's been a real detriment to our line. For now, we'd like to keep it mandatory in the current system. It's self-serving, but....

**Mr. David Anderson:** I had a concern as to whether that's good for the industry in the long run, because I know the bigger companies and terminals using it are using CGC inspectors to blend into the cars anyway. I'm just wondering about the advantages to you of inward mandatory inspection.

**Mr. Conrad Johnson:** We were looking to make sure we have that for the producer cars, and to take off the option for someone else and make it the same right across the board.

**Mr. David Anderson:** Vicki, you were talking about bonding and licensing, and you seem to think the Ontario insurance system is a very good one. My question is, how do we deal with companies who blow their bonds? I assume the insurance company would keep that from happening, but in the past we've had companies who've blown their bonds, the company folds, nobody's responsible, farmers are stuck, and CGC is not responsible. Do you have any thoughts on that or how we set up the system so that we can protect the producers? Is that insurance system going to be good enough?

**Mrs. Vicki Dutton:** When growers deliver to us, we fill out a grain receipt for them. It would immediately be entered into the system and insurance would be applied for. Failure to submit a load could create a problem, but I'm sure there would be a provision for that. So you'd be submitting your insurance. Ontario people would be better to answer this for you, but I understand they submit their list of purchases at the end of each day, and that insurance is flexed every day with every load.

It could be applied to most commodities. The industry is changing. We're producing many different commodities. For example, canary seed is outside the jurisdiction of the Grain Commission. I believe they've voted to keep it that way. So products are grown outside the bonding restrictions. You would never have a situation where you'd be outside because you'd constantly be reporting it.

The problem with the bond right now is your volumes are changing on any given day, so the necessity of staying within your bond is an exercise of restraint and compliance. You have to make sure you're within it.

**Mr. David Anderson:** Those insurance premiums are low enough that there's a considerable difference between those and the cost to you of the bond. For example, I've insured purebred animals, and you're paying 10% premium on the insurance. Is there enough of a difference?

• (1205)

**Mrs. Vicki Dutton:** In the Ontario model, the insurance cost started out almost up to 2% higher, I believe. Of course, you're insuring a larger volume. Also, in the current scenario with the Canadian Wheat Board, a lot of grain is obviously already banked by the Government of Canada, so your risks are somewhat different.

Ontario used a fund. The cost of administration was deducted, the fund built, and as the fund built up to cover, premium costs were lowered. It is a very functional, bankable system and simple to

administer. So the case of blowing your bond or being over it, as we've seen with Naber Seed, no longer applies.

**Mr. David Anderson:** Okay.

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

Mr. Atamanenko, seven minutes, please.

**Mr. Alex Atamanenko (British Columbia Southern Interior, NDP):** Thank you very much for being here.

Like most people here, I have lots of questions. I don't know if we'll get them in, in seven minutes, so I hope I'll get you to give really good, quick answers.

The first question is a little philosophical, but I'd like to get an answer from each of you.

When looking at the report, some individuals and organizations have questioned the fact that this takes away some of the protection the primary producer has had under the old act, and I'd like to get your feelings. In other words, maybe it's weighted a little more to other steps in the chain, other industry representatives, and I'd like a quick answer from each of you before we continue.

Mr. Johnson.

**Mr. Conrad Johnson:** As primary producers, and with our railway, the thing that affects us most is the grading. As long as we have KVD, it takes a lot of options away. It's a hidden cost, a lack of opportunity. We just have to get rid of it.

**Mr. Alex Atamanenko:** I'm going to pursue that one also. Could you do that?

**Mrs. Vicki Dutton:** I won't say any more on that.

In terms of security, there's a false sense of security that the farmers have had, in terms of what they were covered for. From what I see in this revision, the farmer ultimately is affected by every cost you put on him. If it's inefficient.... Like in the case of grading, that's probably where the most costs are to the farmer, because what happens is sometimes when you ship inland, it grades one thing, and when you ship at the coast, it grades another.

**Mr. Alex Atamanenko:** Dr. Fowler, could I pursue that with Ms. Dutton?

You mentioned improper grading, different grading, no consistency. How do we get a solution to this, and what would you suggest?

**Mrs. Vicki Dutton:** The arbitration committees I think are immediate and effective, and they perhaps remove it from what appears to be the hallowed halls of the Grain Commission, which we aren't always able to penetrate.

Just this fall I had a difference in grading with some cars that were graded inland by SGS, and when they got to the coast they graded lower. I'm sure there isn't an elevator agent around who couldn't tell you thousands of those stories.

**Mr. Alex Atamanenko:** Thank you.

Could we move on then, Dr. Fowler?

**Dr. Brian Fowler:** Well, I haven't gone through the whole report here, and I deal with plant breeding and the farm and the implications involved in the marketing system in that regard. I don't think you want to get me started on that.

**Mr. Alex Atamanenko:** Okay.

Let's move on to KVD. I'd like to get a handle on what's happening here. It's my understanding that we have this visual system. We also have a declaration. I don't quite understand how the declaration works when the grain is just delivered. Maybe I'll just throw some questions out, and I can get some answers.

According to you, Dr. Fowler, KVD interferes with markets. For example, it can interfere with the possible markets for biotechnology and feedstock. It's not useful.

My question is, why is it still in place? Maybe that's why we have a report, a commission. There are those who have stated they would like KVD to stay in place because they're not sure if there's anything better on the horizon, yet we're hearing that there's a black box technology that isn't expensive—it's seven hundred and some-odd dollars a month to rent. I'm not sure how it works, but it seems logical that if there is a technology, we could use it. If that's the case, why hasn't it been put in place before?

We're the only ones in the world to identify the quality type by KVD.

What's the solution? I'm hearing a bit. I'd like to start with you, Dr. Fowler. Exactly what do we have to do to make this system better, if in fact KVD is not working?

• (1210)

**Dr. Brian Fowler:** I think the first question you have to ask and the first answers you have to get are that there has to be some real evidence that KVD works within the system.

The fact that the Canadian Grain Commission inspectors will not tell me whether my lines will meet the KVD standards unless they have a control variety that has been grown in the same place so that they can make direct comparisons tells you that if you as a farmer were to bring your variety in to deliver that doesn't have that check in place, they can't use the KVD to identify the variety.

The only reason for KVD is to identify varieties that will fit into the quality package that the Canadian Wheat Board is marketing. But there are things other than the genetic makeup of the variety. Environment is a very, very big factor, and environment has a very, very strong influence on the expression of the KVD characters. So if environment is affecting the expression of these characters, then as

you move from one environment to another, you're going to see different shapes and sizes.

If you take a sample of grain from southern Alberta in a good year and then another sample of the same variety that is grown in northeastern Saskatchewan when they have high moisture conditions and a drought, you would not even recognize it as being the same variety. Yet we're using that system to identify varieties that are eligible for different quality types that we're marketing.

So the first question that has to be asked is, does that system work? There has to be some proof. We cannot go on the assumption that it works, because nobody has ever provided any evidence. It has been around for eighty years. Has it ever been looked at in the last eighty years to establish whether it's actually working?

The next issue is whether it actually prevents dishonest people—we won't call them farmers, but people who want to be dishonest—from delivering into the system? Grain handlers are handling the grain, and they can do the same thing.

We have lots of instances where winter wheat—as mentioned earlier—has been blended in with spring wheat on the farm, in the grain handling system, and it's going out as spring wheat mostly, because that's where the extra price is.

There was a time when we had contracts with countries like China allowing us to deliver either 3CW hard red spring wheat or winter wheat into that contract. They're priced about the same, so it probably didn't make any difference.

But if an official inspector cannot tell the difference between a mixture of hard red spring wheat and winter wheat—they will not allow us to release those varieties—if they cannot tell the difference between that and spring wheat, then how on earth can one argue that the system is working out in the field? Anybody could mix.

**Mr. Alex Atamanenko:** Can the black box tell the difference?

**Dr. Brian Fowler:** I'm not familiar with this black box, but the important thing with the black box is that you have to start measuring the quality components, the things the customer actually wants, not the things that are completely unrelated. If you start measuring the quality as it comes in, then the effect of environment is eliminated. If you get a year in which you have sprouting and you're measuring falling number, that will tell you right away whether you have a grain that has high alpha amylase content and is going to give you problems in the bakery. It doesn't matter what shape the kernel is.

Concerning protein concentration, we went through that in western Canada; it was a battle for years and years before protein concentration was brought in as a measurement of quality. The same thing is going on with KVD. The resistance from the people who are in the position of authority right now is exactly the same. They won't even talk about it.

**Mrs. Vicki Dutton:** I'll just add something quickly.

Farmer declarations are fairly easily done in the industry. There is a maturity that's approaching our industry, resulting in farms increasing in size exponentially every year—out of necessity, I might add. But there is also provision in the thing for fines. If indeed you make a false declaration, there is a fine. I think expecting farmers to declare is possible; it's doable.

**Dr. Brian Fowler:** The Australians use it all the time. Everybody in the world uses it.

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

Mr. Boshcoff, five minutes, please.

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

Mr. Johnson, you mentioned something quite interesting, that people who buy the product get quality they don't pay for. Of course, when we're talking about growing unwanted crops because their physical attributes aren't a marketable thing, and the phasing out of the visual components, the question becomes, should we be reducing our quality or our levels of inspection? Can you address that? It is a pretty dynamic statement, I guess.

• (1215)

**Mr. Conrad Johnson:** Again I'll go back to the myth that if you go away from varieties falling within KVD, you're going away from quality. You're not; you're just changing the grading system. As close to the border as we are...I have brothers who farm in the States, and they don't sell under the KVD system, but I'll assure you they grow the same quality of wheat, as good as anything that's grown in Canada. Changing the system doesn't mean we're going to grow less quality. It's just a different grading system, so that we can match what buyers want with what we grow.

I'm sure Mr. Fowler will tell you there are winter wheat varieties he hasn't been able to release in Canada that are grown in the States and that will outyield ours. He can tell you about spring wheat varieties in the States that I know outyield ours by 30% to 40% consistently. It doesn't mean they're not of as good a quality, but that they're matching varieties to what the buyers want.

**Mr. Ken Boshcoff:** When you talked about more grain going to rail, was that as an alternative to trucking it, or did you mean more would be produced because we would have more markets?

**Mr. Conrad Johnson:** When speaking of grain to rail versus trucking, I'm talking about our geographical area. If you ever want to see roads you can't ride a saddle horse down, come to southwest Saskatchewan; they're horrible. Yet the inland terminals, because they can make so much money with elevation and getting the board grains in the door, make deals to truck it to the mainland. If they want to do business like that, it's good; it's competitive. With this change, I meant to put more grain on rail on our short line.

**Mr. Ken Boshcoff:** When you talked about the thousands of incidents of improper grading, what kind of percentage is that and what percentage error of samples? How frequent would it be? Is it every third inspection? Can you give us a ballpark about what it means? When you talked about your \$300,000 loss because someone was out to lunch, that's a separate category. If we have professional graders, what is the professional error? Are they like a baseball player batting .258?

**Mrs. Vicki Dutton:** Basically, grading is a human function. It's a visual function. You throw a sample on a desk and you have a set of parameters that the Grain Commission comes up with annually that you compare your grades to. Obviously in a year like this, when the quality is very good, there is very little in the way of parameters, because there's no variation. In a year when quality is bad, what marks a number two and marks a number three can be simply somebody's idea.

The differences often occur between Saskatoon, or the inland graders, who are probably more familiar with numbers and maybe a little more sympathetic, and they get used to looking at it... What happens in most cases is that when that product gets to the coast, Vancouver grades it lower. It gets kicked back, and then the process is for rechecking to Winnipeg. At this point I don't know what the reference point is to Saskatoon, but I think the big difference is there.

As for a percentage of cases when it happens, I can't state one. Obviously in a poor-quality year it happens more often; in a high-quality year it happens less. There is now imaging technology that will take out the human error.

But I think the big point here is not how much it happens; it's how the problem is dealt with when it happens. The best thing I see in this committee is the ability—which has escaped us—to deal with that problem more effectively, in an expedient and quick manner.

**Mr. Ken Boshcoff:** Is there a difference between the ports of Vancouver, Churchill, Thunder Bay, or Montreal in terms of frequency or margins of error?

• (1220)

**Mrs. Vicki Dutton:** Most of my shipments to Montreal are in containers. Most of my shipments to Thunder Bay are feed. I could only comment on Vancouver.

**Mr. Ken Boshcoff:** Thank you.

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

Mr. Bezan, you have five minutes, please.

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

I definitely enjoyed your presentations and appreciate the comments you've made.

The thing I want further comment on is this. One of the witnesses we had earlier from the Canada Seed Trade Association said that the Grain Commission and the regulations we have in place today have cost prairie farmers over \$200 million. A lot of that has to do with mess-ups in grading and the KVD.

It disturbs me somewhat to know that we have a great scientist sitting in Saskatoon doing his research in the United States, that those dollars are going to the United States and the American producers are benefiting, and that we can't do that research here because of regulation. I want to get your comments on that.

As well, there is this whole issue of producer cars. There have been some claims that producer-car allocation is only possible because of the Grain Commission and Wheat Board regulations. I know, Mr. Johnson, you're doing a lot of shipments by producer cars, and I assume a lot of grain buyers who are dealing privately with farmers are doing it through producer cars and containers. I'm wondering whether that is truly the case or whether the system we have in Canada today can be improved upon.

**Dr. Brian Fowler:** In terms of our grading system and the quality we have right now, I think I would prefer to let other people's comments answer the question for me.

Before we had protein concentration as a grading factor, I heard a comment made by one of the European buyers. They sort of laugh at us, because the comment was that Canada is the only country in the world that grades on the basis of sight, taste, and touch. The rest of the world was moving toward trying to grade on the basis of the actual quality.

This attitude toward the Canadian grading system has been out there for years. This is not something new we're talking about right now. More recently—

**Mr. James Bezan:** I'm going to stop you for a minute. If you're dealing with KVD, on sight, taste, and touch, these are all very subjective sensory issues that could change from person to person.

**Dr. Brian Fowler:** Yes, that's right.

**Mr. James Bezan:** That's why we probably had problems with some of our grading disputes that happened in the system.

**Dr. Brian Fowler:** Yes, and the rest of the world is trying to move away from these problems. This is before protein concentration was being measured, so are we talking fifteen or twenty years?

More recently, I was at a meeting of the American Association of Cereal Chemists. They have these panels, and it seems that at every meeting I go to they have somebody from Australia, the United States, Canada, and in this case it was somebody from France who was talking about the marketing systems. They all presented their talks and there was a panel discussion afterward. There was a little lull in the questions, so the Australian jumped in and asked the Canadian Wheat Board representative on the panel, "How long do you think you'll have KVD in place?" Her response was, "Well, it's

going to be at least ten years before we can consider changing it." His comment was, "That's the best news I've heard at this meeting."

I think that is a much better indication of how our system is perceived than anything I can say.

**Mrs. Vicki Dutton:** One of the things I find good in the recommendations of this report is the fact that they actually recommend review and reporting, and they set timeframes on it. I think one of the failures of agricultural policy, indeed certainly in the recent history, is our failure to review when we're doing something wrong. Then when we know we're doing it wrong, we ignore it for another decade. Those costs are not affordable. I'm sure most of you are familiar with the economic statistics of the industry, and particularly in my province, they aren't that great.

Wheat is generic. I could throw you twenty samples of wheat here and challenge you, and probably even Brian, to pick them apart, and you couldn't tell one from the other.

**The Chair:** Mr. Johnson, on the second portion of Mr. Bezan's question, would you like him to read it back to you again?

**Mr. Conrad Johnson:** No, no, I've heard it.

• (1225)

**The Chair:** Good, because he probably couldn't.

**Mr. Conrad Johnson:** Given the atmosphere in the industry, I've heard it quite a bit lately.

As far as the CGC and producer cars, they administer them and get them out. There's an individual called Barry Daciw at the Grain Commission who handles the producer cars. I've never met him except over the phone. He's an amazing individual. How he makes sense of that whole thing, I'm not sure, but he does an excellent job. I can't see that changing, if the role changes.

We do ship a lot of cars off our line that aren't producer cars. Even our little plant does between 200 and 250 pea cars a year. We have no trouble getting them; they're probably easier to get than the producer cars. We have other sites on our line that do only pulses and they have no problems.

I guess the problem with this whole producer car thing is that you can have all the cars you want, but if you're doing board grains and you have no orders, it doesn't matter. If things change there, it doesn't mean the cars will go away. We still have the same amount of cars. We deliver 100 cars at a time to Assiniboia; CP likes to hook and haul.

Simply because things change, it doesn't mean they'll be worse. I think we can make them better. I'm not concerned at all.

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

Mr. Easter, five minutes.

**Hon. Wayne Easter:** To Vicki first, you kind of indicated earlier that you like the contracting out. We've had others very, very strongly opposed to contracting out. Why do you take the position you do?

**Mrs. Vicki Dutton:** We deal every day with a non-CGC grader, with SGS. They follow the Canada Grain Act standards. Indeed, we've conducted our business...because if you're not licensed and bonded, you cannot access CGC grades. SGS is a world-recognized grading house. Indeed, they may be one; there may be others.

I think the importance of doing a job is not who does it; it's that the parameters for doing the job are set and controlled. That would be the role of the Grain Commission, whether it be their inspectors or whether it be the contractor's.

There are instances where people may perform better under the private sector than the public.

**Hon. Wayne Easter:** I want to come back to the whole issue of mandate and governance structure, which is the key question. We've heard from Mr. Johnson.

I think you may be talking about somewhat close to the current system but with some changes, but not going to exactly what's recommended in the report. Do you want to run that by us again? That is a controversial area in terms of the makeup of the Canadian Grain Commission, itself. You'd certainly get no disagreement from me in terms of the need to have people who are actually working the ground, as the assistant commissioners do.

**Mr. Conrad Johnson:** We definitely don't want them appointed. We want them hired.

Again, we're not hung up on the semantics of calling them assistant commissioners. We just want to make sure someone with some title is in the field working with day-to-day problems that occur on the prairies, and not back in Winnipeg.

**Hon. Wayne Easter:** I think there's a lot of good information here. The only other thing I had, Mr. Chair, is I would like someone to find out about the Ontario Corn Growers' model that Vicki talked about. Perhaps the researchers could look into that.

Where would we go to find information on the black box technology? I mean, it is 2006. We have to utilize the technologies that are available to us. I'm wondering if there is a direct discrepancy in cost between what Conrad said and what Alex said earlier.

What was the cost that this could be rented for, Conrad?

**Mr. Conrad Johnson:** It's DuPont technology. They demonstrated it at our wheat growers convention. They will lease that for \$750 a month.

It's not huge. It's two feet by two feet by two feet.

**Hon. Wayne Easter:** So it's like with a regular grain sample. You dump a sample in and it comes up with the falling numbers or whatever.

**Mr. Conrad Johnson:** I forget. There are six or seven different...

**Hon. Wayne Easter:** We need to get a handle on that, because I think that would overcome some of the concerns that Dr. Fowler is talking about—correct?—in terms of opening up opportunities for other characteristics and other uses. And that, along with a statutory

declaration, would certainly I think give the safety check in terms of assuring the quality that we say is there into a foreign market.

• (1230)

**Dr. Brian Fowler:** There are a number of issues here in terms of the quality. You said earlier that we have the best wheat in the world. Well, I think that statement can certainly be challenged, because the Australians would have every right to claim that right now. I think it depends an awful lot on whether you're talking about something that goes out by a boat load or something that's going out on a smaller volume.

One of the big problems we have in western Canada is that we have no way of dealing with the smaller volumes. Certainly this type of technology—and I have not seen it—would allow us to be able to solve both problems. We could maintain the type of quality that we need in this mass shipment, and it would also allow us to get into some of the niche markets, and that's where all your big markets start.

**Hon. Wayne Easter:** How about if we said we had the best grain breeders in the world? Would that work?

**Dr. Brian Fowler:** Well, right now—you stopped me—there is a major discrepancy. In terms of being best, you have to have resources, and the Australians have about ten times the resources we have. So we're a long way behind.

**Hon. Wayne Easter:** Tell these guys that. Tell them we need resources.

**The Chair:** When did those cuts start, Dr. Fowler? We won't get into that.

**Dr. Brian Fowler:** They started twenty years ago.

**The Chair:** There you go.

Mr. Roy, five minutes, please.

[Translation]

**Mr. Jean-Yves Roy (Haute-Gaspésie—La Mitis—Matane—Matapédia, BQ):** Thank you, Mr. Chairman.

I have one question. However, I would like to come back to the bonding system you spoke of, Ms. Dutton. I want to be sure I understand.

The purpose of the bonding system is to protect producers and ensure that the companies buying the grain are creditworthy and capable of paying the producer. That is the purpose of the bonding system.

You say that the companies producers sell to have no bonding system. In my opinion, the issue is really that we have a free market system. A producer is aware of the risk he runs if he sells to a business that is not necessarily bonded.

However, you talked about an insurance system and of the some 2% in investments that would represent, as opposed to setting money aside to be bonded, as is currently being asked of you.

Are you talking about a private or public insurance system? The two systems are quite different. Under a private insurance system, the costs go up considerably when there is even one accident. When costs go up, the person at the bottom—namely, the producer—is the one that ends up paying them. Even if the company pays some of them, it's clear that most of the costs will be passed on to the producer. They can't be passed on to the buyer, because it's a question of staying competitive. So there is an issue there, if you're talking about private insurance.

So, I would like you, on behalf of your company, to present your personal vision of how this could work—in other words, what you would like in the way of a bonding system.

[English]

**Mrs. Vicki Dutton:** Thank you for your question.

Previously there was an option for a grower to deliver to an unlicensed company at their own risk, and some people recommend that this indeed be part of the new system. Right now the risk insurance for a farmer is covered by a system of bonds. This means that I have to have, in any given month, enough of a bond held in place to cover the liabilities I incur during that month. To assume that there's a difference in cost between risk and bond is not accurate, because you're still covering the percentage of sales. The only time that's different is when a client is over his bond; then they're not covered for whatever percentage is exposed, and not covered by perhaps not reporting accurately or by whatever system is being bought by non-licensed companies.

With the insurance, I really think we shouldn't focus on what the number or the percentage is, because it will vary. It probably will vary per client. It can be a public insurance or it can be a private insurance. Right now we operate under our export insurance. We use EDC to insure our outgoing exports. We use that as a method to protect our investments. So indeed, upon delivery, the farmer would then be insuring his product during that time.

I find there's a very disjointed understanding of the costs. When I talk to farmers, they tell me they won't pay for insurance for their grain. What they don't realize is that the cost is in the equation, whether I pay it for them, they pay it on their own behalf, or there's some type of cost-sharing.

I think the point you made that is important to focus on is that during the initial stages of any program, there will be an outstanding liability. There won't be a big enough fund, and perhaps the insurance won't be willing to take on the enormous amount of risk that perhaps could be involved. It then would be the role of government to pick up the slack in the terms of overexposure at the time, and to protect and to keep the royalties or the premiums at a lower level.

It's also important to realize that if we are going through humongous changes in our industry.... For instance, in terms of the ethanol and biodiesel component that we're seeing reflected in the study, we're looking at 25% less wheat going out of the country and some 30% less canola. And that's just talking about Canadian statistics; it's not talking about how much is going to happen when we get pressure from the U.S. because they need our grain more. There are some people who feel that our trade will become more north and south than indeed export-oriented.

It's important to ask, if we also look at the Canadian Wheat Board and the changes that may happen, what is the most bankable and simple system?

• (1235)

[Translation]

**Mr. Jean-Yves Roy:** As of now, has no real assessment been made? Have none of the companies working in your area assessed the bonding system?

[English]

**Mrs. Vicki Dutton:** Okay.

There were some major studies done. I think the most proof in the pudding that this can operate is the case of Ontario; it's the system they use. It's not only used in Ontario; it's used in many jurisdictions in the U.S.

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

Mr. Gourde.

[Translation]

**Mr. Jacques Gourde (Lotbinière—Chutes-de-la-Chaudière, CPC):** Good afternoon.

In my former life, I was a grain producer and buyer. I'd like to draw a parallel with Quebec. As far as grading is concerned, the Régie des marchés agricoles et alimentaires du Québec is responsible for training graders, who are accountable for their decisions. The producers themselves can register with the Régie and become graders.

As well, again in Quebec, every time someone sells grain, he is responsible for that grain. The buyer can always refuse the grain if his grader grades it differently from the sellers. For example, if I'm selling No. 2 corn, I have to provide the weight and the grade. If my buyer determines it to be a different grade—supposing it's No. 3 corn, then an independent grader must automatically proceed with a third grading assessment. Then, if they still don't agree, the case is submitted to the Régie. It is very rare for this sort of thing to happen. Only 3% of gradings are submitted to a third grader, and about 0.8% of gradings are submitted to the Régie. This is a system that makes it possible to resolve a lot of problems in a number of markets.

We're from the East, but we have noted that in Western Canada, that is not at all the way the system works. We have trouble understanding your issues, because we work a different way, which may be closer to the way the Americans work, since we buy a lot of American corn.

In fact, our grading is based on the specific weight, the humidity, and the broken grain in the shipment. In terms of proteins and so on, the grading is done with grain orders called “identity preserved grain”.

I'm trying to draw a parallel between what happens in the West, and your way of grading grains, which is causing us problems. Indeed, it seems that in Western Canada, grain is not graded the same way it is on the world market. You export your grain around the globe, but your grading system does not seem to be internationally recognized. The other countries may have evolved and have moved now to a global system with respect to grain and grading. Or is it because here in Canada, and specifically Western Canada, we haven't gone along with that trend and have thus inhibited developments in that regard?

•(1240)

[English]

**Mrs. Vicki Dutton:** You mentioned that growers have to provide a grade for their product upon delivery. Is that what you said?

[Translation]

**Mr. Jacques Gourde:** A producer can decide not to grade his grain, but he must accept the grading determined by the first buyer. However, if he wants to challenge the buyer's grading, he can always grade his own grain.

Graders are all trained by the Régie des marchés agricoles et alimentaires du Québec and are accountable for their decisions. If it were to happen repeatedly that a grader improperly graded the grain, he would have to take the course again, because otherwise he could lose his certification and perhaps even be prosecuted, if there is a belief that he was dishonest in establishing the grading. That's why it is extremely rare for grain to be improperly graded. It is graded two or three times, and in 97% of cases, the result is the same each time.

[English]

**Mrs. Vicki Dutton:** There are differences, I believe, in accountability. At the moment it is very difficult to find accountability. In saying that, I think one of the big differences between your market and ours is that we're shipping, as a rule, large volumes of grain, especially in the case of wheat, where a farmer may deliver 40 tonnes that becomes part of a 40,000-tonne shipment once it hits Vancouver. That's probably where you're ending up with the most costs.

As far as the process you initiate between the grower and the elevator is concerned, probably the only difference is that there is a grade dispute mechanism that's not often employed. I don't think we should knock the Grain Commission's success in providing Canada with a very reputable product. Don't ever go saying that we do not have a world-recognized system. If in any way you got that message, it would be erroneous. We have very well-represented grading standards, from my knowledge.

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

Dr. Fowler.

**Dr. Brian Fowler:** There is one more level of grading in this whole process. That grain—because 70%-plus of our wheat is exported into the international market—is also graded when the international buyer purchases the grain, and if it doesn't come up to

the standards that they feel it should in terms of what they purchased, then they don't have to accept the delivery. There are often penalties associated, and those penalties go right back to the farmer in terms of the pool.

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

Mr. Atamanenko, do you have any follow-up? I'll give you a couple of minutes.

**Mr. Alex Atamanenko:** I have a quick question and hopefully there will be a quick answer.

On KVD, once again, Canada has it and the United States doesn't. Am I correct?

**Dr. Brian Fowler:** Western Canada.

**Mr. Alex Atamanenko:** What is the difference between a farmer who takes his grain in his truck from his farm in Canada and the one in the United States? What is the difference as he or she moves up in the grading process? How do the systems differ? Obviously, the quality of wheat is good there too.

**Dr. Brian Fowler:** The systems are quite different, but one major difference is there is no KVD at all in the U.S. system. My experience with the U.S. system—and I think maybe others can comment as well—is they focus more on the actual quality factors that are important to the product they're buying.

**Mr. Alex Atamanenko:** Would you like to comment on that?

**Mrs. Vicki Dutton:** I have just one specific example, and Conrad maybe is the person to comment. When the Canadian wheat was grading number three and receiving a very low price, that same product could go across the border and be sold into the U.S. system at a higher value.

**Mr. Conrad Johnson:** One of the biggest differences between the two is the varieties they're able to develop and grow versus ours. That's where they're beating us now, and the spread is getting further and further apart.

**Mr. Alex Atamanenko:** What about the process? When an American farmer takes his grain, how does the grading happen if there's no KVD? What happens?

**Dr. Brian Fowler:** Maybe you should comment on that, Conrad.

**Mr. Conrad Johnson:** At my brother's farm west of Havre, Montana, they'll take composite samples of their grain and that grain will go to a terminal and it will probably end up in the state grain lab in Great Falls, Montana. They'll get a printout sheet that lists protein, falling numbers, etc. You can go up to six or seven factors on there. That's just like a bible. That's what you'll take to the companies to market your grain.

•(1245)

**Mr. Alex Atamanenko:** Is the implication that we can learn from this system?

**Mr. Conrad Johnson:** When I've asked the Grain Commission about it, they say they're developing the technology. When all these problems, trade disputes, started in 1992, the U.S. had the technology there. We talk about the black box technology. Go to any grain terminal in Montana and you'll see it. A lot of them will have a lot of dust on them because they've been there for years. It's not like it's new.

**Mrs. Vicki Dutton:** It's performance-based.

**Mr. Alex Atamanenko:** So would Australia fit in the same...from your experience or knowledge?

Thank you.

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

Just following up on Mr. Atamanenko's question and your responses, do you have any idea of the negative economic impact on western Canada because of the KVD system? You were saying we're getting very little for number three here, yet you go across the border and it's considered the finest milling, and we end up with a trade challenge. Can anybody put any numbers to that—the negative economic impact? Are there any studies you can point us to that you're aware of?

**Dr. Brian Fowler:** There have certainly been studies, but I'm not the one to comment on that. There have been economists who have looked at this and they have come to vastly different conclusions.

The problem, as I see it, right now with KVD is quite a bit separate from the quality issue itself. With KVD we're trying to use a system of visual distinguishability to put a measure on characteristics that are completely unrelated to the look, the smell, and the taste of the grain. There are environmental factors that come into play, as I said before. If you go through the system from an historical standpoint, when we had little elevators all across western Canada and we were shipping carload lots to Vancouver and they were all being dumped into a boat, then everything came out pretty uniform. So you're essentially selling one product. To millers and bakers, especially international ones, it's uniformity that is the thing they want, and they still want, but that's not the situation anymore. We have unit trains going in and they're collecting from the area, and we also would like to get into some of these niche markets. A farmer in the U.S. can set up their own milling operation and they can start selling from that. That can't happen in Canada to the same extent, because they would have to operate through the restrictions of the Canadian Wheat Board.

**The Chair:** Hot darn, there's a private member's bill that will address that.

Mr. Thibault, shoot.

**Hon. Robert Thibault (West Nova, Lib.):** It seems logical to have a science-based grading system, as opposed to an objective one, that permits a better response to the market. To me, that seems logical.

As a man who hasn't followed this for the last fifty years, I'd like to ask why we still have KVD. Who benefits from having a KVD system?

**Dr. Brian Fowler:** As I mentioned before, when it came to moving protein concentration into the grading system in western Canada, there was a real struggle. It took years to bring it in. The

Canadian Grain Commission was very cautious in their movement. This is part of the problem—there is extreme caution. This is an institution that's afraid to change.

Winter wheat is a very small component. I have gone to them numerous times and told them to experiment in this area. If you make a mistake with winter wheat on 500,000 acres, you are not going to suffer the same loss as you would with hard red spring, which is on 16 million acres. Also, you don't have an international reputation on the line. But it's like talking to a brick wall, and this is where the problem is.

One of the recommendations in this review, which I think is important, is that there needs to be more communication with the people who have an interest in the question. What little communication that's occurred has been shouting matches.

**Hon. Robert Thibault:** So it's the commission that's resisting, rather than the producers or the buyers.

**Dr. Brian Fowler:** Some buyers would like to leave things the way they are. The millers are happy with the system, because they are benefiting. You don't have to think.

**Mr. David Anderson:** Nobody seems to know what KVD is costing. Somebody the other day suggested \$200 million. But we now have wheat with less disease resistance, and Conrad is talking about 40% less yield. It has to be significant, and we need to acknowledge it.

With respect to statutory declarations, a couple of years ago the Grain Commission and others tried to force the varietal eligibility registrations on farmers. This was rejected. How do we protect producers? In this kind of system, I deliver my grain and I declare what it is.

Do you have any thoughts on how we can protect producers in this system once they've delivered? Others may not be as interested in protecting them as we are. Do you think they need further protection? They make the declaration and deliver the grain. Is there any conflict there?

•(1250)

**Mrs. Vicki Dutton:** One of the issues of declaration goes back to the Canada Seeds Act. Under it, you can't name a variety unless it's certified. That's one of the changes that would have to happen. Under the Seeds Act, you cannot name a pedigree variety as its own, or even say it's anything like that, if you're representing it. I don't know the implications of the overlaps in this case.

As for farmers knowing what they grow and making the declaration, I can't speak for the wheat buyers, but most of the people know what they're growing. However, if they're buying brown bag seed and they're buying it from their neighbour, there might be implications. For example, someone might say he was sold Elsa and bought it from his neighbour, when it was actually Grandin wheat, or one of Dr. Fowler's winter wheat varieties. This happens.

Certainly, a little more money in the agricultural sector would allow them to have access to certified seed more often, which would enable this to work much better.

**Dr. Brian Fowler:** I'd like to correct that.

Within the Canadian Wheat Board you can use variety names. They buy on variety names right now, and it doesn't have to be certified seed. Only Warburtons does that.

In respect of misrepresentation, I think the answer to your question is in Australia. I asked the Australians this question, and they talked about possible problems with an affidavit system. They said problems arise occasionally, but they've been able to deal with them. Rather than try to reinvent the wheel, as we do all the time in this country, it would be worth our while to go and take a look at some of the systems that are working in other countries.

**Mr. Conrad Johnson:** With Navigator and Snowbird, there are varieties within the system that we see in declarations, and we keep them separate. It's not a problem.

We sat at a table with an official from the Australian Wheat Board and talked about statutory declarations. He said the enforcement doesn't come from the agency itself but from the farmers. If a neighbour tries to sneak a load in and screws up a whole silo of grain, usually the neighbours will take him out behind the woodshed and discuss it with him. It doesn't usually happen again.

**Mr. David Anderson:** I have one other question.

**The Chair:** Very quickly.

**Mr. David Anderson:** Dr. Fowler mentioned that the Wheat Board suggested it would be ten years before they'd be able to move away from this. I'd be interested in knowing how big a factor our current marketing structure and agency are in maintaining KVD. You've talked about the CGC's role in this. How big a factor is the board?

**Dr. Brian Fowler:** There's a real grey area when you starting talking about the difference between the board and the Canadian Grain Commission, because they're dealing with one another all the time. To answer your question, the board is the reason we have KVD—if that was the question.

**The Chair:** Thank you.

Mr. Bellavance, do you have a quick point?

This will be the last word.

[*Translation*]

**Mr. André Bellavance:** Gerry, that isn't a question; it was more of a suggestion. We've been talking quite a bit about the cost of KVD, but without really having an exact assessment of those costs.

David talked about a particular evaluation. Couldn't we ask our researchers to look at this and try to provide us with some

assessment, even if it's not perfectly accurate? That way, we would at least have as close an idea as possible of how much this could cost producers?

[*English*]

**The Chair:** Are you talking about the seed sector, as Dr. Fowler did, and our losing out there, as well as about the marketing side? Do you want it overall, or are you talking strictly about the marketing grading?

[*Translation*]

**Mr. André Bellavance:** In my opinion, it would be a good idea to do it for the whole thing.

[*English*]

**The Chair:** The whole thing? Okay.

He thanks you for the homework. Great.

Dr. Fowler.

**Dr. Brian Fowler:** You should also get some information on whether it actually works. I would submit that you could get rid of it completely, and even if it saved you five cents, you're going to be further ahead. You have to go through the whole system. There's a domino effect that occurs here, and to try to get a number on it is very difficult. But it's not being used to any purpose right now, so why the hell keep it?

• (1255)

**The Chair:** It's only used in western Canada.

**Dr. Brian Fowler:** It's only used in western Canada.

**The Chair:** Thank you so much to the presenters and the questioners.

Just hang on, folks. The meeting will suspend for a bit. We'll go in camera to discuss our calendar. Does everybody have a copy of it now? We have a bit of housekeeping to do.

I would ask everybody else to vacate the room. We'll do that, and then we'll be on to the rest of our duties.

Thank you so much again, folks.

[*Proceedings continue in camera*]

• (1255)

(Pause)

• (1300)

**The Chair:** This meeting is back in session again. Let's start it off with a discussion about the witnesses we've heard to date on the CGC report, the Compas report, and so on. I will instruct the researchers and the clerk to give us a rough draft of a report for us during the break week.

They will have it in our hands Monday or Tuesday of the week following, and then we can add to the end of one meeting to discuss what we like, what we don't like, and so on. Unless you want a specific meeting on that report, we'll maybe catch it at the end of the Tuesday or the Wednesday meeting and just discuss it quickly. If we feel we need a full meeting on that, then we'll work one into the system. Is that reasonable?

Yes, Mr. Easter.

**Hon. Wayne Easter:** I can't imagine we won't need a full meeting, Mr. Chair. We'll see what the researchers have to say, but there were a lot of good witnesses.

**The Chair:** Have we held enough? Do we need more meetings?

**Hon. Wayne Easter:** I really think we should have heard from some people who do the work on the ground, who actually do the grading. Donna Welke was an assistant commissioner, and there was Bob Douglas, I believe. It would have been useful to have them. I thought we called them in, but I don't know.

In any event, that's the only thing I have to say. I don't think we've heard from those on the practical side, on the ground, enough yet, but let's go with what we have here.

**The Chair:** All right. Let's have a look at the rough draft and then decide. If we want to carry on, we can. Fair enough? Good.

The next thing is that we have copies in both official languages of the Charlton email. We had agreed to do that at the last meeting, and we're basically on hold because she's not available until the 13th. Mr. Easter said that was okay, that he could work with that. So this is just for your information.

Now we're onto Mr. Atamanenko's motion. Do you want to speak to that, Alex?

**Mr. Alex Atamanenko:** Yes. As you can see, it's an examination of the various links in the food chain, of the profits, and of how much is being made. I think it's timely to do that, because we're in the process of reviewing and studying a long-term policy.

This is a general motion. We can look at the specifics, in fact. We can decide who to pull in to have a look. But I think in light of the crisis in agriculture and the primary producer, it's important to start examining this. That's what the motion is about.

**The Chair:** You're just talking production and processing, not wholesale and retail, not the other end?

**Mr. Alex Atamanenko:** Probably if we wanted to include processing, we could, but this is about how it's...

**The Chair:** Okay, so you have the motion there now, and you're suggesting we take this on in November as part of...

**Mr. Alex Atamanenko:** Yes.

**The Chair:** All right.

Mr. Thibault, you have a comment on the agenda.

**Hon. Robert Thibault:** We went earlier. I don't disagree that this is valuable work, but earlier we looked together at what we wanted to study and tried to get the list in our schedule going.

It seems to me it's only logical that we only jump from that schedule in an emergency situation, if we missed something that was very important. For instance, if a BSE crisis just started, then you'd have something absolutely urgent and you would have to jump.

When I look at this, I think it's a valuable point, but this is a year's study. It's almost impossible to do this without looking at the retail, the distribution, the wholesale, the whole thing. It's very involved by the time we do that, and my only concern is where it goes.

I'm very interested in looking at this farm income problem and the CAIS program and improvements to it. All of these things to me are quite relevant. If we put this ahead of that, I don't think we'll get any of it finished by the end of the year.

• (1305)

**The Chair:** The clerk is just reminding me, too, that on our calendar, where we have all of November mapped out, under the first Tuesday we do have one heading "Concentration in the agri-food wholesale/retail sectors". That was a point somebody brought up, and that's the other end of your study, Alex.

And I don't disagree with you, Mr. Thibault.

Mr. Anderson, go ahead, please.

**Mr. David Anderson:** I don't think we would have a major problem with doing something along these lines, but I would agree with Mr. Thibault. I think the steering committee has given us the agenda for a couple of months.

We have a couple of meetings in December if Alex wanted to try to slot this in there. But I agree with you, this is a huge subject, and how long are we going to spend at it? The CGC review has taken four or six of our meetings now. How many meetings do we want to put into this, and how much work are we going to commit to it? It's actually not time-sensitive anyway. It may be something that we focus on in the spring.

**The Chair:** Could we have Mr. Bellavance and then Mr. Miller?

[Translation]

**Mr. André Bellavance:** Yes, that is sort of what I was going to say. It's really a question of scheduling, because we certainly don't disagree with the subject matter *per se*, just as we agree on the other motions Alex has tabled.

We could have talked about this when we did our scheduling at the beginning of the session. I'm also wondering when we might be able to deal with a subject like this, which is super important, and there must surely be some sittings left that we could devote to dealing partly with this subject.

I don't know whether Alex is prepared to look at possible accommodations, if we go with the whole issue. On the other hand, we shouldn't forget that this is a minority government and that it may not stay in office for long.

Basically, my question has to do with the time available.

[English]

**The Chair:** It's up to you.

We'll have Mr. Miller.

**Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC):** As far as the intent of Alex's motion, I'm in full support, but what I'd like to see, Alex, is kind of a strategy, or your thoughts on how you plan to carry this out. It is a long process. I don't know whether you want to comment on it in a couple of minutes, Mr. Chairman.

**The Chair:** I'll give Alex the final word.

**Mr. Larry Miller:** It's there, but as André said, we have a hundred other things to do as well, and to fit it in...

**The Chair:** Mr. Easter.

**Hon. Wayne Easter:** I agree with the intent of the motion, but as everyone else has said, I don't know how we can fit it in at this time. I think we need to fit it in later.

We don't want to overload them, but if we could direct the Library of Parliament to come up with a preliminary paper on the changing ownership, control, and so on, basically along the lines of this, it would give us a starting point. Some of that work is already done, I know, in seeing some of Jean-Denis' work. It may not be a lot of work. We're out of here next week and out of their hair.

**The Chair:** We have them doing the other report as well.

Go ahead, Jacques.

[*Translation*]

**Mr. Jacques Gourde:** I want to commend Mr. Atamanenko because this is a good thing. Whatever government is in office, there will still be issues in the agricultural industry.

When we do our study on the future of farmers, the witnesses that appear may talk about the different links in the industry chain. We may get some answers as part of that debate. Towards the end, if it's possible—perhaps at the last meeting—we could compile that.

[*English*]

**The Chair:** Mr. Atamanenko, do you have any comments?

**Mr. Alex Atamanenko:** My reason for including the motion now is that I think it's important for us, if we think this is an important issue, to put our stamp on it, and then we can work out a schedule. Part of this could come in November and part of it could come after Christmas. As you've mentioned, in the schedule, we already have some of these people appearing. Part of their task could be to talk to us about the profits and that type of thing.

• (1310)

**The Chair:** Monsieur Roy.

[*Translation*]

**Mr. Jean-Yves Roy:** I just want to say that there is a considerable amount of material available on this. Most of the large Canadian unions in the agricultural industry have studied this issue. We have exceptionally good and recent data for all of Canada.

It seems to me that just doing a literature review would already give us a very good idea of the issues related to the ownership, control of, and profits of the various links in the chain. That has already been assessed annually in most sectors.

[*English*]

**The Chair:** Mr. Anderson.

**Mr. David Anderson:** If we're going to vote on this right now, and if the committee passes it, I'm going to need some help here on what kind of focus and what kind of time and commitment we want to put into this. We have a tight schedule.

**The Chair:** Let me take a stab at that, Mr. Anderson.

Does anybody else have any points on this?

What I'm hearing from the committee is that we want to have some background work done, an accumulation of data that's already out there, a culmination or combination of all these reports, which will be given to us as a committee. Each one of us can then start to work through that pile of data. If we have time in the December meetings that are open at this point, we will start the study. It will carry over into the winter or spring of 2007, and we'll work our way through it at that time, if that's acceptable to Alex.

Yes, André.

[*Translation*]

**Mr. André Bellavance:** I just wanted to say that I think we can get started on this, but I agree with David that at one point, the Committee may not want to look at that issue alone, because there are a number of events that may be occurring. There are some things we may not even have completed. So, I think we need a pretty precise schedule, even if that means adding sessions as we did for the Canadian Grain Commission. We don't want to devote all of our time to that issue.

[*English*]

**The Chair:** We can do that when I call the question. As the motion stands, nobody disagrees with the intent of the motion; it's how we fit it into our schedule. We will be having other strategy sessions after the Christmas break when we'll regroup. The steering committee will meet, this can go into the hopper, and we can start to work it out from that point to flesh it out.

If you would prefer to hold it in abeyance until that point, we will defeat this motion. If you accept the motion as it stands, then the background work can be done at any point, and we will try to work it in this fall.

I will call the question.

**Mr. David Anderson:** Just a minute, Mr. Chair. What did you say? If we approve it, we're doing what?

**The Chair:** I'm just going to reiterate that. I will call the question. If we accept the motion as it is tabled, we will work it into the mix as quickly as we can this fall. If you defeat the motion, Mr. Atamanenko has the option of bringing it forward in the strategy sessions for our next series of meetings starting after the Christmas break.

**Hon. Wayne Easter:** The preliminary work will be done.

**The Chair:** The preliminary work can still be done. We can still have the accumulation of data, and it can be given out to us as committee members, because we do have a bit of a hearing coming in November on this, on the concentration of the wholesale-retail sectors.

Alex.

**Mr. Alex Atamanenko:** I think you're giving us an either/or situation, which you might not necessarily have to do. I think we can still pass the motion and work out how we're going. This is a statement saying we want to do this. Part of that procedure could be the research, followed up by hearings after Christmas. This doesn't have to mean that if we pass it, we have to do it before Christmas. It means that we start the process, we get the information, we start looking at it, and then we start plugging it into our schedule.

**The Chair:** You're not holding us to any timeframe on doing this. You just want it on the table that the committee, at some point in the future, will study this.

**Mr. Alex Atamanenko:** It's my understanding that we're starting—

**The Chair:** I'll call the question then. Those who support the intent of the motion as it's tabled with us?

(Motion agreed to)

**The Chair:** We'll work out the logistics of timeframe and meeting times and so on at a later time.

The meeting is adjourned.

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