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# Standing Committee on Agriculture and Agri- Food

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EVIDENCE

**Thursday, November 23, 2006**

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**Chair**

Mr. Gerry Ritz

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Thursday, November 23, 2006

•(1105)

[English]

**The Chair (Mr. Gerry Ritz (Battlefords—Lloydminster, CPC)):** Good morning, everyone. Welcome to this meeting of the Standing Committee on Agriculture and Agri-Food.

With us for the first portion of the meeting—don't let the timeframe scare you, we had to put something down on paper—we have with us, from the Fédération des producteurs de porcs du Québec, Jean-Philippe Wilkins, communication adviser, and Lise Grenier-Audet, vice-president; from the Canadian Pork Council—and I apologize for the mispronunciation—Clare Schlegel, president, and Jean-Guy Vincent, second vice-president; with Olymel we have Paul Beauchamp, vice-president of supply and corporate affairs; and from Maple Leaf Foods Inc. we have Rory McAlpine, vice-president of government and industry relations, and Don Davidson, vice-president of business development, government and industry relations.

Those are fancy titles, guys. Great. I'm sure the discussion will hit those heights as well.

Welcome this morning. We're going to have a good, open, and frank discussion on the present, past, and future of the pork industry in this country.

I will start with the Quebec producers for a ten-minute presentation, folks, if you can try to condense your topics to that. We'll try to hold you to that. I'll give you a one-minute warning.

Who will be presenting for the Quebec pork producers?

Madame?

[Translation]

**Mr. Lise Grenier-Audet (Vice-President, Fédération des producteurs de porcs du Québec):** Good morning, ladies and gentlemen, members of the committee.

As Vice-President of the Fédération des producteurs de porcs du Québec, I would like to thank the members of the Standing Committee on Agriculture and Agri-Food for this invitation.

In view of the economic importance of pork production in Quebec and the extent of the current crisis, you'll understand why the federation readily accepted your invitation. We will take advantage of this forum to provide as accurate a picture as possible of the situation in the pork industry and at the time try to offer some potential solutions to this problematic situation for pork producers.

Our presentation will be divided into two parts. The first will concern the health crisis in the hog sector, and the second the structural crisis of the hog industry in Quebec.

The first part is the health crisis. Since 2004, Quebec hog producers have seen an unprecedented increase in the hog mortality rate, which has virtually doubled. This increase is attributable in large part to the disease caused by circovirus, which unexpectedly broke out in 2005 and killed 270,000 animals.

An investigation conducted by the Association des vétérinaires en industrie animale showed that nearly one out of two herds was affected by this disease in 2004 and 2005. The extent of the impact can obviously vary from one business to another, but the study provides alarming findings: 450 farms have mortality rates of 20 percent or more.

To illustrate the problem, let's take the example of a family farm with 250 feeder hogs. This mortality rate, that is to say 20 percent, represents 648 fewer hogs that will go to market every year. Since a producer invests \$94 per dead animal, that family business will lose \$61,000 in a single year. In this situation, the very survival of the business is at stake. Very often, a producer has no choice but to borrow in order to avoid bankruptcy for his business. He has to go into considerable debt.

When such a major crisis arises, government support becomes essential, and government programs made available to producers must be effective. Unfortunately, this is not the case of the CAIS program. We are in a position to observe that this program is not suited to the present health problem. The federal government's CAIS program covers declining margins. It is effective for some farm businesses, but totally ineffective, and especially unfair, for others, particularly for diversified businesses involved in livestock production.

This deficiency may be explained by the fact that there is no livestock production insurance program. For example, a farm business that has more than one commodity is at a disadvantage compared to a single-commodity farm business in terms of compensation following a disaster.

Let's take the example of a farm that markets hogs and grain and that sees the hog mortality rate increase significantly due to circovirus. If the price of grain increases during the same period in relation to historical prices, the CAIS compensation to which this farm could be entitled is reduced, because the gains realized through grain production offset the losses realized in hog production. Conversely, a hog farm faced with a disease of the same magnitude but which does not grow grain would receive higher compensation from the CAIS.

The federation would like the government to restore equity between businesses, by avoiding interference between the various programs. To do this, the federation requests, in the short term, that all cases involving hog operations which were the victims of a disaster during the 2004, 2005 and 2006 participation years, those cases be reprocessed by isolating the eligible revenues and expenditures related to hog production to calculate the CAIS compensation.

• (1110)

In addition to seeking such a case review, the federation is of the view that the federal government should learn lessons from this crisis and shoulder its responsibilities by developing a livestock mortality insurance program adapted to the situation of hog producers. Work is currently being done by an advisory committee at the federal level, but the federation wishes to emphasize that the only definition of insurable disease accepted by that committee is not adapted to the hog sector.

This proposal specifies that losses resulting from diseases which the insured knew were present before the contract took effect are not covered. Although logical from a strict insurance perspective, this condition makes it difficult for the hog sector to obtain access to the insurance program because hog production is characterized by the presence of certain pathogens in serological tests of a large majority of herds, but without any clinical signs.

Health status is controlled by a series of biosafety measures, and several years may pass before the herd suffers significant losses. Several farms thus have herds that are in good health even though they are said to be positive for certain pathogens. The current herd health crisis is a good example. Circovirus was already present in herds before clinical signs appeared and the epidemic began to spread. Consequently, the federation hopes that the federal government will require that the provinces apply a livestock production insurance program that reflects the special conditions of the hog sector, so that diseases present in the herd but controlled by the producer's good herd management practices are covered when appropriate biosafety measures are applied.

Now I'm going to talk about the structural crisis. While the health crisis is decimating our herds, the Quebec hog industry is experiencing a structural problem. Olymel, which is the main player in the hog slaughtering and processing sector in Quebec, is experiencing difficulties similar to those of Maple Leaf, which recently announced a restructuring plan that will necessarily have a major impact on hog production in Canada. For these two strongly export-oriented companies, the rise of the Canadian dollar and intensified competition in the international market for convenience pork products weigh heavily on corporate margins.

In addition, the sector relies on too many small and under-mechanized slaughter plants. To stay competitive, Quebec slaughterhouses will have to have the same attention as the federal government gave the cattle sector when it funded various initiatives designed to solve problems which were exposed during a BSE case in May 2003. Consequently, it is our view that the processing sector must be supported by the federal government, based on strategies for repositioning the industry with the aid of specific funding to reduce slaughtering costs and create value-added products.

In conclusion, on behalf of the Fédération des producteurs de porcs du Québec, I want to thank the members of the Standing Committee on Agriculture and Agri-Food once again for this invitation. We hope that it will be able to draw the necessary conclusions. The Quebec and Canadian hog industry is experiencing tough times and must be supported by the federal government so that it can regain the vigour and vitality that have made its reputation for many years.

Thank you.

• (1115)

[English]

**The Chair:** Merci, Madame.

Next on our list will be the Canadian Pork Council. Who's presenting?

Mr. Schlegel.

**Mr. Clare Schlegel (President, Canadian Pork Council):** Thank you.

We each will present part of our presentation, and I'm assuming you each have a copy of our presentation that you can follow along, because there is a graph or two in there we'd like to refer to.

Thank you very much for the opportunity to present our concerns and discuss with you the issues facing Canada's 13,000 hog producers.

The Pork Council is a federation of the provincial hog farmers associations operating in each of the nine provinces, from the west coast through to the maritime provinces. You've just heard from the FPPQ. They're appearing along side us here today, and they're obviously one of our members from the province of Quebec.

I'm going to deviate slightly from the text, and I want to be very clear and very, very straightforward. This industry is in the early stages of crisis, and it's going to get worse before it gets better. You're aware of some of the processors' announcements, and they're going to be appearing here with us today as well. I can tell you that producers have been shielded slightly from a price perspective only because of the price cycle, and you're aware of the disease problems in Ontario and Quebec. We are entering a crisis stage.

The hog industry is one of Canada's most important agricultural sectors, accounting for almost \$4 billion in farm cash receipts in 2005, representing more than \$1 in every \$10 of total farm-gate revenues across this great country of ours. Swine production has accounted for an increasing share of Canada's total farm income due to its rapid growth over the past decade and a half, and it's certainly been a success story over that period of time. Over that decade we have seen Canada grow to be a vital and thriving pork export business. We now ship to over 100 countries around the world, and in 2005 we set a new record, selling over one million tonnes of pork outside of our country, with a value of \$2.8 billion. But in 2006, year to date, we have actually decreased exports slightly, while the United States has continued to grow at a very rapid pace. That's a concern.

As can be seen in the illustration—and it's in your presentation—Canadian pork exports are much more diversified geographically and far less focused on the United States market than was the case years ago. We attribute this to a number of factors. Two primary ones that we want to highlight are the increased opportunities that were the result made available from trade liberalizing agreements, particularly the WTO deal from the Uruguay Round, and the Canadian pork industry's collective determination to pursue export diversification and the creation of our export market development arm, Canada Pork International.

If you look at the graph, you can see that in 1990, 90% of our exports went to Japan and the United States. Today, they're at 77%, and there was even a potential that Japan could overtake the U.S. as our number one destination, although I don't believe that's happened this year yet.

As can be seen from the next chart, exports now exceed domestic sales of pork, and again, I'll repeat that: exports exceed domestic sales of pork. We crossed over in about 2002. That shows you how much we benefit the Canadian economy. Canada, with a relatively small and aging population, cannot provide sufficient demand to sustain the Canadian pork industry. Thus, as is the case for much of Canada's economy for which exports are of vital importance, it's absolutely vital that Canada pursue all avenues to obtain favourable terms of access to foreign markets.

This includes multilateral arrangements through the WTO and through regional and bilateral deals. The Canadian Pork Council urges that Canada continue current initiatives such as the new G-6, towards reviving—and I understand it is revived—the Doha Round negotiations. We must also significantly ramp up efforts to complete bilateral negotiations begun several years ago, with Singapore and Central American countries being notable examples, and to achieve some new agreements that will reverse the deterioration in our industry's relative access that will occur if we do not do some catching up with the United States, Chile, and several other pork-exporting countries that have implemented or completed negotiations on an enormous number of regional and bilateral trade deals, giving them preferential access.

In addition to pursuing trade liberalization agreements with the Andean countries, Japan, India, and China, the CPC strongly supports a Canadian free trade deal with Korea, provided, of course, that pork is included in the tariff reduction package, and pork needs to be included in that tariff reduction package. As the chart shows, Korea has been one of Canada's most important growth markets for

pork exports. However, our future access to Korea is threatened by advantages that some of our competitors are obtaining, or hoping to obtain, through their own bilateral deals.

● (1120)

Having covered the importance of trade and export access, we now want to turn to significant economic challenges facing our industry and a few of the areas that CPC feels will require immediate attention in order to remain competitive in the future. Again, we're only in the early stages of crisis.

The rapid appreciation of the Canadian dollar has had a wrenching impact on the hog and pork industry. A simple illustration of how the rise of our currency has affected us is to compare hog prices today in Canada and the United States versus 2002, before the Canadian dollar began its rapid upward climb.

If you look at that chart, I would like to add a third column. In 2002, the U.S. price of \$53.57 with today's currency exchange, is \$1.08. The 2006 number, at \$68...if you turn that back to 2002, with the currency back then, that would have netted us over \$2 a kilo. So in currency alone, it has cost us between \$30 and \$40 a pig.

Hog production has gone into decline for the first time in a dozen years. Major packers have announced their intention to significantly downsize or restructure their operations. That's a huge concern for hog producers, but more than that, it's a huge concern for the hundreds of communities and thousands of workers across Canada who depend on the industry for their livelihood.

Hog producers everywhere are considering the conditions under which they can continue to raise pigs and the processing sector can successfully continue to operate. Competitiveness is a focal point of virtually every industry meeting taking place now and in the next few months. CPC and its provincial members want to secure conditions for the long term that will allow us to continue to have the vast majority of pigs born in Canada, to be raised in Canada, as well as processed in this country. We cannot otherwise have the value-added activity and the pork export sales that this country has enjoyed in the past.

Thus, we are making every effort to pursue a forward-thinking approach in the Canadian hog sector that will enable us to continue our role as global leaders in this pork industry.

**The Chair:** Mr. Vincent.

[*Translation*]

**Mr. Jean-Guy Vincent (Second Vice-President, Canadian Pork Council):** However, the Canadian Pork Council is also looking for supporting policies and programs at the federal level to enable us to hold our own in the international pork business. These include the following.

Export market development support, including personnel in our embassies and programs that assist industry in breaking into new markets and projecting our Canadian quality image to consumers abroad, need to be comparable to those available to our competitors, such as the United States.

We need a world-class veterinary product review and registration process similar to what's being done elsewhere in the world. Producers use veterinary pharmaceuticals judiciously to ensure the health and productivity of their animals, but the removal from sale of some older products and the emergence of new strains of disease necessitate timely access to safe, cost-effective pharmaceuticals.

According to work done by the George Morris Centre, an economic research firm in Guelph, Ontario, the average veterinary pharmaceutical review in Canada requires 1,200 days, whereas regulatory review in the U.S. is completed in fewer than 200 days. In Australia, the turnaround is well under 300 days. The time required for licensing veterinary drugs in Canada has, in many instances, been unacceptable.

Canada needs to have a comprehensive and coordinated national approach to dealing with animal health that engages both industry and governments, federal and provincial. The CPC shares with many other animal industry sectors a desire to have animal health more explicitly covered in the next Agricultural Policy Framework, APF II. Breeders are demanding public funding to ensure animal health protection and avoidance of foreign animal diseases. These measures will clearly be cost-effective, having regard to the enormous costs associated with the consequences of these diseases.

The Canadian Pork Council supports many of the changes that have occurred in the Canadian Agricultural Income Stabilization Program over the past year. However, hog producers remain vulnerable to asset losses that are beyond their control, most particularly those related to diseases. Hog producers do not have access to production insurance, in the way that many crop producers do. Currently, production insurance is a provincial responsibility. But we need clear federal government leadership to put in place an approach that provides a level playing field across the country, and in as trade neutral a manner as possible. Also, a clear catastrophic disaster program is needed, to provide assurances to producers when markets collapse as a result of a catastrophe — be it foreign animal disease that closes a border or a natural disaster.

Industry needs a regulatory environment at all levels of government — federal, provincial and municipal — which utilizes sound scientific information and, wherever possible, takes into account industry programs with complementary objectives. Examples include on-farm food safety, environmental compliance and animal health and welfare.

• (1125)

[English]

**Mr. Clare Schlegel:** CPC is pleased to see biofuels emerge as an important additional opportunity for revenue generating for our grains and oilseeds producers, a sector that had serious income challenges in recent years and whose economic health is crucial to the long-run viability of our industry.

CPC only asks that policies designed to encourage the production of biofuels in Canada do not operate to disadvantage the international competitiveness of our pork industry. The pork council also asks that there be a federal research focus on maximizing opportunities for feeding by-products to swine in the emerging industry.

It's not in your package, but we want to comment on labour, recognizing that labour is a crucial limiting factor right now for our hog processors, in particular, and also for hog producers.

We think there are some immediate changes that could happen to various programs, for example, by extending the one-year limit for unskilled labour to two years.

Thank you once again for this opportunity to discuss pork sector issues with you. We look forward to addressing any and all of your questions.

Thank you.

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

We'll move to Mr. Beauchamp, from Olymel.

[Translation]

**Mr. Paul Beauchamp (Principal Vice-President, Supply and Corporate Affairs, Olymel):** Thank you, Mr. Chair.

Good morning ladies and gentlemen members of the committee. First of all, I'd like to thank you, on behalf of Olymel, for this opportunity to present our views on the crisis — because there is a crisis — currently raging in the pork industry. It isn't being experienced in the same way in the production and processing fields. It may be latent in some regions of Canada, but that doesn't prevent the fact that there is currently a crisis.

First of all, I'd like to introduce Olymel in a few words. The corporation may not be well known here, around this table. Olymel is a young company, founded in 1992, and is the result of numerous mergers, acquisitions and partnerships. It is owned by three shareholders: the Coopérative fédérée du Québec, an organization belonging to Quebec producers and holding 60 percent of the shares; the Brochu Group, in the agricultural sector, and the Société générale de financement du Québec, a Quebec Crown corporation.

Olymel and Maple Leaf are currently vying for the title of leader in the pork and poultry slaughtering, processing and distribution sectors. Olymel's pork operations represent approximately 80 percent of our sales, which total more than \$2.5 billion. Olymel is a major player in Quebec. In all, we operate 22 businesses in Canada, mainly in Quebec, but also in Ontario and Alberta.

Olymel exports nearly 50 percent of its pork around the world. We have offices in Tokyo, Seoul and Sydney. We have an international presence and, in that capacity, play a major role in moving Canadian pork production, whether it be in the east or west of the country.

Olymel has been much in the news in recent weeks, indeed in recent months, regarding the restructuring program it set up early this year. We aren't the only ones in this situation. My colleagues from Maple Leaf will no doubt tell you about the announcements they've recently made. One thing is certain: it appears that both of us view the current crisis in the same way. Both seem to want to make major changes to our processing structures. Both feel that, if appropriate action is not taken, the impact on production in Canada could be significant.

Our industry has been struck by various problems. I could say that some of them don't stem from either our industry or Canada. The fact that our currency has appreciated so much and so quickly over the past three years has caused a very serious shortfall at Olymel. Depending how you interpret the exchange rate this morning, that figure stands somewhere between \$85 and \$100 million.

The fact that our dollar was at 68¢ caused a lack of reaction to productivity issues. That situation effectively concealed our weaknesses in that area. We have to recognize that fact and accept our responsibility for it. However, it must also be recognized that no business or industry, whether on the farm or in the processing sector, could have reacted as quickly to counter the changes in the exchange rate that we've just experienced.

Moreover, the Americans are both our main market and, internationally, our main competitor. However, their exports have increased significantly in recent years. A number of international markets that we consider somewhat as our natural markets — let's take Japan, for example — have seen the Americans enter aggressively. Their devalued dollar has made them even more competitive. Our margins have therefore been tightened. The meshing on international markets, although the markets still exist, has tightened as well.

In addition, the exchange rate has had a harmful effect, in that our American competitors are now increasingly aggressive in our own market.

• (1130)

We thought that, since we exported 50 percent of our production, the Canadian market was ours; that's now a thing of the past.

From 2001 to 2005, the Americans doubled their exports to Canada. That growth has exceeded 30 or 40 percent this year. In other words, the Americans now consider Canada an integral part of their pork market.

Our competitors, who in the early 1980s were still our U.S. competitors and operated small plants without too much concern for the quality of meat delivered, have changed their way of doing things. They now operate global plants that have a slaughtering capacity in the order of 90,000 hogs a week. Currently, the Red Deer plant alone has the necessary potential to slaughter as many hogs starting tomorrow. The Maple Leaf plant in Brandon also has that potential, although with a slight delay; that plant has announced that it will be starting a second shift.

In Canada, the average number of hogs slaughtered per facility is 13,000, whereas it's 85,000 in the United States. No plant in Canada is that size. This loss of competitiveness is having major consequences for our industry.

That leads me to the differences that can exist between the east and the west. In addition to structural problems, the west is also facing labour problems. In November of last year, Olymel started up its second shift and had to stop it in April for lack of employees. We've previously had more than 1,800 workers, but that figure is now 1,300. The labour issue has become more important than the exchange rate and hog availability.

I invite you to consider measures to support our manufacturing sector and other sectors experiencing the same situation in western Canada. For example, we could adopt slightly more "liberal" measures to facilitate access to foreign labour. The term of permits granted by the federal government is 12 months; we invite it to extend that term to 24 months.

We have to stabilize the manufacturing sector in the west, particularly the pork processing sector. A withdrawal from that sector would have incredible consequences upstream. Imagine if Olymel withdrew from western Canada as a result of Maple Leaf's announcements that it's withdrawing from Saskatchewan. That's one possible scenario. We won't be able to operate that plant for lack of labour.

Apart from the economic situation for which we're asking you to intervene and support the industry, it must be kept in mind that, without labour to operate our facilities, there won't be any processing in Canada or, if there is, it will be extremely difficult. It's not only the agricultural sector that's threatened; it's all manufacturing sectors in western Canada. It's threatened to such a degree that one wonders whether the traditional manufacturing sectors have a future in western Canada.

In Quebec in particular, the industry is experiencing other structural problems, which are distinctly more fragmented. Eleven slaughterhouses deliver an average of 130,000 hogs. In the U.S. model, one and a half slaughterhouses would be necessary to deliver the same number.

The federation has asked you to support measures to rationalize the processing sector as you've done for other agricultural production sectors, beef in particular. When that sector needed support for both its production and processing operations, the government agreed to help it.

We're asking you to help us so that we can get through the present crisis and restructure.

• (1135)

I'd like to draw your attention to another argument that is definitely gaining ground in Canada, the one concerning the risks that hog farms represent for the environment. As you know, a moratorium was called in Quebec in 2002 and subsequently lifted, but its effects remain. A moratorium has been declared on production in Manitoba. One may think that there might be other moratoria in other provinces.

While being extremely respectful of the environment, we hope — and that's what I heard from other people earlier — that scientific evidence is clearly established before we can reduce or limit production operations. The consequences of hasty decisions for the future of production and processing are really major.

Mr. Chair, I'll be available to answer your questions. I would like to summarize my remarks by saying that the hog breeding sector needs your help, as you have offered it to other sectors, the beef sector in particular, to support investment, rationalize the industry and permit risk-sharing. Producers could partner with processing businesses to develop a new way of addressing the industry's future.

I would also like to ask you, with regard to the labour problems, to take action to make foreign labour accessible to us, if only in the short term, in order to address the specific situation affecting western Canada.

Thank you, Mr. Chair.

[English]

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

Maple Leaf Foods, Mr. McAlpine or Mr. Davidson.

**Mr. Rory McAlpine (Vice-President, Government and Industry Relations, Maple Leaf Foods Inc.):** Thank you, Mr. Chairman.

[Translation]

Thanks to the committee for inviting us today to explain how we at Maple Leaf Foods are trying to address the challenges facing the pork industry in Canada.

● (1140)

[English]

My colleague, Don Davidson, represents our fresh foods business and will be able to help me answer any questions.

I've circulated a document that has some facts and figures, several of which have already been mentioned.

On slide 2, you see a description of the evolution of the Canadian pork industry. Prior to the early 1990s, it was a stagnant and uncompetitive industry, with a rapid change in the late 1990s and early 2000s. Of course, there are a number of reasons for that, including the elimination of the Crow benefit in western Canada, deregulation, rapid improvements in genetics, and the competitive position we had, thanks to a relatively weak Canadian dollar. Beginning in 2003, the situation changed dramatically as a result of the currency appreciation.

On slide 3 you'll note the rise in the Canadian dollar, with a 40% appreciation. The point is that this has had a profound impact, not just on the value of exports, but it's impacted the cost of Canadian feed grains significantly and raised the cost of production. It's hit the profitability of hog production, and as an integrated producer-processor, Maple Leaf has felt this at the hog production level as well. Export margins on fresh meat have been seriously compromised, not just in the U.S. but particularly in Japan, due also to the weakening of the Japanese yen.

The domestic margins on fresh meat have been squeezed as a result of the much more competitive import product that is now available to our customers. As I mentioned, export margins on processed meat and factory utilization have been lost due to loss of export business. As we've discussed, the loss of the utilization of capacity has a serious consequence. For Maple Leaf, we have estimated that the impact on our earning situation solely from these

currency-related changes has been \$100 million a year for the last three years.

On slide 4 you see the issues that impact, and I think several of these have already been referred to. The animal disease issue is profoundly important and needs to be addressed through a much more comprehensive national strategy. Productivity and efficiency have been compromised.

The lack of scale, which my colleague from Olymel mentioned, is a serious challenge to the competitiveness of our industry relative to the United States. The emergence of countries such as Chile, Brazil, and China as growing and successful pork producers and exporters has started to impact trade issues, market access, and trade barriers, which we have faced in key markets and most recently regarding the pause or the failure to progress in the WTO.

The point for us is expressed well on slide 5. The former chair of IBM said there are no prizes for predicting rain; prizes are only for building arks. It's certainly our view that this is a time to build arks, and that's exactly what Maple Leaf is doing.

Approximately four or five weeks ago, Maple Leaf announced a new business model for our protein value chain. Our new vision is that Maple Leaf is an organization of passionate people who are passionate about food. One of our pillars will be to become a globally admired value-added meats and meals company. This is an important focus, because no longer will we be focused on producing pork for the world. Now our focus is solely on the production of value-added meats and meals for domestic and global markets.

On slide 7 you see a description of this new business alignment. All of the component parts of the Maple Leaf system—rendering, feed, hogs, and primary processing—will now be aligned to supply the inputs to our further added processing activities. This means that whether those activities relate to production or the purchase of inputs, the system will be aligned in this fashion. We will remain a producer of commodity pork, but we will process fewer hogs and produce much less commodity pork, with the focus being on the input to our value-added activities across the country. This is a significant change that will not be accomplished quickly. It's going to take us two to three years to move in this direction, but the process begins now. A key reason is to achieve processor optimization.

On slide 8 you see a graphic to illustrate the point colleagues have made about the need to achieve scale-level plants. We note here how the capacity utilization or capacity throughput of plants in the U.S., based on this general idea, achieves a much lower cost per unit.

● (1145)

The next slide provides a much more detailed breakdown of capacity utilization in North American hog processing plants, U.S. and Canada. You can see here how significantly Canadian assets are underutilized relative to the U.S. competition. The consequences of that in terms of efficiency and profitability are now becoming extremely important as we face the appreciation of the Canadian dollar.

What are the specific implications for Maple Leaf? On slide 10 we have listed them. These are the short-term implications that I know will be of interest to the members of this committee.

The first is that we will double-shift our Brandon plant as quickly as possible. That process has begun. It's vital that we consolidate slaughter at that plant and achieve an efficiency through double-shifting.

We are closing the Saskatoon 11th Street plant and will not proceed to build a new slaughter facility in Saskatoon, as we had hoped.

The plants in Burlington and Lethbridge will be sold, with a view to maximizing their value to the business and maintaining them in a viable condition for the future.

There will be no further slaughter at the Winnipeg plant as we move to the double shift in Brandon. We will review the future of the Berwick, Nova Scotia, plant, recognizing that it combines both primary and secondary processing.

Our Elite Swine hog production business will produce fewer hogs, but the ownership of those hogs will be 100%. The variety of hog contracts or ownership models that we had will be reduced and we will focus on a smaller number of hogs owned 100% by Maple Leaf.

The business value of our animal feeds business, Maple Leaf Animal Nutrition, will be maximized through sale, again reducing those assets to bring them in line solely with what we need as a company focused on value-added meats and meals production.

Let me conclude with five areas where I believe government can be helpful. Industry has to make the first move, and that's what we're doing. We're building our ark. We're going to be more competitive and succeed on that basis, but government can do a great deal to help to create the business climate that allows us to make the decisions we need to make.

The first is to move on smart regulations. It's time to fulfil the promise of smart regulations and improve the federal-provincial coordination of regulation across our sector at every level of the value chain.

This does not mean simply harmonizing unilaterally with the United States. There are many ways we need to improve our regulatory environment. There are some aspects of it that need to involve better harmonization. The reference has been made to veterinary drugs, as an example, but we have to be strategic about it.

Second, we need enhanced trade access. We have seen too many trade actions, particularly by the United States, that have harmed our industry, but there are all kinds of technical trade barriers that have compromised our success in markets like Russia, Australia, the European Union.

We need more bilateral trade agreements. As well, we need better infrastructure—border infrastructure, port infrastructure, and the Asia-Pacific gateway are critical.

Labour market flexibility has been mentioned, and for a large national employer like Maple Leaf, we feel this every day. The variability in labour legislation province by province and the

different terms and conditions we have to operate under are problematic. We need better access to the foreign worker program, particularly in western Canada.

We need more support for science and innovation. We need a focus that goes beyond primary agriculture, up the value chain, supporting innovation and with a particular focus on animal disease prevention. We are exposed to such tremendous risk. In our case, particularly now with a singular focus on value-added production, any major animal disease incursion would be disastrous.

Finally, we need stable and effective farm support programming at the national level that is equitable and ensures that we have a level playing field. We can't have provinces imposing or allowing different levels of farm support. The problem continues to be the risk we run of countervail when we get into that sort of situation. We need to ensure that we approach this from a national equitable perspective.

● (1150)

Those are our comments.

Thank you very much, and we welcome questions.

**The Chair:** Thank you, ladies and gentlemen, for that opening round. We'll now move to questions.

I just have one point to make, Mr. McAlpine. As you talk about rationalization of your company, do you feel you'll qualify for CAIS payouts at some point along there, as the Saskatchewan Wheat Pool did?

**Mr. Rory McAlpine:** Sorry, Mr. Chairman, are you referring to payments to hog producers—

**The Chair:** No, payments to your company under the CAIS program. The Sask Wheat Pool qualified for \$4.3 million or something as they reworked their enterprise and sold off portions of it.

Do you feel that Maple Leaf will qualify?

**Mr. Rory McAlpine:** Well, certainly at present, producers who participate in the elite swine program and our contract partners are eligible under CAIS, but a wide degree of business models apply, and the eligibility would certainly be in play for any producer who is currently in the CAIS program in our system.

**The Chair:** Okay, thank you.

Mr. Thibault, seven minutes, please.

[*Translation*]

**Hon. Robert Thibault (West Nova, Lib.):** Mr. Chair, I'd like to thank all the people who have made these excellent presentations.

[*English*]

I'd like to start by asking a couple of questions of Maple Leaf.

What we've heard is that we're advancing toward a state of crisis in the pork industry in Canada. I think if you look at the question of Nova Scotia you'll see we're in the third stage of that crisis situation. It's very worrying. You mentioned in your documents the Berwick plant. Without the Berwick plant, the hog industry in western Nova Scotia, in the Annapolis Valley, is dead. It's very difficult to see how it would survive, how Olymel or anybody else could take over that amount of production at a price that would permit them to operate in that area.

I understand the challenges you have, and I also understand the efficiencies in that plant in secondary production, that it's currently underutilized. Can you give some assurance or some indication to the farmers of the Annapolis Valley as to the probability of that plant operating in the future and to the timing of your decisions on this facility?

**Mr. Rory McAlpine:** Thank you for the question.

Mr. Chairman, we can't be specific. We've indicated in this presentation that the future of the plant is under review. It is a plant that combines primary and secondary processing, and it plays an important role in supplying product to our Moncton facility. On the timeline for decision-making, all of these decisions that Maple Leaf has announced are going to be implemented over a three-year timeframe.

We are very sensitive to and well aware of the importance of that plant and the importance of the business partnership we have with producers in Atlantic Canada. It's not, in fact, just confined to an impact on the province of Nova Scotia. So we're well aware of that. We're very concerned. We will continue to work on a very transparent basis as decisions are made and options are considered, in terms of our communications both with producers and with the governments in Atlantic Canada.

That's pretty much all I can really say at this point.

**Hon. Robert Thibault:** Or you could say, "Yes, we'll keep it open." That would be very good.

[Translation]

Mr. Beauchamp, based on your experience, considering the competitiveness of the Canadian industry, the potential of the export markets and the expansion of those markets, how do you view the future of the pork industry in Canada, and in competition with other countries? Is there overproduction? Is there potential for expanding production? Will we be seeing any major adjustments in the industry or closures in certain regions?

I'm putting these questions to you, but perhaps someone else would like to answer.

We also know that Maple Leaf Foods Inc. has announced the closing or sale of its plants. Will that cause major changes in the industry?

**Mr. Paul Beauchamp:** Thank you for your question.

I believe you want to know whether we have a solution to get us through this crisis. We have to establish parameters together, that is everyone around this table. As we speak, there is a farm income crisis that has been exacerbated by the health question, particularly in the east and perhaps somewhat in central Canada. I believe we

should give our support to the farms, but I see that more as a matter of economic circumstances.

In structural terms, Canada has to establish infrastructures, particularly in order to compete with our major competitors, the Americans. I mentioned that there were few international scale infrastructures in Canada. We have our facility in Red Deer, but we have to address the labour issue. At that plant, we've previously slaughtered as many as 60,000 hogs. We had to lower that figure to 45,000 for lack of labour. We'd like to return to 60,000 and 90,000 hogs. We believe that, with a fully efficient, well-stocked plant, we'd be able to meet the competition.

My colleagues from Maple Leaf Foods have a strategy for central Canada and Manitoba. It remains for us to restructure central Canada and Quebec. The federation described the situation in Quebec. We have begun the restructuring process and we're trying to create large-scale infrastructure that will enable us to be competitive.

To answer your question, once these issues are settled — we're also working with workers to adjust our compensation to that of our international competitors — if we put the necessary infrastructure in place, together, we hope, with the producers, in a new risk-sharing approach, there will be a future. We still believe in the future of the pork industry, but we have to restructure it now, all together.

• (1155)

**Hon. Robert Thibault:** Perhaps I could clarify my question.

We're talking about restructuring so that our slaughtering plants are competitive and reach 90,000 or 100,000 hogs a week. Will that mean there will be fewer such plants? Will the primary producers have to be nearby? Will we see a large reduction in primary production in certain regions of the country? Do you anticipate that?

**Mr. Paul Beauchamp:** No. In production, there's still a limit because of transportation costs, but the benefits generated by large-scale businesses can offset additional transportation.

However, unless we manage to find a niche for each facility and each specific product... You don't develop an industry just with specific products. We're in a commodities market, so we need international operations. I think we're going to see large establishments: one in the west and one in central Canada. Will central Canada be defined as Manitoba, Ontario? I don't really know, but Quebec will definitely be there. I'm not saying there won't be any room for smaller facilities that could be strictly based on value-added or for niche markets, like organic pork. If we want to take part in the international pork market, we have to establish infrastructures the size of those of our competitors.

[English]

**Hon. Robert Thibault:** If there's time left, I'd like to hear from the Canadian Pork Council on that same question.

**Mr. Clare Schlegel:** Thank you for the interesting question.

I want to be simple and I want to be clear. The future can be bright or it can be pessimistic. We can either maintain our industry, we can rebuild and move forward, or we can spin ourselves into a period of decline. I think those are the two choices.

The game is very tough right now, but with a level playing field and the appropriate reaction, we probably can compete. It's not going to be as much fun as it was in the past ten years, but we have to respond, and we have to make some strategic decisions.

Canada has about 22% of the world pork trade. The world pork trade is increasing, not decreasing. Our domestic consumption is not increasing. So if we want to protect the livelihoods and the rural communities out there, I think we need to respond. You've heard a number of the different aspects from a Pork Council perspective and a producer perspective. We are still examining some other issues, what it means. We know it requires regulatory reform. We know it involves international marketing. We know it involves reducing input costs wherever we can, restructuring and becoming more efficient.

When you look at Canada as a whole, we're one of those sectors that is resource rich. We're export dependent, not unlike beef, not unlike grains and oilseeds, not unlike softwood lumber, not unlike a number of others. We're all struggling and reacting to the currency, and we all need to make the adjustments we need to do. Maybe 75% of the response needs to be from us, industry, but I think government is a portion of the solution.

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

Madame.

• (1200)

[Translation]

**Ms. Lise Grenier-Audet (Vice-President, Fédération des producteurs de porcs du Québec):** I'd like to add something to what Mr. Schlegel said.

With regard to production, to be more competitive with U.S. businesses, for example, Quebec producers don't see themselves operating a herd the size of those in the United States. The moratorium has been lifted, but it's still impossible to establish production structures similar to those of the Americans on sites of the same size.

We know that a large breeding operation generates economies. Here, when the herd consists of 250 to 300 finishing sows, that's a maximum. However, that already raises a public outcry. We can never set up sites with 5,000 or 3,000 sows in the same place in Quebec. People would be up in arms. In those conditions, production costs are higher. You have to be aware of that and you have to be aware of the limits placed on producers.

[English]

**The Chair:** Thank you.

Mr. Bellavance, please, for seven minutes.

[Translation]

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

Thank you very much for your testimony. Obviously, we unfortunately won't be able to resolve the crisis that has been hitting the pork sector in the past few years in two hours. As a member of the committee, I nevertheless thought it was important that we address this issue because the federal government has to shoulder its responsibilities. We all have our responsibilities with regard to the crisis, including you. You moreover mentioned that in your testimony.

The committee has a responsibility, the federal government as well, but perhaps not for resolving the entire crisis alone. Thank you, Ms. Grenier-Audet, for providing a document in which you propose very concrete solutions to certain problems. I would call them short-term solutions, as regards CAIS, the Canadian Agricultural Income Stabilization Program, and long-term solutions, as regards the new Agricultural Policy Framework. The government will be conducting further consultations. So we don't yet know what the new agricultural policy framework will contain, but you're proposing promising solutions.

When you say, regarding CAIS, that you would like to go back to the 2004, 2005 and 2006 participation years so that the issues are reviewed again, have you had discussions on that point with government people, or is that an idea that the members of your federation and you raised before talks were held on the subject?

**Ms. Lise Grenier-Audet:** There have been no talks with the government on this subject. We brought the matter up with provincial representatives, but we were told to go to the federal level, since that's a federal responsibility.

We know that, under the CAIS program, as you mentioned earlier, a person who manages two or more types of production is penalized. There's also the fact that, in Quebec, most farms are family farms and that, in that case, the program sets certain restrictions. For example, a salary paid to a member of the producer's family is not recognized or eligible, as a result of which we can't use family labour. As we nevertheless have to feed ourselves, we pay ourselves a salary, even though we're a small business, which immediately results in a loss under the program.

That's what I was referring to.

**Mr. André Bellavance:** We haven't received the exact details on what the program will be, but, for a long time, even when the Liberals were in power, there was talk about creating a specific disaster program within CAIS to respond to chance cases such as the mad cow crisis or for all kinds of cases that may arise.

In your industry, did you have any indication following the meeting recently held with the federal minister and the provincial agriculture ministers in Calgary, regarding the creation of this disaster program in which you might perhaps take part? Do you have any hopes with regard to that? Have you received any information on the subject?

**Ms. Lise Grenier-Audet:** I personally haven't received any. Perhaps the Canadian Pork Council has. The Canadian Pork Council represents us at the federal level.

Perhaps Mr. Schlegel has a little more information?

[English]

**Mr. Clare Schlegel:** There are two aspects that might be appropriate here. One would be the call for production insurance for livestock. That, potentially, could help in response to animal disease situations. The other one is that there's been a debate about whether the margin in CAIS could be adjusted for years when a producer has faced serious disease problems. As I understand it—and that's what I was asking Catherine about—that formal request has not specifically gone into government. It's certainly an idea that Quebec has been thinking about.

• (1205)

[Translation]

**Mr. André Bellavance:** Coming back to you, Ms. Grenier-Audit. You would like a livestock production insurance program to be established and the CAIS program to be reviewed.

Would these solutions enable the industry to get back on track in the short term, or would that merely be a band-aid solution?

**Ms. Lise Grenier-Audet:** We don't think that will solve the problems in the short term because the expression "short term" would mean yesterday. I'm going to be frank with you: it would have to be within a year, ideally, but we have to go about it intensively. If things are done too suddenly, that might not be enough, once again. If we acquire a work instrument, let's be sure it's accessible and that it works.

**Mr. André Bellavance:** Turning to the industry members, perhaps Mr. Beauchamp can answer my question. I had occasion to visit your slaughterhouse in Saint-Esprit. Princeville is very close to my riding. I don't know the story in Saint-Esprit, but I recently read that another shift was going to be added in Princeville, at least, to make it possible to increase production. Ms. Grenier-Audet and you talked about productivity, but you don't seem to be on the same wave length as regards the possibility of increasing production. If we compare our competitiveness with that of the United States, we're currently experiencing problems, but, at the same time, producers tell us they don't know if they can meet demand.

How do you see that? We're told there are problems, but, at the same time, plants aren't being opened, others are being closed, while shifts are added at other places. That seems to be working a little better. I'm trying to understand.

**Mr. Paul Beauchamp:** You have to get a clear understanding of the problem and perhaps divide Canada somewhat into regions.

Western Canada is a region where pork production doesn't go back 30 years. The expansion resulted from the cancellation of the Crow's Nest western grain transportation program. We then witnessed the emergence of this production, despite the lesser constraints, particularly with regard to the environment.

I believe Ms. Grenier-Audet alluded to this problem, which now enables producers or producer groups to invest in the farrowing of up to 6,000 sows. That's the case in Manitoba, Saskatchewan, and there are a few projects in Alberta. So it's possible to develop production in western Canada.

In eastern Canada, there's the environmental constraint. I doubt that, despite that constraint, production is falling like a diminishing asset. We may have reached a peak of 7.5 million, because we'll be

producing maybe 6.5 million hogs this year. However, there may still be growth potential. So production could well be more stable in the east and, depending on market conditions, will be growing from central Canada to the west. That's our approximate assessment of the potential.

As regards facilities, here's what we've tried to do. We have facilities where our labour costs and productivity are not optimal in Olymel's own pool. In the past few years now, we've tried, through the recent merger with the Brochu Group, to increase volume at the facilities that we're modernizing in order to raise our productivity.

What was sought in Princeville, the facility you referred to, was a plant. It used to operate in conditions that prevented it from being competitive. We managed to renegotiate conditions leading us to believe it would have a future, despite the difficult situation. We restarted the first shift. We were going to start up the second shift, but that required closures at other facilities, and thus our rationalization. However, we were prevented by an arbitrator's decision.

Now we're considering something bigger than just Princeville. We see that, in one case last year, we lost nearly \$55 million in eastern Canada. Our owners decided that that model couldn't continue much longer, that we had to take major action that, in some cases, might mean facility closures in addition to those previously announced.

We retained the services of Lucien Bouchard, who is well known here in Ottawa, to help us negotiate with our partners and to explore new avenues, to negotiate new working conditions with our employees, and to examine competitiveness relative to the Americans in the medium and long terms. We managed to do that in some facilities. We're still negotiating with one big plant.

Then there's the production component. We have to see if there isn't a way to redefine a new marketing model in Quebec to help us cope with this new situation. With the government authorities in Quebec, we looked at whether it was possible to introduce a program or a way of looking at things because we can't go on anymore with 11 plants and production of 6.5 million hogs. That doesn't make sense.

If we manage to change things on other fronts, we're convinced we'll be able to put in place in Quebec something that will give us a view of the future, but that will be based on a model that will be different from the current model.

If we can't gain that perspective, we too may announce major closures that could have an impact on production.

That's why, earlier in my remarks, I told the federal government that we'll probably need its help. You've provided help in other sectors, and you've already considered ways of doing so. Couldn't the pork industry be given help now to get through this difficult period and to restructure, as everyone here around the table would like?

•(1210)

[English]

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

Mr. Gourde, for seven minutes, please.

[Translation]

**Mr. Jacques Gourde (Lotbinière—Chutes-de-la-Chaudière, CPC):** Good afternoon. My first question is for the Fédération des producteurs de porcs du Québec. One subject troubles me. We talked about the disease caused by circovirus. We talked a little bit about the scope of the problem.

Do you have any statistics on the number of hogs that have died on farms in Quebec? It was said that 450 farms had losses of more than 20 percent. Can that be easily proven?

**Ms. Lise Grenier-Audet:** Yes, it's easy to prove, since Quebec veterinarians and the Financière agricole du Québec conducted surveys last year. On the premises of the farms themselves, 270,000 hogs died. They didn't make it to the slaughtering stage. In addition, an equal, if not greater number of hogs made it to slaughter, but their weight was much lower than it would have normally been, which resulted in a significant shortfall on the production side.

As I've already mentioned, the shortfall was greater than the 60,000 figure that was mentioned earlier. The lighter hogs were sold, in some cases, for half or a quarter of their normal value. In that respect, the CAIS program was deficient.

We know that approved pilot vaccines are now available. However, we don't know whether they'll have an effect on the herds. So we're asking the government to continue the use of Intervet vaccines, which have also been used as pilot vaccines. They aren't approved for the moment, but they work. We're asking the government to ensure that we can continue using Intervet vaccines until we know to what extent the new vaccines work.

We're also asking for investment in amber programs, as the countries we're competing with are doing. We're exporters; so it's important that our ground rules be the same as those of those countries.

We're also asking that part of the research programs conducted in agriculture focus on pork production and that research funding be allocated to it based on production size.

As Jean-Guy Vincent and Clare Schlegel said earlier, it's important that drugs be approved as quickly as in the other countries. Otherwise, we're not competitive; we're not enforcing the same ground rules as our competitors.

Lastly, we want to tell you that, if working committees were formed to assist the government in getting a clearer view, Quebec would be prepared to make a contribution and to provide information on production. That's what we know best. We'll also be available to attend meetings on the medium- and long-term future of production.

Whatever the case may be, what is essential today is that the cash go into the pockets of producers whose herds are affected by the disease and who have received no financial assistance from CAIS.

•(1215)

**Mr. Jacques Gourde:** I'd like to ask one final question on circovirus. What is the loss percentage that a farm can absorb, on average, without going into financial difficulty?

**Ms. Lise Grenier-Audet:** In Quebec, the Financière agricole is responsible for loans to producers and for agricultural income stabilization insurance. The procedure is similar to that elsewhere in the country. On average, the percentage remains around three or four percent. Last year, it reached eight percent. For a producer who isn't covered, five percent is already enormous.

**Mr. Jacques Gourde:** Are you able to assess what each percentage point in addition to that five percent represents per year in terms of financial losses? Let's take the example of a herd of 5,000 hogs.

**Ms. Lise Grenier-Audet:** Every one percentage point of herd losses equals \$1.25.

**Mr. Jacques Gourde:** You're talking about all the businesses' hogs?

**Ms. Lise Grenier-Audet:** If, in a given year, I have 5,000 hogs, I multiply \$1.25 by one percentage point of mortality.

**Mr. Jacques Gourde:** I'm going to put my next question to the Olymel group.

Olymel, as we know, is a young business. However, the slaughtering sector in Quebec as a whole has been in existence, in an organized way, for about 30 years. Have we really gotten to the point where there are now too many small slaughterhouses? Is trying to concentrate everything in the same place and to eliminate all other slaughterhouses really a solution? You say you have a labour problem. However, it seems to me that there'll be too much available labour if we close all these slaughterhouses. Can you give me an explanation on this point? I don't understand.

**Mr. Paul Beauchamp:** Having regard to the size of production, it is our view, I believe, that Quebec should acquire infrastructure enabling its pork industry to be as competitive as that of the rest of Canada and North America. I believe we agree that 11 facilities in Quebec is too many. However, even if we created a committee, we wouldn't agree on which facilities should be chosen.

At Olymel, we've tried operating with our slaughtering volume, but we've come up against difficulties. They had nothing to do with what we wanted, the government or anything else. In accordance with an arbitrary decision, we're therefore proceeding with a restructuring.

In our opinion, the problem is also that we're dealing with a lack of competitiveness related to the size of the facilities. We can avoid dealing with this problem now, but it will catch up to us. We run the risk of adopting solutions that will become inappropriate over the medium and long terms. The infrastructure and its size generate economies, which small facilities are unable to achieve, being scattered here and there over the province, often even outside production areas. We're not claiming that the only solution is to have one big slaughterhouse in Quebec. We're saying that, if Quebec doesn't establish competitive structures, it will be caught by the competition.

We're already in that situation. We can see it from our own comparative analysis with the Red Deer people. The Maple Leaf people are doing their own analysis because they've decided to refocus on value-added at a single facility where slaughtering volume will be increased to 90,000 hogs a week.

So that means that, within the industry in Quebec, we're seeing that we need to acquire competitive infrastructure. That doesn't necessarily have to be done next week or next year, but we have to find a way to get there. That's why we're consulting each other and working with the representatives of the federation and the UPA. We have to think of a way in which, together, we could develop a model for partnership, perhaps even risk-sharing. That could involve closing certain smaller facilities. I know that's never nice to hear for someone who represents a region. Nevertheless, if we don't do it, the market will force us to do it, one after the other.

I think we have a problem in Quebec and that we have to address it. We especially shouldn't hide under a blanket.

• (1220)

[English]

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

Mr. Atamanenko, you have seven minutes, please.

[Translation]

**Mr. Alex Atamanenko (British Columbia Southern Interior, NDP):** Thank you for being with us. It was very interesting to listen to what you had to say.

Obviously, everyone agrees that there is a crisis in your sector. I'm going to put my first question to the producers, as well as to Ms. Grenier-Audet.

There is a health crisis, and it seems to me from what I've read here that, if we didn't have to wait 200 days for the approval to come through, the situation would improve. Is that correct?

[English]

**Mr. Clare Schlegel:** That's correct.

[Translation]

**Mr. Alex Atamanenko:** My second question concerns the environment. There are rules, especially in the communities, which are making life more difficult for you. How do we find solutions in this area?

**Ms. Lise Grenier-Audet:** I'm going to start, and if Mr. Schlegel has something to add, he may do so.

This is one of the cases in which the government could offer financial support through the amber programs. The public sets requirements, but that's not compensated for by the price of our product. When consumers buy it, we don't recover what it cost us to meet those requirements. Back home in Quebec, environmental costs have increased astronomically, to the point where the price of pork is now 25¢ a pound — not a kilo — less than what we got a few years ago.

Production costs are rising because of events over which we have no control. The public is making demands, for shelterbelts, for example, to block odours. But they have to be installed in appropriate areas and maintained. That's fine, but there's still a cost

related to all that. Similarly, we hire agronomists and engineers, and we pay all those people real salaries, whereas, today, we don't have any salaries. It's as simple as that. For more than two years now, we haven't had any salaries; we're living on thin air. A number of producers even have to work outside the business in order to support their families.

**Mr. Alex Atamanenko:** What price do you get compared to American producers?

**Ms. Lise Grenier-Audet:** I'm going to tell you about prices in Quebec these days. Prices aren't the same across Canada, I believe. According to an American reference based on various markets, I can tell you that the price in Quebec this fall was 35¢ less per kilo than the U.S. price. We asked the Régie des marchés agricoles et alimentaires to freeze the price. It's now 16¢ lower than the American price. The difference used to stand around roughly 1¢.

Since September 2005, and more particularly since the summer, prices have collapsed. At our slaughterhouses, we're told they can't pay more. In Quebec, there's collective marketing system based on auctions. There's a big buyer, and the big buyer says it can't pay the price. It sets the price. The others obviously follow it. We now figure things can't continue like this any longer. We're asking that the price be equivalent to that of other years. For the moment, it's 2¢. The Régie has not issued a decision on the subject.

**Mr. Alex Atamanenko:** My question is for the processors and the producers.

[English]

In Europe, as far as I know, there is a tariff rate of 0.5%. In other words, they accept quota at 0.5% if we want to export pork to certain countries in Europe. As far as I understand it, there's a free flow of American pork coming into Canada.

Should we be instituting some regulations similar to the Europeans' to protect our industry here until we get back on our feet, or should we continue to allow access to American pork coming into Canada?

• (1225)

**Mr. Don Davidson (Vice-President, Business Development, Government and Industry Relations, Maple Leaf Foods Inc.):** There is American pork coming into Canada. We have what we'll call free trade in pork going both ways, and the U.S. is a very big market for us in pork. We are a much larger exporter of pork to the U.S. than they are an exporter to Canada.

**Mr. Alex Atamanenko:** It wouldn't be to our advantage?

**Mr. Don Davidson:** No, it would be much to our disadvantage, I think, to piss them off.

**Mr. Alex Atamanenko:** Okay. My question—

**The Chair:** Thank you for the clarity, Mr. Davidson.

**Mr. Clare Schlegel:** What we really need is to have the multilateral trading platform back on its feet. We need access to the European market. We need the Canadian government to negotiate greater access than 0.5%, and that's where the opportunity lies. For instance, if there were appropriate access to the European pork market, the world pork trade could increase by as much as 25% to 50%.

**Mr. Alex Atamanenko:** My next question is to the *transformateurs*. I had the great pleasure, and I'm not sure whether it was a pleasure, to visit over 17 abattoirs a couple of years ago—Olymel, Maple Leaf—along with a Russian vet, when I worked as an interpreter. So I have an understanding: I was a specialist, for a couple of weeks, on your operation.

Mr. McAlpine, you mentioned value-added as opposed to commodity. What I saw was that from the start you take the pigs, cut them up, put them in boxes, and send them away, but you're saying you would like to do more; you would like to introduce more of the value-added work—in other words, taking that meat to make it into ham and sausage, as opposed to exporting the fresh meat.

Is that what you're saying?

**Mr. Rory McAlpine:** Yes, that's correct. It would be moving away from the traditional primal cuts—or fresh and frozen commodity pork, often, which is then further value-added in the market. With much of what we send to Japan, that's what happens.

Understand that value-added today doesn't just mean cooked; it means all kinds of fresh product, marinated, all kinds of new consumer-packaged product—convenient, ready to prepare quickly—and as well, moving into meals: combinations of ready-to-eat entrées. There's a whole, vast array of opportunity in those market segments that we feel we can tap into, and we intend to.

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

The other question is on—

**The Chair:** This is your final point.

**Mr. Alex Atamanenko:** —labour market flexibility. You're asking for more flexibility. Obviously, you don't have enough workers. People work hard there; I saw that. I guess because of the world situation you're not able to pay them more to keep them. Is that correct? In other words, you can't really pay a good living wage or union-type wage for Canadians, so because of the world situation you require foreign workers to keep your operation going. Am I correct?

**Mr. Don Davidson:** Yes. I think our ability to hire sufficient workers in the west because of the boom in Alberta due to oil has been an issue. We are paying competitive wages in the packing industry. We just can't pay oil wages in the packing industry. That's the dilemma.

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

Mr. Beauchamp.

[Translation]

**Mr. Paul Beauchamp:** I believe my colleague has already discussed the subject, but I'll nevertheless point out that the problem here isn't the wages we pay. For the type of business we operate, these are really very competitive wages. Olymel currently offers the best wages in North America, but that's not enough to attract workers to this manufacturing sector instead of to the oil and gas sector. That's what's penalizing us. It isn't our businesses' ability to pay.

[English]

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

Mr. Easter, for five minutes, please.

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

My first question is to Maple Leaf. You said, Rory, that you are going to 100% ownership on the Elite Swine. Just how heavy into vertical integration at the production side is Maple Leaf? Is this in contracts? Is it full ownership? How much of your business is with producers who are family farmers, so to speak?

● (1230)

**Mr. Don Davidson:** I'll take a stab at it. I'm not totally conversant with exactly what our numbers would be. We have somewhere in the neighbourhood of about twenty-some percent ownership of our current hog systems, but it's not 100% in 22%, or whatever. It's 100% in some, parts in others, and then others where we're contract farming.

Really what we're doing is we're consolidating everything so we'll have a similar amount of ownership to what we do now, only what we do will be 100% and the rest will be going to potentially the partners we're with or others.

**Hon. Wayne Easter:** One of the things I'm concerned about, and you would expect this, is that if we look at the United States, basically with Tyson and some others, the primary producers themselves have basically become cheap labour in the pork production system in the United States in some areas. That worries me. We have to keep in mind that the primary producer at the end of this chain has to be able to survive too. I just wanted to know those numbers, and we'll check on it further.

To Clare, with respect to the chart on page 2, I believe it was, page 5 of the George Morris Centre's...you didn't mention it in your presentation, but when I was going through it, it's absolutely scary when you look at the exports going up and the income going down to the extent they have, starting in 2004. That can't be just due to exchange rates.

I'm going to ask you a couple of others, Clare, because I'll run out of time. On page 2 of your own, it shows how the U.S. is in fact expanding their exports. I think all presentations gave some reasons for that. Could you review those for us again as to what the U.S. is doing right and what we are doing wrong?

Third, I'm absolutely shocked that on the veterinary product review and registration process, it requires 1,200 days in Canada. We run into exactly the same thing on pesticides and herbicides with PMRA.

Who should this committee be inviting in to deal with that issue directly? Mr. Chair, I think that's an issue we can deal with and we need to do it. Who should be the witnesses we ask in to get at who we've got to get at, if I can put it that way? You don't have to table that now, as long as we get the information soon.

**Mr. Clare Schlegel:** Wayne, can you help me with your first question again? I don't think I was looking at the correct chart.

**Hon. Wayne Easter:** It's on page 5, the George Morris Centre one.

**Mr. Clare Schlegel:** May I ask our executive director, Martin, to answer that part of the question?

**Mr. Martin Rice (Executive Director, Canadian Pork Council):** That chart shows a trend where in both cases the export revenue and the total company revenue are based on 1990 being equal to 100.

We have seen a significant deterioration in our domestic market in the last four or five years, and quite frankly, we don't quite know why we've seen the significant.... Well, we do know that in 2003, when BSE broke out, there was a tremendous rallying of Canadian consumers behind the beef industry. But of course that tended to dissipate after the market was opened again for under 30-month-old beef cattle.

But for 2004-05, we frankly are a little shocked by how it has fallen off. That's what this really reflects, the decline in Canadian consumption of pork. There's been some growth—

**Hon. Wayne Easter:** Are you saying it's domestic more than it's the combination of the two?

•(1235)

**Mr. Martin Rice:** The line that's fallen off is almost totally due to the domestic market falling off, yes.

**Mr. Clare Schlegel:** Let me take a stab at the second question, which has to do with why the U.S. production is increasing while Canadian production is not. I think it's simple. One thing is that 10 yen buys more pork in the United States today than it buys in Canada. It's simply a math game, and when the buyer and seller are getting together, the buyer is choosing to buy over there.

The second component of it is that the American production system can afford to buy Canadian weaner pigs and then finish them. While the U.S. exports are growing to somewhere around 14% or 15% now, I think Canada is supplying somewhere in the neighbourhood of 8% or 9% of those pigs as young animals, which are then going to the U.S., being fed cheaper United States corn, and then being processed in U.S. plants and sold around the world. They need to say thank you to Canada for some of that success.

The underlying factors that are of concern to us are these competitiveness issues that we've been addressing throughout the supply chain, and we need a response.

The third item is that animal health input products are a big concern. Canada scored the lowest in the industrialized world. That's a concern. It's a balancing act between protecting the health of Canadians—the role of Health Canada, which is the approval agency, through the veterinary drugs directorate—and finding ways to expedite the process.

But when Australia can do it in less than 200 days, with a small market and fewer people—faster than we can.... And the health of Australians is important as well, as is the health of Americans.

So if you're interested in having someone in, our office could certainly help.

I think you should be aware that the livestock industry in Canada is now getting together as a livestock industry and is trying to speak with one voice to you as government, and to others. This is a critical area, along with animal health disease prevention—keeping the diseases out. That's absolutely critical, and we believe there are some adjustments that can be made.

We think it's time, in this world of specialization and capitalization, that industry priorities and government priorities need to be aligned. We're also addressing the minister and others with some suggestions in that area.

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

Does anyone else have comments on those?

Okay, I'll move on to Mr. Bezan. Take five minutes, please.

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

I want to thank all of you for coming in to make your presentations today.

Going back to this competition with the United States, what we're seeing happening right now is that because of the increase in the biofuels—and you guys mentioned this—with the very aggressive expansion in ethanol in the U.S., corn prices are starting to move up significantly.

Is that going to change the dynamics with the competition, and especially the ability of the U.S. hog farmer to buy up Canadian weaner pigs? I'm from Manitoba, and we're shipping thousands of weaners over the border every month.

**Mr. Clare Schlegel:** I can take a quick stab, and others may want to, too. The reality of the North American marketplace is that we're an integrated market. We happen to have a 49th parallel and a border, and that causes us problems periodically.

But in the grain trade and in the hog trade, frankly, something called arbitrage happens. If prices get out of line, product—grain—simply moves from one region to another. The amount of pricing differential that can happen is only equivalent to the cost to truck something from one area to another.

So where the operation is most efficient is where your prices are set across North America; then it's based, or arbitrated, off that. It's just as simple as that.

What we would expect to see with ethanol, and what you've seen, is that grain prices in the U.S. have moved up, and they're moving up in Canada. The problem for our grains and oilseeds farmers, and we state it very clearly, is that we need an efficient, effective, profitable grains and oilseeds industry in Canada for us to survive. The currency reality is affecting them as well as affecting us.

**Mr. James Bezan:** There is the talk about restructuring. Being from Manitoba, I think the double shift in Brandon with Maple Leaf is welcome. I'm not sure what you're going to do in Winnipeg. You're going to end the slaughter, but there's still going to be value-added, I'm assuming, done out of the Winnipeg facility. And Olymel has announced a new plant in Winnipeg as well.

Concerning the recent regulatory announcements by the Manitoba provincial government in relation to a moratorium on hog operations until they have a full chance to do their environmental review, which could take a year or longer, is that going to have an impact on the restructuring announcements in the new plant in Winnipeg by Olymel and the restructuring of the Maple Leaf facilities?

• (1240)

[Translation]

**Mr. Paul Beauchamp:** That won't have any impact.

[English]

**Mr. Rory McAlpine:** No. Maple Leaf is proceeding with its plans. We've been an environmental leader and feel we can adapt.

If there's one area of concern, it is perhaps that the moratorium or the pause that has been announced is open ended. It doesn't seem to have a fixed end point, which is a source of uncertainty, but we will participate in the environmental review process that has been announced and continue with our own expansion plans.

**Mr. James Bezan:** One of the final comments I have is on the circovirus. What type of management can you do on farms to control the disease—vaccination, herd health programs?

I support what you're saying, that we do need to do a lot more on research. I think that is a role that government can play. I've always heard that the CAIS program doesn't work for farmers, but it seemed to have been working for the hog industry, and now we're seeing that it's not working for the hog industry either. So what can we do, from the farm program standpoint, to be more effective in dealing with the overall industry, including the hog industry?

[Translation]

**Ms. Lise Grenier-Audet:** That can work for a specialized single-commodity hog farm. In the case of a multiple-commodity farm, that is to say one with two or more types of production, as in the case you referred to a little earlier, or in the case of a farm that only has family labour, it won't work.

What can we do on the farm to eradicate circovirus? A year ago in Quebec, a committee of veterinarians and representatives of the ministry of agriculture, fisheries and food was formed to gain a better understanding and to better manage this disease, even across Canada.

As I mentioned a little earlier, a pilot vaccine was developed last spring with the approval of the Canadian Food Inspection Agency, to vaccinate the herds. There has been a decline in the incidence of the disease. Furthermore, our internal governance, that is to say our way of working in our buildings, has changed. Currently, the disease that affected the first herds is subsiding, and everything's falling back into place. Since the disease did not hit all the herds at the same time — it broke out in some in 2004 — it's taken time for the veterinarians to really realize what caused the outbreak of the disease. We had to wait one year for procedures to be taken and put in place. Some things have been corrected, but it's taken nearly a year to achieve good results. The vaccine has achieved one part of the progress, and work methods the other. It's gradual because not everybody was affected at the same time. The vaccines aren't available for everyone. Even if a number of producers request the

vaccine, some have to wait since veterinarians only have a limited number of doses.

[English]

**Mr. Clare Schlegel:** May I make one quick comment here?

**The Chair:** Sure.

**Mr. Clare Schlegel:** We support CAIS, but we do support a renovation to CAIS. I don't think you should hear, from our perspective, that CAIS is bad and we want it thrown out, but we do think there are some changes that can happen.

Secondly, circovirus is simply another indicator that the animal world, including people, is moving from the bacterial age to a viral age, and it's because of our high-health herds that we're exposed to things like that. It's calling for renewal in veterinary medicine, a new way of doing things, a quicker response vaccine, and so on. There's hope at the end of this tunnel, both in Quebec and in Ontario. There are tools now available to us that weren't before, and we want to thank you to the CFIA for working with us to try to find those.

**The Chair:** Thank you.

We'll have Mr. Hubbard for five minutes, please.

**Hon. Charles Hubbard (Miramichi, Lib.):** Thank you, Mr. Chair. I probably won't take the full five.

It's interesting to hear our problems today. I was watching a TV production not too long ago about the hog producers in Nova Scotia. They were meeting, I think, just recently, with their minister to see what their future might be.

Historically with hogs, economists have described it as a cobweb industry—a cobweb theory—in terms of how hogs are produced and what the industry looks like. Maybe it's already been answered. But in terms of that concept of getting bigger and bigger, we reach a point where the cobweb falls. Are we at an optimum level of production in this country in terms of what we can sustain in domestic and export production? Is the cobweb too big at the present time, or is it at a place where it can still be supported in the sun to be a viable industry?

• (1245)

**Mr. Clare Schlegel:** Who wants to wade their feet into this one? I'll get myself into trouble first.

There are opportunities for producers of all sizes. If you look around the world, the Danes export 90% of their production. Canada exports 50% or 60%, so we're getting up there. It's really dependent on our ability to compete—our regulatory framework and all those competitive factors that allow an industry to be successful—and then on the factor of the world markets. Heaven forbid that we would be hit with an animal disease outbreak. It's absolutely critical that we're proactive and do our work to prepare for that. In conjunction with government, we're working on that. Compared to five years ago, we're quite a ways along. There's opportunity to at least maintain and maybe even increase. But depending on what happens from a competitive perspective, we will go into decline.

**Hon. Charles Hubbard:** With respect to your concerns about disease, is it because of a narrow genetic base that you are worried, or is it simply across a broad spectrum of all genetics? Are there genetic factors that you're breeding too fine in terms of maybe what the poultry industry is doing with their concerns?

**Mr. Don Davidson:** I think one of the big areas of concern that Clare alluded to is foreign animal disease. That would be devastating for our industry. We're 60% export oriented, and basically, all your export markets would be cut off for an extended period of time. It would be England all over again. That was the disaster that Clare was talking about. The other part, about genetics and high herd health and hogs being more susceptible perhaps to new diseases, is something that I would suggest all countries are faced with.

**Hon. Charles Hubbard:** Mr. Chair, I have just a brief observation.

When you go to most restaurants in this country, after breakfast you have great difficulty buying anything that's pork related. Half the menu is poultry.

Have you ever looked at this in terms of how well the commercial restaurant and food groups in Canada are supporting the pork industry? I see a quick response to that.

[Translation]

**Ms. Lise Grenier-Audet:** For some years now in Quebec, there has been a promotional budget in which producers have invested in cooperation with the slaughtering structures. People were appointed to work on developing pork products for restaurants, hotels and even hospitals, and so on. Progress has been made there, and pork products are increasingly being served in the restaurant chains such as Saint-Hubert and Scores in Quebec.

The situation is improving. This is a long-term effort because this is a meat that is difficult to prepare. If it isn't properly prepared, it becomes tough and we can be penalized. But the processing plants have found ways to cook the meat better so that it is tender on the plate.

[English]

**The Chair:** Mr. Rice has a point on your last question, I think, Charlie.

**Mr. Martin Rice:** Only to underline some of what's already been said.

We still have an excellent situation here for producing pigs and pork in Canada. At the genetic end of things, we still have a measured advantage over the United States in terms of productivity of our sows; it's 10% to 20% above.

Where we have been challenged in the last few years is in keeping the pigs in Canada, because of huge crops that are heavily subsidized in the U.S. This has made it increasingly difficult for our grains industry to keep producing grain and to stay in an export grain position. But the ethanol thing is changing things. It will be very interesting to watch, because there are some areas of the United States that have already moved into a grain deficit position. The ethanol production needs the grain, so they're bringing grain into parts of South Dakota. If Iowa went that way, we would definitely see a levelling of that grain cost playing field.

I think what has happened here that's pushed us into such a critical situation is that the dollar has reversed itself. It has risen in three years to the level it took 15 years to go down to. That situation is quite incredible, on top of some of the problems the processors have borne. But certainly in the production end of things we do have a lot of things going for us, including animal health.

• (1250)

**The Chair:** That's good. Thank you, Mr. Rice.

Thank you, Charlie.

There is one point before we move on. There was some discussion about disease control. Is the Canadian pork industry in favour of zoning? That has been brought up at other meetings by different commodity groups. Are you in favour of the zoning type of model?

**Mr. Clare Schlegel:** Very much so. And we agreed earlier this week to contribute \$50,000 towards the West Hawk Lake initiative. Absolutely. It's unbelievable that a country like ours hasn't achieved that prior to this.

**The Chair:** Thank you.

Monsieur Roy.

[Translation]

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

My question is for Mr. Beauchamp and Mr. McAlpine.

Mr. Beauchamp, when you say we're not competitive with the Americans because our slaughterhouses are too small and the Canadian dollar has virtually reached parity with the U.S. dollar, I have trouble understanding that.

In a normal market, the Canadian dollar could be equal to the U.S. dollar, and we should still be competitive, that is to say that the Americans wouldn't have an advantage and we wouldn't either.

Apart from the fact that our slaughterhouses may be smaller and that our dollar has virtually reached parity with the U.S. dollar, why wouldn't we be competitive with them in international markets? Is it because of the price paid to producers? Why are the Americans our competitors for other reasons than the fact that our slaughterhouses are too small and the dollar is at parity?

**Mr. Paul Beauchamp:** The issue of competitiveness factors is a vast one. Roughly 15 years ago, our dollar was worth 85¢ and the pork industry was doing well.

I took care to mention that, when our currency was at only 68¢, we neglected productivity issues. That additional advantage enabled us to exploit those major competitiveness factors, in both the processing and production sectors.

During that time, we witnessed major changes in the United States. They started producing high-quality meat. Before, they produced kilos, which was convenient for them. They converted vegetable protein into animal protein, and they took off. The Americans are increasingly producing pork year-round, a phenomenon that we see in Quebec and Canada. There's been a change in attitude in the United States. The quality of their pork has improved, which makes us a little less competitive, despite the fact that we've always had — and still have — a very good product. Whatever the case may be, the gap between us and our competitors has shrunk.

U.S. producers have used a more productive model, one with much larger units. By that, I don't mean that we're not productive. Western Canada can operate differently from eastern Canada, which has highly understandable environmental constraints. Eastern producers have developed much heavier hogs than ours, between 97 and 101 kg per carcass. Last year, in Quebec, the weight was 86 kg. We've made certain changes, which has brought that weight up to 92 kg. To give you an idea, one kilogram of difference in a carcass is equivalent to a 50¢ loss of productivity for the slaughterhouse. That's an extremely important factor.

Another competitiveness factor is the size of facilities. A 10,000-hog operation can't achieve the same economies of scale as a 90,000-hog operation.

In Canada, even though our labour costs are competitive, our collective agreements are generally tougher than those in the United States. I'm not talking about the illegal workers who run the U.S. plants, which is not the case here in Canada.

As a result of this set of factors, we don't operate within the same parameters. The difficulty isn't so much the level of competition that we can't reach; it's moving from a 68¢ to a 93¢ dollar. The value is currently between 87¢ and 88¢. What will the dollar be worth next year? Some predict it will be 92¢, while others predict it will fall to 84¢. At 85¢, we'd already be breathing more easily.

The industry was required to move faster than it could, which knocked it off balance. We can reach the level of competitiveness of the Americans. Even though we maintained the status quo for too long, we can get there. We have to give ourselves the time to review our operating methods together.

In some regions of Canada, production is mature and the size of production operations is smaller. We'll have to show some imagination for producers and processors to work in close cooperation and more efficiently than they are now. They could become partners and try to create value-added.

If a given farm has needs that generate additional costs, they won't be interested in responding if they aren't compensated accordingly. The issue of cost sharing isn't clear. We have to establish partnerships in which we should share risks. We believe that's possible. We suggested the idea to producers in Manitoba, which resulted in a new partnership.

Currently, producers in western Alberta are examining the matter with us, and we've begun talks. In Quebec, we'll see where that leads.

We think we can bring the production and processing functions closer together in order to create value in Canada.

• (1255)

[English]

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

You have two minutes, Mr. Miller.

**Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC):** Just going back, Mr. McAlpine, Mr. Ritz asked you a question earlier about CAIS: whether Maple Leaf was going to get any money out of there this year. You never answered it. It's just a yes or no question. Did they or did they not receive money through the CAIS program?

**Mr. Rory McAlpine:** Yes.

**Mr. Larry Miller:** Okay. Mr. Beauchamp, would your company...? I don't know whether you own hogs or not.

**Mr. Paul Beauchamp:** No.

**Mr. Larry Miller:** You don't.

I guess my next point on that route is that CAIS programs—it's the CAIS program that's there now, but any government program—are put in place by governments to protect the producer.

This again is a yes or no question. Do you believe that companies like Maple Leaf, Saskatchewan Wheat Pool, or I'll use Cargill in the beef industry... Do you think companies like yours should be eligible for those government programs, when they're designed to protect basically the producer, the guy who gets the dirty stuff on his boots?

**Mr. Rory McAlpine:** Well, I think the point is that these are revenue challenges to the producer, and depending on the ownership model, some of those producers have, by far, the majority stake in the profitability of the enterprise and suffer the majority of the loss when the markets fall. So the question of ownership is not really relevant, in our view.

**Mr. Larry Miller:** Okay. I will carry on from there.

What percentage of your daily kill or weekly kill, as I'll call it, is either self-owned by the company or contracted out, which in essence is the same? Have you any idea what the percentage is?

**Mr. Don Davidson:** I think it's somewhere around 20% to 22%.

**Mr. Larry Miller:** Mr. Schlegel, you mentioned earlier some of the problems with the industry in approval of drugs and what have you, and there are some examples. I think it's in your report—1,200 days here, 200 in the U.S., and 300 in Australia.

Are there examples where you can show that the extra time it takes here in Canada, which I think is excessive, to actually prove a drug to be not good just because we take longer to do it...? What I'm trying to get at here is whether there is any justification for why it takes PMRA so much longer here.

**Mr. Clare Schlegel:** I could reverse it, if that's helpful to answer.

There certainly are examples where we don't have access to tools—and we call these tools in our tool box—where we're disadvantaged in relation to our competition.

The other situation that has to be addressed, and addressed immediately, particularly when we're in crises, is that it's the opposite to human drugs, as I understand it. Human medicine products are less expensive in Canada than in the U.S. On the livestock side, it's just the reverse.

So we're currently looking at what they've done in PMRA. We have a cross-commodity group taking a look at it, trying to figure out what we could do, what we could promote. The veterinary drugs directorate has said, for ten years already, we're going to get better, we can make adjustments—but, ladies and gentlemen, it's not happening fast enough.

• (1300)

**Mr. Larry Miller:** Have you any specific suggestions or advice to the government to try to urge PMRA...any specific changes?

**Mr. Clare Schlegel:** Can we get back to you?

**The Chair:** Yes, absolutely, Clare, by all means. You can send it in by letter.

**Mr. Clare Schlegel:** We're actively working, and I'm not sure we have the solutions per se right now, but I think in tandem with the government the solutions can be found.

I think you may have to weigh in from an agriculture perspective, because it's this question of human health versus industry welfare, and it's not an easy one for a government to answer. There's a balancing act here, and you have to know that food safety and human health is a primary concern for us. That's also a concern, so we don't want to sacrifice there, but on the other hand, we don't want our industry sacrificed either.

**The Chair:** The continuation of the harmonization of the North American model...if you have it on everything else except for veterinary products, you still have a major problem.

Thank you, Mr. Miller. We've actually run out of time.

Ladies and gentlemen, thank you so much for your presentations today. There will be a report going forward to the minister from this. We're trying to be a bit proactive on the pork cycle and get ahead of things, but of course this is government and it doesn't always happen.

This meeting will suspend as we shift to in camera. So I'll have everyone leave who's not going to be here for the in camera session. Thank you again.

*[Proceedings continue in camera]*

• (1302)

\_\_\_\_\_ (Pause) \_\_\_\_\_

• (1334)

*[Public proceedings resume]*

**The Chair:** We're back in session.

Mr. Easter, you have the floor.

**Hon. Wayne Easter:** On the motion, Mr. Chair, basically it's a recommendation to the minister.

Until October 31 the Minister of Agriculture originally expressed no intention of allowing any plebiscite among western grain farmers, as provided for under the act. On October 31, the minister relented,

to a degree, by informing the committee that he was pleased to announce that there will be a plebiscite on barley that will be held in the new year.

The purpose of this recommendation is to expand on that concession by the minister to include wheat in the plebiscite announced by the minister. As well, at that time the minister said, and I quote:

...we'll announce the exact questions to be on the ballot. Until then, I welcome the input of farmers and this committee and others on what those should be.

—meaning what the question should be. I believe, Mr. Chair, that this motion certainly is within the purview of this committee. Even in the letter that you provided me by the chair of the law and government division of the Library of Parliament, in their paper, "Notes on Some Issues Related to the Canadian Wheat Board", dated November 7, 2006, it stated:

Framing the question that must be put to a vote under section 47.1 may be interpreted to be part of the voting process. It, therefore, could be argued that the Minister has the right to draft the question or questions to be put to a vote under this section 47.1. In this regard, the Minister can seek advice, or be provided with advice, from a variety of sources.

I know you wanted to rule this out of order. Given that the minister himself had said that he would welcome input from farmers, this committee, and others, and also given the argument by the Library of Parliament paper itself, I think it's appropriate that we provide this advice to the minister via a report to the House. The questions that are raised in here are in fact the proposals that came from the farm community itself on what it would like to see in the ballot question.

• (1335)

**The Chair:** Is there any discussion on the motion? Are you tabling the motion? You did table it before.

**Hon. Wayne Easter:** Yes, but I said I would reconsider.

**The Chair:** Technically you withdrew it.

**Hon. Wayne Easter:** I think it's questionable whether it was withdrawn. I'd have to go back to the—

**The Chair:** The quandary I find myself in, Wayne, is under the rules of the House, when a motion has been tabled and rejected for whatever reason, then it has to be substantively changed before it can be tabled again.

I'm just asking the will of the committee. Was it tabled the first time, or did you withdraw it? I haven't gone back to the blues; I don't know.

**Hon. Wayne Easter:** I'd have to go back to the blues and look, but, Mr. Chair, I believe when you said that from your point of view it would be out of order, I said "I will withdraw and reconsider", and you gave me the legal opinion. I looked at the legal opinion, and contrary to what you thought from the legal opinion, I think the legal opinion makes my point, not yours. So I believe the motion is legitimately on the table.

**The Chair:** All right. It was withdrawn at that point, and now it's legitimately tabled.

We have discussion on the motion.

Mr. Atamanenko had his hand up, and then Mr. Anderson.

**Mr. Alex Atamanenko:** I was just going to say that was my understanding. If I remember correctly, that's the procedure that took place, so I think it's legitimately on the table.

**The Chair:** Okay.

Mr. Anderson.

**Mr. David Anderson (Cypress Hills—Grasslands, CPC):** I guess that is the question. Is it legitimately on table? You said if he's withdrawn it, he cannot resubmit it unless it has changed substantively. It has not changed at all, so I would suggest we adjourn the meeting and go on our way here.

**The Chair:** The point that is being made is that it was not tabled the first time around. That's Wayne's submission, that he withdrew it.

•(1340)

**Mr. David Anderson:** Well, what do you call it, then? It came to us and we had to deal with it. It came to the committee, and it was at committee that he withdrew it.

**The Chair:** But he's claiming that he withdrew it before there was any substantive debate or anything like that. That's the quandary I find myself in. Was it...? That's why we're discussing it.

**Mr. David Anderson:** The motion was put forward; the motion was withdrawn. The rules are that if that happens, you can't bring back the same motion, unless you change it. So the rules are....

We just can't accept it. It hasn't been changed. It doesn't matter whether it's Wayne's motion or mine or anybody else's; it can't be resubmitted the same way, once it was withdrawn, and that's what makes it out of order.

**The Chair:** Mr. Bezan.

**Mr. James Bezan:** I think that's the point. The motion was on the table; it was brought up. Wayne withdrew it, but it had been tabled. So it was here—it wasn't voted on, but it was on the table—and there's no use in bringing it forward at this point in time. It has to be changed substantively.

**The Chair:** Mr. Thibault.

**Hon. Robert Thibault:** Correct me if I'm wrong, but if a member brings a motion and the chair rules the motion out of order, then the member at that point has the right to challenge the chair. Nobody likes to do that, so sometimes a member might say, "Well, let me think about it. I'm going to have a look at it. I'm going to consider the evidence that you're giving and then bring it back."

I think Wayne is at that point. He's at that point now, where he would still have the right to challenge the chair on that decision. I don't think there's an expiry of time, that there's an amount of time after the ruling of the chair during which you can challenge.

So we can have two ways of bringing this on the table: either accepting it as the motion, after he has had his chance, or Wayne can challenge the decision of the chair. Then the committee decides to uphold or not to uphold the decision of the chair. If the decision of the chair is not upheld, then the motion will be votable. That is my understanding.

**The Chair:** As I understand it, and the clerk can correct me if I'm wrong, that's true. That's the way it is, yes.

Is there any further discussion at this point?

**Mr. David Anderson:** So what's the situation we find ourselves in?

**The Chair:** I'm just looking for discussion, Mr. Anderson.

As your chairman, I would still have to rule this out of order, Mr. Easter, looking at the legal opinions I've seen and this bit of a conflict as to whether it was or was not tabled. Now, you certainly have your rights.

**Hon. Wayne Easter:** Okay, Mr. Chair. I would challenge the chair in that ruling. For all the arguments I've already outlined, I believe the motion is in order. I believe it's backed up by the request from the minister himself for advice. I believe it to be backed up by the paper by the Library of Parliament. Therefore, I would challenge the chair in that ruling.

**The Chair:** Okay. I need a motion from the floor to....

Mr. Bellavance, is there discussion?

[*Translation*]

**Mr. André Bellavance:** I'd simply like to clarify something, if that can resolve the impasse. I wasn't here during the discussion, but my assistant had the blues. Mr. Easter said at one point that, if committee members were in agreement, he would withdraw his motion and draft another after examining the legal opinion. He therefore withdrew his motion. That's what he said. So the motion he has just put before you was a new motion. If the other was inadmissible, the discussion we're having today is pointless. So the new motion should be able to be heard.

[*English*]

**The Chair:** Technically, André, to be ruled out of order, it had to have been tabled, and it's fine that Mr. Easter withdrew it. He has now resubmitted it. The rules of the House say that in order to resubmit a bill, it has to be substantively changed. Again, under the rules of the House, he can bring forward the same bill—or motion—and make his appeal and challenge the chair, which is the point we're at, at this point.

So in order to challenge the chair, I need a motion from the floor—a mover and a seconder—that the chair's ruling be sustained.

It is moved by Mr. Easter.

**Hon. Wayne Easter:** No, not that the chair's ruling be sustained.

**The Chair:** Well, that's how it's done, and you vote against its being sustained to defeat it. That's the protocol. It's a negative option billing thing, Wayne.

I'm sure glad you guys did your homework.

I need a motion from the floor, in the wording "that the chair's ruling be sustained". Okay, it is moved by Mr. Hubbard and seconded by Mr. Boshcoff.

Those who want to see the chair's ruling changed will vote against this motion.

(Motion negated [See *Minutes of Proceedings*])

•(1345)

**The Chair:** The chair's ruling is overturned. Mr. Easter's motion stands; it is on the floor.

Is there any further discussion on Mr. Easter's motion?

There could be amendments or something, Wayne. I have to open it.

**Mr. David Anderson:** Is it votable today?

**The Chair:** The motion is on the floor. It is debatable, it's amendable, and then it's votable, because we've had our 48 hours' notice and so on.

Is there any debate?

**Hon. Wayne Easter:** Call the question, Mr. Chair.

**The Chair:** All right. The question is called.

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

**The Chair:** The motion carries, so the clerk will draft it up in both official languages in a report to the House.

**Hon. Wayne Easter:** Now we have the advantage, Mr. Chair, of having learned some parliamentary procedure too.

I have a question. James, you had a motion. Was 48 hours' notice given?

**The Chair:** Yes, that was all we needed. We didn't have 48 hours. We have a bit of time here, guys. If we have unanimous consent, we can move Mr. Bezan's motion today as well.

**Mr. David Anderson:** I ask that we proceed with regular times on these motions and that we don't start skipping procedure.

**The Chair:** Okay. It will come up at the next meeting.

Is there anything else, gentlemen? Good.

This meeting stands adjourned.

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