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Thursday, February 8, 2007

Chair

Mr. James Bezan

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● (1535)

[*English*]

The Chair (Mr. James Bezan (Selkirk—Interlake, CPC)): We're going to call meeting number 35 of the Standing Committee on Agriculture to order.

Today we're going to be hearing from the equipment dealers and manufacturers of Canada. We have Peter Maurice here, Doug Tibben, John Schmeiser, Duane Smith, Bob Frazee, and Howard Mains. Welcome to the committee.

I'm going to turn it over to you John, so if you want to kick it off and keep your comments as brief as possible that will give us more time for questions and answers and debate following your presentations.

Mr. John Schmeiser (Executive Vice-President, Canada West Equipment Dealers Association): Thank you very much, Mr. Chairman. I'll allow the individuals here at the table to introduce themselves.

I would like to thank Howard Mains from the Manufacturers Association of Canada for joining us. We try to work as closely as possible with the manufacturers in Canada on issues that are of importance to both of our organizations.

I certainly would like to thank the committee for the opportunity to make a presentation on behalf of the 800-plus retail equipment dealers in Canada. Farm equipment dealers in Canada are represented by three regional associations and one international organization, all of which are present here today.

The directors who serve on these associations are elected by dealers in their respective areas. In addition to that, the three Canadian organizations are part of 18 like organizations that comprise the North American Equipment Dealers Association.

I'll ask each of the representatives here today to introduce himself and give a brief background on his association, starting with Bob Frazee, who is the president of the North American Equipment Dealers Association.

Mr. Bob Frazee (President, North American Equipment Dealers Association): Good afternoon. I'd like to thank the committee for allowing us to appear here today as well.

As John said, I serve as chairman of the North American Equipment Dealers Association, which represents nearly 5,000 equipment dealers throughout Canada and the U.S.

Our mission statement says that we are committed to building the best business environment for North American equipment dealers, and we work towards accomplishing that mission by being an advocate for the dealers we represent, through having better manufacturer relationships and by being involved in governmental affairs.

I am here today to support the efforts of our three Canadian affiliate organizations to effect legislative changes that will be beneficial to our Canadian dealer members. The resolutions being presented today have the full support of the North American Equipment Dealers Association, and I ask you to give careful consideration to recommending that they be adopted as policy by the Minister of Agriculture.

Our motto is “helping dealers succeed”, and it's through efforts such as this that we're able to fulfill that motto. Again, thanks for your time and your consideration.

[*Translation*]

Mr. Peter Maurice (Director General, Association des marchands de machines aratoires de la province de Québec): Good afternoon. My name is Peter Maurice. Although I have an English name, I work in Quebec. I am Director General of the Association des Marchands de Machines Aratoires de la Province de Québec. The association, which is a non-profit organization, was founded in 1949. Its mission is to compile statistics and information on agricultural equipment in Quebec, to secure the greatest possible cooperation of the dealers in the various regions of the province and to promote the sale and use of agricultural machinery in Quebec.

Our association was founded in order to bring together all agricultural equipment dealers in the province. We are a source of information, and we offer our members services such as group insurance programs, general insurance and the legal forms the dealers need.

In all, there are approximately 160 agricultural equipment dealers in Quebec. Slightly more than 3,000 employees work for those dealers. The dealers vary in size, and the number of employees per dealer varies accordingly, from five to 125. In the shops, in 2006, the average hourly rate charged to farmers was $60 an hour. In some regions, it was $66 an hour. In Quebec, the average hourly rate wage paid to mechanics is approximately $16. The language used is French, and our customers are all Francophones. All the documents and information that we forward to our members are therefore in French.

On behalf of the agricultural dealer members of Canada, we are pleased to be making this presentation to the Standing Committee on Agriculture and Agri-Food so that the government can become acquainted with it.

I'm now going to talk about Canada's place in the competitive world.

The members of our association sell equipment mainly intended for agricultural use. They are sensitive to the changing needs and demographics of farmers, and have seen many technological advances in the equipment offered for sale. As members of the committee know, farming today is vastly different than 30, 20 and even 10 years ago.

However, we believe that government policy affecting our industry has not moved as fast. Therefore, in our presentation to the standing committee today, we would like to provide a state of the industry report and at the conclusion provide some recommendations for the committee's consideration.

Thank you.

[*English*]

Mr. Duane Smith (First Vice-President, Canada West Equipment Dealers Association): Good afternoon.

My name is Duane Smith. I'm a director with the Canada West Equipment Dealers Association. We represent approximately 400 western Canadian equipment dealers in the four western provinces and employ approximately 8,000 people. Personally, I'm CEO of JayDee Equipment. We are a five-store John Deere dealer in southwestern Saskatchewan, with locations in Swift Current, Kindersley, Kyle, Maple Creek, and Leader, and we are pleased to be here on behalf of western Canadian equipment dealers.

Mr. Doug Tibben (Director, North American Equipment Dealers Association, Canada East Equipment Dealers Association): Good afternoon.

My name is Doug Tibben. I sit on the board of directors for Canada East Equipment Dealers Association, which represents about 350 dealers and employs about 6,000 people. I also own and operate three businesses locally in the community here, one in Winchester, one in Richmond, and one in Brinston, and employ about 35 people.

Mr. John Schmeiser: Each year we receive a special management report from Ag Equipment Intelligence. This report surveys dealers across Canada in an effort to provide the outlook on the Canadian market for the coming year. Through this survey of our dealer members and the reports we have heard from our various dealer meetings, we are very optimistic that equipment dealers in Canada will be experiencing sales growth in 2007.

We believe that equipment dealers and their sales reports provide a good indicator of the agricultural economy in Canada. Our sales are driven by a number of factors; the most important, however, are weather and commodity prices. If the weather cooperates and our farming customers have a crop in the field, our members will sell equipment. Additionally, if commodity prices are strong, our farmer customers will buy equipment. If we have a combination of good crops and strong commodity prices, our members will see significant sales growth.

Our dealer members are coming off a solid sales year in 2006. Every category of farm equipment that is tracked by the Association of Equipment Manufacturers saw an increase in 2006 over 2005. There were 19,375 tractors sold in Canada in 2006. I should point out that these are figures for new tractors. This represented an 11.6% sales increase over 2005. Additionally, Canadian dealers sold 1,583 new combines in 2006, which represented a small increase of 1.2% over 2005. This increase, however small, is still significant, since our industry is facing consolidation of farmers across Canada as thousands of acres are taken out of production each year because of urban sprawl, population growth, and other factors.

Looking forward to 2007, Canadian dealers are demonstrating considerable optimism and have higher sales expectations: 51% of our dealers in Canada have indicated that they will see significant sales growth in 2007. Our dealer members are forecasting that every tractor size is expected to do as well as or better by a substantial margin than in 2006.

For other farm equipment, our members are forecasting healthy increases in almost every category. Global positioning systems, farm loaders, round balers, and lawn and garden equipment will lead the way. We also expect combine sales to remain consistent.

The only type of farm equipment for which we forecast a decrease is tillage tools, which include cultivators, plows, and discs. The decrease in this category is more reflective of changing farming practices for moisture retention and soil conservation than of levels of confidence in the industry.

Our survey also indicates that dealers do not intend to decrease their capital spending in 2007. In fact, a significant number of our members plan to increase their capital spending by over 10%. Generally speaking, dealers in Canada intend to up their investments in all areas of the business, and the service departments will see the greatest increase, as our members will be improving their facilities and service vehicles and adding technicians.

Attached with our presentation, which will be handed out after the translation is done, there will be a breakout of the region of our dealers' opinions on major issues and concerns for 2007, and a further breakout by province will also be included for your information.

● (1540)

Mr. Doug Tibben: Our industry has been in transition for many years. Advances in farming practices, reduction of farmers, and the advent of new technologies have had a great impact on our business. There is continuing consolidation within the dealer networks, and dealerships have had no choice but to merge with neighbouring locations to reduce costs and improve efficiencies.

Additionally, manufacturers have reinforced their desire to consolidate the dealer network and are encouraging the issue in the marketplace. Many of our members see this as an opportunity to grow their businesses. This is a significant issue within our membership, and all of our associations are providing assistance to dealers in some respect to help them through this transition, but we would like to advise the committee that this is a trend that we don't see changing over the foreseeable future, nor one that we wish to intervene in.

The 2007 forecast also addressed issues that are of the greatest importance. The greatest industry challenge and concern of the Canadian equipment dealer is people. We are in a constant battle to recruit and retain employees, and the biggest challenge is within our technicians. In our 2007 forecast, almost 72% of Canadian dealers view technician availability as their number one concern.

For the most part, our dealer members are located in rural areas, and in a lot of cases, our members are the largest employers in the community. Nevertheless, we are finding it increasingly difficult to fill the many openings that we have, and our current estimate is that there are over 1,000 career openings for technicians across Canada with no immediate solution on the horizon.

All three of our Canadian associations have undertaken creative approaches to address this need. These approaches have included foreign recruitment, creation of scholarships, direct sponsorship of students, career videos, cost sharing of textbooks, marketing campaigns, and creating partnerships with regional colleges, to name just a few.

We have been actively involved with the recruitment of people from our industry to work for our industry for the past ten years and have collectively allocated over $500,000 on this effort so far. We look to the committee to support job creation and retention efforts in rural-based agricultural businesses.

We would also like to point out one final, notable item from the 2007 outlook. Only 14% of our dealer members across Canada view the Canadian agricultural income subsidization program as the issue that they are most concerned about, and an overwhelming 57% are not concerned about the CAIS program at all.

Although our industry is appreciative of any federal farm support provided to our customers, our survey tells us that the levels of farm support are less of an issue today than they were in the past. We recognize, however, that this opinion can change from year to year.

● (1545)

Mr. Duane Smith: With that, we appear today to seek the committee's support on five issues of importance to Canadian equipment dealers.

First of all, we have requested that the Department of Finance increase the capital cost allowance—the CCA—schedule on new farm equipment purchases to 40% in the first year from the current 30%. That is for investments in new agricultural equipment.

Our organization made this request to the Standing Committee on Finance in 2006, and reference was made to our request in the pre-budget report presented to the House of Commons. In the committee report, recommendation number 24 addressed this issue, and I quote:

> If the review concludes that accelerated rates would enhance productivity, changes to capital cost allowance rates should be made.

We believe that the current marketplace sees quicker turnover of equipment, and the current rate of 30% is not reflective of today's environment. Currently the 40% CCA is provided to heavy trucks, and the same ratio should be put in place for agricultural equipment.

Furthermore, recent initiatives in the United States have seen rapid acceleration of their depreciation schedule. There is a new initiative led by the North American Equipment Dealers Association to have agricultural equipment fully depreciated over a five-year period, as opposed to the current seven years, and there has been a receptive ear to this message in Washington. Such a change in Canada would see all sectors of the agricultural equipment market benefit—the manufacturer, the dealer, and the consumer—but the major benefactor of this change would be our farmer customers. Today's farmer and the innovative farmer of the future are both trading in their equipment at a faster rate than in the past, and an increase in the depreciation rate is warranted to reflect the current purchasing pattern and the use of the equipment.

One other benefit of this change would be to the environment. As more and more of the efficient and sophisticated farm equipment enters the market, it replaces older and inefficient technology; an adjustment in the CCA rates for farm equipment in Canada is needed for us to remain competitive in the world.

We seek the support of this committee as the issue is reviewed by the Department of Finance.

Our second and third recommendations address environmental aspects. We are requesting that the committee propose and support the introduction of a program that would see financial incentives for farmers to replace, repower, and retrofit older diesel engines.

We base this initiative on a program currently in place in the United States that is successfully reducing emissions from diesel engines. We feel that manufacturers, dealers, and our farmer customers are ready for such an initiative; however, what is needed is an incentive to make it happen. We seek the support of the committee in this effort, which would place Canada as a leader in reducing pollution emitted from farm equipment.

Keeping with the theme of the environment, the third issue we would like to bring before the committee is that the Canadian affiliates of the North American Equipment Dealers Association strongly support the development and expansion of a viable biofuels industry in Canada, and we ask that incentives offered in the U.S.A. be matched in Canada to encourage the growth of our industry here.

In addition to the positive impact on the environment, the advent of the biodiesel and ethanol industries has placed another demand for our customers' products. We have seen commodity prices increase over the past year, partly because of the biofuels initiatives that have been launched in both Canada and the United States. This certainly is part of the reason for the optimism in the industry coming from our dealer members. We hope this is not a short-term phenomenon, but we believe incentives in Canada should match those offered in the U.S. in order to ensure that our biofuels industry is sustainable over the long term.

Our fourth recommendation to the committee is also a finance issue and concerns the capital gains tax exemption limit. We seek the support of the committee for our recommendation to increase the exemption limit to $750,000 due to the consolidation of our businesses. This is becoming a bigger issue within our industry.

We feel the $500,000 limit is dated and that the limit needs to be more reflective of today's economy and business sizes, as each year more and more of our businesses that have been sold are exceeding the limit. We will be forwarding this recommendation to the Department of Finance. We seek the support of the committee in this request.

Our fifth and final recommendation addresses our shortage of technicians. We ask for the committee's support in exploring programs and assistance to recruit and maintain technicians so that our dealer members can competently service the equipment we sell to our farmer customers. We recommend that programs assisting in foreign recruitment, education and training, and rural living be considered, as well as tax credits for tool purchases by all technicians.

In closing, we are looking forward to a strong 2007 for the farm equipment industry, one that will be positive for Canadian farmers, dealers, and Canadian-based manufacturers.

On behalf of our dealer members across the country, we would like to thank the committee for the opportunity to make this presentation on their behalf, and we look forward to your questions and comments.

Thank you.

● (1550)

The Chair: Thank you, gentlemen.

Mr. Mains, did you have any comments you wanted to bring from the Association of Equipment Manufacturers?

Mr. Howard Mains (Canadian Public Policy Advisor, Association of Equipment Manufacturers): Thank you very much, Mr. Chair, and thank you, John, for your kind comments.

I think it's important to note that the dealers and the manufacturers all share a common goal, and that is, to get the right equipment into the hands of the farmers and make sure that equipment is working when they're trying to get their crops off.

Let me first say a few words about the Association of Equipment Manufacturers. AEM is the trade association representing the agricultural, forestry, construction, and mining equipment sectors. In addition to Canadian equipment manufacturers, such as MacDon out in Winnipeg, there are about 700 other members, including those that manufacture the tractors, tillage, electronic, and harvest equipment Canadian farmers depend upon to plant and take in their crops.

This afternoon I wish to speak about five areas of interest to this committee. Just briefly, the first is the sales history. I had handed out a chart that shows the sales history over the past 20 years of farm equipment in Canada, or rather tractors and combines in Canada. As you can see, it's not a rapidly growing market, except in those sectors that seem to serve the large acreage sector. You can also almost match those sales numbers with various market influences, such as the BSE crisis in 2003-04, and you can take a look at the tractor and combine sales in those years.

All of us in this room will be familiar with the tremendous productivity improvements Canadian farmers have made over the past 40 years. Work done at the George Morris Centre at the University of Guelph illustrates that farmers have been just as innovative and efficient in their productivity gains as other major industrial sectors in Ontario. Our farmers have much to be proud of in that regard.

These productivity gains result from many different types of technological advancements. For example, if I were still milking cows out in Lanark County 45 minutes from here, I might be thinking about buying a robot to do the milking, like some of my neighbours have who are still milking cows out in the barn.

Another great leap forward in productivity is the application of GPS technology in farming. Precision agriculture systems that are now in place—the assisted power steering systems, monitors for planting, fertilizer and pesticide applications, and harvest yields—all allow farmers to drive down fuel and crop input costs, while at the same time reducing environmental impact and maximizing revenue from an acre of land. So precision agriculture systems can and do address the economic and environmental issues confronted by farmers today.

Engine manufacturers have also made great strides in increasing fuel efficiencies. That's one of reasons why we're asking that the CCA rates be increased. According to the Univeristy of Nebraska tractor test laboratory, the average fuel rating measure in 1981—and I apologize for this measure, but this is the way they do it, and those of us who farm know a little bit about this—was 12.2 horsepower hour per gallon. That's a tough one, isn't it? Regarding the latest technology, last year Deere had a tractor go through the Nebraska tractor test that came out at 18.7 horsepower hour per gallon, so that is a 50% improvement, while at the same time meeting the new EPA tier three emission regulations.

As a result of these ongoing technological improvements, not only in tractors, but across the full line of agriculture equipment, Canadian farmers are replacing their equipment much faster. In the past, innovative farmers might have upgraded their tractors every five to seven years. It all depends, but we'll use round numbers here. Now, and the dealers will know this, those leading edge, innovative farmers are trading in their equipment much sooner, maybe three to five years, in order to reduce the operating costs through fuel efficiencies and increase operator efficiencies as much as possible.

Let me ask you to picture in your mind two things. The first is a horse harness and the second is a bright new 250 horsepower GPS-equipped tractor, maybe down on Doug's lot down in Winchester.

● (1555)

I think you'd agree there's a stark contrast between those “tractors”. Well, under the tax act there isn't; they are the same. They both are classed in class 10 of the capital cost allowance. Both are allowed the same 30% depreciation rate. That's just one example of how outdated our tax code is in this country, and I think it's fair to say that we need to have a good, hard look at that and to say that horse harnesses and new tractors are not the same thing.

Last October, dealers and manufacturers jointly wrote to the Minister of Finance asking the government to modernize CCA rates, and we urge this committee to recommend these changes to the government. By doing so, the agriculture committee would be supporting both the industry committee, which tabled its report on Tuesday and made a recommendation in this regard, and the finance committee. We would be able to go into the budget cycle possibly with three committees making the same recommendation.

Allow me to turn to a matter of significant concern to AEM members and indeed to dealers, a matter that's before Parliament in committee, and that's Bill C-257. I'm sure some of you may have heard a little bit about it.

Dealers and manufacturers require a robust, dependable telecommunications network to ensure rapid delivery of replacement parts for repairs to agricultural equipment. In particular, I would point out that in some provinces, agricultural equipment manufacturers are under a statutory obligation to deliver parts within a set period of time. In Saskatchewan, it's 72 hours. A lengthy strike by telephone company employees without replacement workers to maintain mission-critical telecommunication networks that everybody at this witness end of the table depends on would put into jeopardy our combined ability to get those parts into the hands of the farmers.

In the 20 years leading up to the changes in part I of the labour code in 1999, Parliament had to intervene 17 times to end labour disputes. Since then, not once has Parliament intervened. I trust, therefore, that you would draw these concerns to your caucus colleagues.

AEM in both Canada and the United States supports the ongoing efforts of government to establish a renewable energy strategy. In the U.S., AEM is working with 200 other organizations on the 25X25 initiative, which has a goal of obtaining 25% of U.S. energy supplies from the nation's working lands by 2025.

In Canada, the government has established a mandate for biofuels. However, without tax parity with the U.S., much of the value-added processing will locate south of the border. This means the value of the jobs, equipment, and supplies to build and service the industry will accrue to the U.S. and not to Canada. We simply would become exporters of raw product and purchasers of finished goods.

We have a once-in-a-lifetime opportunity to have a new industry created and developed in Canada, and all producers are asking for is a level playing field. There will be clear spinoff benefits to rural communities and their agriculture-based economies.

In summary, Mr. Chair and members of the committee, manufacturers and dealers have a shared goal, and that is providing Canadian farmers with equipment that does the job of getting the crop planted and harvested. AEM supports the concerns of the dealers brought to this table, and in particular urges the committee to pass a motion calling on the government to increase CCA rates.

Thank you for allowing me to address the committee this afternoon.

● (1600)

The Chair: Thank you, gentlemen. I appreciate you guys coming in. We tried to have this scheduled before Christmas, but definitely your appearance here is timely, with the upcoming budget being presented sometime in the spring session.

I'll turn it over to Mr. Steckle. We're going to do the first round, of seven minutes.

Mr. Paul Steckle (Huron—Bruce, Lib.): Thank you very much, Mr. Chair and guests.

It's an interesting subject, a matter I have had close to my heart for a long time. I realize that the colours of our vests may be different from time to time, as we have different stripes in this place. I think the concern we have in servicing the community we service, the farm community, is one and the same.

Mr. Tibben, you mentioned earlier that the importance of farm subsidies isn't as great as it.... Are you referring to the need in February 2007 versus January of 2005, or is this a general consensus? We're not getting the message.

I think it was you, Mr. Tibben, who suggested that farm subsidies are not as big an issue as they once were. I would think if they're not now, it's perhaps only because the prices in the commodity markets have risen. Maybe you could give some explanation, because we may leave this meeting today thinking, as we begin the review of our policy framework going forward, that maybe there's no need to do it, if we don't need farm programs; maybe we can correct it all with tax depreciation allowances and things like that.

I was a little taken aback by that statement.

Mr. Doug Tibben: I'll start that and John will finish it for me.

Where we believe the issue arises is in commodity prices, and as the commodity prices reach levels that make it acceptable for our customers to purchase and operate their equipment and farms, the need for subsidies seems less of an issue than in the past. We've come through probably the most fragile time in agriculture in my history of being in the business, and we have seen, with crop prices reaching the levels they are now, the level of concern for the subsidies seems to be decreasing.

John, you can continue.

Mr. John Schmeiser: I think we can't underestimate the impact that the biofuel initiatives and ethanol initiatives are having on the marketplace. We're seeing that, and really what we're bringing today is what our members are saying. We're not bringing to the table today what our customers are saying. Obviously, our members are basing that statement on their conversations and the pricing activity that they're doing with their customers.

Maybe our customers have a different opinion, but from the activity we have seen, our members are saying this is less of an issue today than it was in 2005, as you stated.

Mr. Paul Steckle: I appreciate the comments.

I think I knew what you were trying to say, but for the record we need to make sure that we're not leaving those farmers back home believing that the farm machinery dealers.... Because having been in that business, I know things get pretty critical at times, and certainly commodity prices impact directly what happens at the dealership gate.

Since we have Canadian dealers here and we have a representative representing both parts of North America, U.S. and Canadian dealers..... Your home base is the U.S., I believe?

Mr. Bob Frazee: My home base is, yes.

Mr. Paul Steckle: May I ask my Canadian representatives of the industry, are there irritants that Canadian dealers face in the industry in regard to the parent plants, which are all in the U.S. or Europe—they're not in Canada—that American dealers don't face? And maybe you can answer that question, I don't know. But I know that where the money, the exchange rate.... I know early in my career we had a positive exchange rate, and we went the other way. As prices of farm machinery increased and as the dollar has found a different level today, we're not seeing—and I'm getting this from my farm constituents—that differential reflected in the price at the dealership. I know there are arguments given by dealers, but how does that translate back to the parent company?

Mr. John Schmeiser: I'd be glad to answer that question.

You're absolutely right, currency has a huge impact on the price of our equipment. The bigger impact our members face is on the value of our used equipment. As you know, a dealership makes it or breaks it, basically, on the money that they have tied up in their used inventory.

When the Canadian dollar was in the 66¢ to 67¢ range, what the manufacturers in the United States did at that time is the price they charged to dealers was not equal to where the currency was at. They subsidized some of it. That gave our dealer members huge opportunities to retail used equipment in the United States. Now that the currency has increased, that opportunity we had in the U.S. is pretty much all but gone away.

My good friend from Quebec has been sharing with all of us in the last day that one of the big issues his members have is the amount of used inventory that is out there, because that U.S. market has dried up. That's the market we operate in. We have to make hay when the sun shines, to overuse a phrase that's been out there, and our dealers would certainly like the opportunity to have that market come back.

● (1605)

Mr. Paul Steckle: I know we have people here today representing the Green Line. I know that from the parent plant down, they're pretty firm in their strategy that you must sell Green equipment. Short line is not allowed in the same way as it is in the U.S. There are dealers in the U.S. who can sell other brand line products, and that isn't allowed, not only by the Green Line, but by other companies as well.

Is this a deterrent for dealers? It's like everything today: we have to make the dollars where we can, and if we can't make it in one line, we have to do it with something else, and particularly if the parent company doesn't sell that particular product.

Mr. John Schmeiser: This is something our members identified as an important issue.

Recognizing that the laws in Canada and the U.S. were different, our association took the position that this was unfair. So we have addressed it through provincial legislation in Alberta, Saskatchewan, and Manitoba. It's my understanding that Ontario addressed it in 2006. It clearly states in provincial law right now that a dealer's contract cannot be cancelled because he's carrying a competitive short-line or a main-line product.

We were very vocal in getting that change, and we had manufacturers who Howard represents who were very opposed to that change for their reasons. But the main reason why we were very supportive of making that change or requesting that change of provincial governments was because at the end of the day, having the ability to sell multicoloured products, both main line and short line, would benefit our farmer customers.

Mr. Paul Steckle: Back in the early 1980s, leasing was an instrument that farmers were encouraged to use. Is that still being used as much as it was 15 years ago?

Mr. Duane Smith: Actually, we're seeing larger growth in leasing in the last seven years than we did before that. I would say approximately 40% to 45% of our new equipment deals are leased units; prior to that seven years, it would have been in the 10% range.

I think it has to do with some of the younger farmers coming in. It matches their cashflow needs. They lease a piece of equipment for the warranty period, or a shorter period of time, so that they can have a new piece of equipment and less down time.

I think one of the other reasons is the deductibility of the lease; this change in the CCA rates may change that a little bit, to reflect the cost of operation of the piece of equipment.

The Chair: Thank you, Mr. Steckle.

Monsieur Bellavance is next.

[*Translation*]

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

Thank you for your presentation. It is interesting for committee members to know the manufacturers' viewpoint.

Mr. Mains, I believe you referred to the U.S. act. Here I have a document from the North American Equipment Dealers Association. Do you belong to that association? That document refers to section 179, which concerns the business expense deduction.

In your request, is what you're talking about identical to what's in the American act? I read this quickly, but it seems to me this is the same kind of request as regards the capital cost allowance.

● (1610)

[*English*]

Mr. John Schmeiser: In the capital cost allowance, the big difference between Canada and the United States, in my opinion, is that we never fully depreciate farm equipment. As it currently stands right now, it's 30% in the first year, but it's 50% of the 30%, so a farmer who purchases a new tractor or combine—any new farm equipment—gets 15%; each subsequent year after that, it's a percentage of the remaining amount, whereas in the United States a farmer can fully depreciate that farm equipment over seven years.

Our colleagues with the North American Equipment Dealers Association have noticed that construction equipment can be fully depreciated after five years, so NAEDA and the affiliates in the United States have taken the message to Washington that we feel farm equipment should be equal to construction equipment and should be fully depreciated after five years.

We're a long way from even the current seven years that it is in the United States right now, because we can't fully depreciate our equipment.

[*Translation*]

Mr. André Bellavance: The U.S. manufacturers and, consequently, producers therefore enjoy another benefit, in addition to agricultural subsidies for raw materials. That's another advantage the Americans have over us.

[*English*]

Mr. John Schmeiser: I agree.

[*Translation*]

Mr. André Bellavance: A little earlier, Paul talked about more environmentally friendly products. You mentioned the report of the Standing Committee on Finance, which appeared in December 2006, concerning capital cost allowances in various sectors.

Witnesses have proposed that depreciation rates be increased for environmentally friendly investments. In Quebec, the Union des producteurs agricoles believes that agricultural equipment investments that have environmentally positive effects should be subject to a 40 percent capital cost allowance.

There's a lot of talk about environmentally friendly equipment and the environment. In the case of biofuels, that concerns your field as well. What do you think about the position of the Union des producteurs agricoles?

[*English*]

Mr. Howard Mains: The increase in the CCA rate would indeed encourage the acquisition and purchase of new tractors, and the new tractors coming off the line today have to adhere to the new EPA tier three standards for diesel emissions. The quicker you can get the new equipment, the new tractors, into the marketplace, the quicker the ultimate benefit of lower emissions from those older diesel engines is realized. One of the benefits of getting CCA rates increased today is that you're going to move newer equipment through the marketplace faster.

[*Translation*]

Mr. André Bellavance: That could be an encouragement to buy higher performance vehicles, but that are ultimately more environmentally friendly, greener.

Mr. Peter Maurice: Absolutely, yes, that would be a very big advantage. If farmers could change tractors sooner, that would make it possible to get rid of machines that are less efficient. That would help a great deal.

Mr. André Bellavance: Where does the technology stand?

Go ahead.

[*English*]

Mr. Duane Smith: What I was going to add to that is that we don't always have the new buyer. There are some of the smaller farmers who can't afford the new equipment. That's why we have the recommendation as well to retrofit, re-power, and replace some of the older tractors that don't have the tier three emissions control.

That's where we feel we need an incentive similar to what California has implemented, so that those who might not be able to afford a new piece of equipment might take their older tractor and replace their older engine with a new engine that meets those requirements. But we need an incentive for them to do so.

[*Translation*]

Mr. André Bellavance: Where does the technology stand today, in 2007? The research service document stated that the Cummins diesel engine firm perhaps had doubts about the capacity of current engines. I know we can use biodiesel, biofuels, but there may be doubts as regards longevity, and so on. Does the current technology allow us to think that... With the program that the government has put in place and what's happening in other countries, such as the United States and Brazil, we use an enormous amount of biofuel. I imagine that the engines' efficiency is proportionate to their longevity, but I'd like to hear your views on that.

● (1615)

[*English*]

Mr. Howard Mains: It depends on the manufacturer. It's either Deere or CNH, I think, whose warranty covers.... I'll have to get back with the precise number, but the manufacturers recognize that biodiesel is entering the market, and they will honour the warranty when biodiesel is used, up to a certain percentage, in the fuel supply.

Maybe one of the Deere dealers would have a precise number.

Mr. Doug Tibben: I know that Deere sends out the tractors from the factory with biodiesel in them. We have a letter on that from Deere.

Also, Deere is sponsoring a project at Kemptville College of the University of Guelph, near here, on a biodiesel program. We've been active in that one as well. There's been a lot of testing taking place with it.

So they are very strongly supporting it.

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

[*Translation*]

Mr. Jacques Gourde (Lotbinière—Chutes-de-la-Chaudière, CPC): Thank you. We've touched a bit on the question of used equipment exports. The number of farmers is definitely declining from year to year. There is a large fleet of used equipment, which we have a little more difficulty exporting. Are there any other markets outside the United States, such as Russia or Brazil, where equipment could be exported, or is it simply condemned to the junkheap?

Mr. Peter Maurice: As for the various places where we could send these tractors, we haven't done any research to determine whether other countries would accept these machines. As we said earlier, a farmer who has a large business, who has a large number of acres to cover, wants tractors over a shorter term and a fixed expenditure every month. He therefore leases. At the end of three years, those tractors go back to the dealer's lot. Are there any other markets? That's probably one aspect on which some research should be done.

One of my customers had a snowplow. He's going to send it to Afghanistan in a container. I don't know where he got the contact, but probably some research should be done with a view to exporting outside North America. I don't have an answer to that question right now.

[*English*]

Mr. Duane Smith: Our dealership unertook an initiative a few years ago in which we went to Kazakhstan. The whole purpose was to export used equipment to Kazakhstan. My partner did three trips to that country, but it was a challenging market to try to break into. We did one container shipment to it, but we really didn't have success.

There are a few other dealers. There's one dealer in northern Saskatchewan, Farm World, that has had significant success exporting used equipment over there, as well as some new tractors, but it is limited.

There are a lot of challenges involved, one of them being primarily the financing of it and getting the proper funding to secure payment to the dealer.

[*Translation*]

Mr. Jacques Gourde: It's mainly used equipment, I believe, that's becoming a problem for dealers. I know that it's a problem in Quebec. Our dealers have very large inventories the costs of which they have to bear. Used equipment usually loses value when it isn't sold during the first year after acquisition. For example, if dealers keep used equipment in their yard for two or three years, they often have to resell it at a lower price than the one they had negotiated with the former owner.

Would you need help from the government to export this equipment, or do you simply prefer to let the market do its work globally?

Mr. Peter Maurice: Assistance in exporting this equipment would definitely be welcome. We're going to do some research on our side, but, if we can get assistance, that would really be very much appreciated.

● (1620)

Mr. Jacques Gourde: As regards parts, some are relatively simple. Personally, it seems to me that prices haven't necessarily followed the market curve.

Let's take the example of brake shoes on a mower-conditioner. In 2000-2001, it seemed to me they were expensive, but people said that was because of the value of the Canadian dollar. Today, the price of the same brake shoe should have fallen since the value of the dollar has risen. But it increases five to 10 percent every year. Wouldn't the problem be a competitiveness problem?

We can currently have parts manufactured by jobbers. I bought some new ones from a dealer, but they cost me 50 percent less if I buy them from a jobber.

Mr. Peter Maurice: The manufacturer dictates prices.

[*English*]

Mr. Howard Mains: I suppose the market size in Canada is not nearly as large as the United States, so that would have something to do with it. I'm not sure of any other concerns about spare parts.

I was going to pick up on one point earlier about the prices of equipment. One thing that the industry has faced over the last few years as the dollar appreciated was that as the dollar was appreciating, the cost of steel was going up almost in tandem, and that for the industry was a huge concern, because of course there's not much else that goes into a tractor other than steel. That may address an earlier question as well. As for the cost of spare parts, I think it's one of the challenges of living in a relatively small market.

Mr. John Schmeiser: There are a number of suppliers that will provide wholesale or what we call jobber parts. The only time that we are really required to sell the manufacturer's part as opposed to a jobber part is when we do warranty work on behalf of the manufacturer. It makes a lot of sense to do it that way. At one time the province of Saskatchewan legislated that parts could not be sold for higher than the suggested list price that was provided by the manufacturer, and the manufacturers on a continual basis had to provide their pricing updates to the province. That went away in 2003 because the province dictated that we should let the market decide. There was a fairly good supply of jobber parts in Saskatchewan, and the market would dictate that farmers had the option: if they didn't want to buy real genuine parts from the manufacturer, they could purchase them from a wholesaler.

[*Translation*]

Mr. Jacques Gourde: The concentration of dealer franchises has forced a large number of small dealers to join forces or associate, or simply close their doors because they could no longer have access to certain well-known brand names of tractors or other equipment. In this market, that has forced producers to travel farther to get to a dealer. In some regions, I know producers who have to travel 250 kilometers to get to the nearest dealer, whereas, some 20 years ago, there were small dealers who covered their territory.

You mentioned market conditions, but there's also the question of services for producers. Producers are still all over the territory, and they feel abandoned by dealers.

Will we be able to see an improvement in service quality in future, or will things continue in the same direction?

[*English*]

Mr. John Schmeiser: That's a great question.

In August 2006 the North American Equipment Dealers Association convened a meeting in St. Louis of all dealer leaders to talk about the future of our industry. We have some challenges, and the one everybody agreed upon was profitability.

The reason we are seeing dealers leave some of the smaller communities and consolidating is that we're not making a lot of money. The margin, or the return on assets, investment, that our dealers are making is very small. I'm sure that the farmers in this room will find that very hard to believe, but it is a reality. This is impacting consolidation.

Manufacturers see that dealers are not meeting profitability targets. They are not making as much money as they think they need to remain viable. On one hand, from a dealer's perspective, we have the manufacturers encouraging consolidation. The dealers also recognize that to be profitable and remain dealers, they may have to look at a merger or a buyout, and it is our customer who gets caught in the middle.

We know our customers don't like it, but we don't foresee that trend changing.

● (1625)

Mr. Duane Smith: Mr. Chair, could I add to that, please?

In my introductory remarks I mentioned that I have five stores. We were a single store to begin with and then expanded to five. Four of those five stores would not be in existence today had we not consolidated, which enables us to achieve a cost base that allowed the stores to remain in those communities.

Initially the producers were apprehensive about whether prices were going to go up or not. But now they realize it's actually been a benefit, because they would have lost the dealership in their community. In that example, it's been positive for them.

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

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

Following up on what Jacques was talking about with regard to dealerships, you seem to be in agreement that biofuels are very positive for the industry. Do you see that there could be more small businesses opening up, in other words reversing the process of the amalgamation of different businesses? Can you foresee that happening in the future, if this industry really gets off the ground?

That's my first question.

Mr. Doug Tibben: We're seeing that right now in the Winchester area. There is a small business called the Tri-County Protein Corporation. They extract oil from soybeans and are actively seeking markets to distribute their byproducts, which include a biodiesel or the oils generated from that. This is a small business that didn't exist ten years ago and is trying to break into the market right now.

I could see the need for assistance to help those types of businesses establish their roots in developing markets for byproducts.

Mr. Alex Atamanenko: If we talk about machinery, I have the impression that over the last year, business hasn't been that bad. Although we all thought that it really wouldn't be that good, because of the low-income crisis on farms, obviously somebody has been making some money to be able to buy equipment.

If we continue to advance the biofuel strategy, what's the advantage to the retailers and manufacturers? Would there be more of the equipment that you have now to sell? Or will it be more of the same equipment, because people are producing more than they need? Or will there be new types of equipment that will run on new energy, the biofuels, or converted machines? I'd like to know in what direction you think this will go.

Mr. Duane Smith: Generally any time an industry has a larger revenue stream, there is going to be an overall benefit. Also, with some of the innovativeness that we see in the rural community, if there's an opportunity, they're going to jump on it.

In Shaunavon, south of Swift Current, a producer group has been working on the development of an ethanol plant. That's a positive example where they're trying to look after themselves.

Any time you see that industry gets more revenue, they are going to buy more equipment. They're going to spend it in local communities, so you'll see a reduction of businesses exiting. Then by all means, if the economy is stronger, there is a potential for new businesses to start up.

Mr. Alex Atamanenko: Do you see any difference between the ethanol sector and the biodiesel sector? Is one maybe more advantageous at this point in time, from your perspective?

Mr. Doug Tibben: Ethanol seems to be driving a lot of optimism.

I would like to confirm something about the fragility our industry has just come through the last several years. When we say it is getting better, it is because it has been so bad for so long that anything right now seems better.

● (1630)

Mr. Alex Atamanenko: It is relative.

Mr. Doug Tibben: Yes.

That is the perspective we have to start from. We are seeing a lot of optimism because of the ethanol plants—positive discussions with the plants they are proposing down in the Prescott area, and seeing, hopefully, some optimism coming out of the Cornwall one—just those things alone.

The U.S., driving their massive surge forward on ethanol, is creating a wave of price increases that have changed our business. We maybe don't realize how close to the wall we were before this changed, but the optimism is very welcome, from our perspective, and it has saved a lot of businesses.

It goes back to the used inventory. We are seeing used inventory start to move again. How we are managing inventory was an absolutely huge concern for us as well. The used inventory was affected by the dollar's up-and-down continual motion. These are avenues we are watching quite closely.

Yes, the ethanol is something we really want to encourage.

Mr. Duane Smith: What it has the ability to do for us is to take some of the cyclical nature out of our business. Our business is not for the faint of heart. There is no such thing as a straight line in this: it is up and down, riding a roller coaster the whole time. This will have the potential to provide some stability.

That goes back to the point regarding the CAIS program, or whatever. If we get that in our industry, it provides some stability that everybody is looking for.

Mr. Alex Atamanenko: The other point you touched upon was qualified help and wages, and the fact that it is hard to retain good people. Why is this happening? Is it because of the oil sands?

Mr. Doug Tibben: Our first approach to this was that I brought a guidance counsellor into our dealership and explained that we are not looking for failures in the school system to change tires. We need top-quality, highly trained kids coming out of school, who want to advance.

With the new technology we are dealing with—global positioning systems, auto-steer, the computers that are required, the diagnostic capabilities required of our new apprentices—the level of technology has advanced so far that a lot of the school systems and the people who are guiding the youth don't realize what we are looking for.

Our biggest challenge, which we have started dealing with, is getting education done at that level to get an interest back in it again, a sense that there is a future in agriculture, that there is a future in what we are doing.

Mr. Alex Atamanenko: Should we be encouraging more apprenticeship programs, then? Do you see the federal government playing a role here?

Mr. Duane Smith: Apprenticeship programs are key in making sure that the space is there, that the qualified educators are there, and that the proper tools in the school system are there as well.

We also require incentives for them to purchase their tools. Just recently—I believe it was just last year—for the first time technicians were able to deduct the cost of their tools.

In our industry, they have to buy their own tools to service the equipment, and they can have up to a $25,000 investment. It is just recently that apprentices, as well as journeymen, I think, have had a small deduction and are able to deduct it, but it is still nominal relative to their expense. We definitely need support in that area.

In the area of technicians, we estimate that there is a need for at least 1,000 technicians in our industry right now. There has definitely been an exodus to the oil industry in the past few years, especially for those of us right beside Alberta. There has been an exodus or a very strong push in wages that has driven our wages up and in turn required us to have higher labour rates.

We have done some innovative things to try to encourage it. I was over, as were John and some other dealers, in Germany at a job fair we attended in both east and west Germany to try to recruit skilled labour there to come over. Some were successful; some weren't. There are some other dealers who have been to the Ukraine. There are discussions now for another Germany trip and trips to Korea and the Philippines to try to do this.

Of course, there are language challenges that come with it, and some cultural issues, but that is one thing we are trying to do. The strength still relies on trying to get people from home to enter our industry.

● (1635)

The Chair: Thank you.

We're going to start round two.

We welcome Mr. Hubbard to our committee. He used to be a chair here some time ago, but has returned to work on the great agricultural committee that we have.

Hon. Charles Hubbard (Miramichi, Lib.): Thank you. I'm glad to be back.

Your presentation mainly talks about capital cost allowance with tractors, and I see you have a combine sheet, but there are many other implements used in agriculture that are really much worse than the 30% we talk about. It is down to 10% and 5% for some of them.

Have you analyzed any of those in terms of what recommendations might do, or are you simply thinking in terms of your own...?

Mr. Howard Mains: Yes, we have taken a look at that. I'm not sure if this made it into the letter to the Minister of Finance, but the simplest way of describing it is to just move everything up by 10%. Class 10, which is at 30%, would be moved up to 40%; class 12, which is at 20%, would be moved up to 30%, and so on down the line.

Hon. Charles Hubbard: Okay; I'm glad you're looking a little bit beyond your own business and into the lesser ones.

I think Jacques has talked about the big problem with used equipment and trying to get that somewhere out of the country. It's kind of peculiar, Mr. Chair, that we bring most of the stuff in from someplace else—there's very little manufactured in our own country—and then we use it a few years, and even at the 30% rate, the thing is worth about... Maybe 75% has been written off by the time you get even 0.3, 0.3, and 0.3, so you have it fairly low. I'm not sure if the agricultural community could afford to get rid of it at 25% of what they paid four years ago.

The other point he mentioned that I think is quite significant is the cost of parts. I know you hear farmers complaining about the little gear they buy, about so long, that costs $700. The off-market maybe is where you can look, but do we have enough standardization in this country with our equipment? It seems New Holland will have a part, and John Deere throws theirs in, and then somebody else....

As dealers, do you see enough standardization in terms of the internal components—not necessarily of the engines, but of other parts of the equipment? You could use a John Deere part if you were in a crunch with a New Holland piece of equipment—

Mr. Duane Smith: Nobody would need New Holland or Case equipment if they all had John Deere parts.

Hon. Charles Hubbard: I'm not sure. I know green is green, and Quebec is big on the John Deere; when I go by in La Pocatière and those places, it's John Deere, but in my own province of New Brunswick it's not quite as absolute.

With reference to the offshore tractors that are coming in now, do you see those? We hear questions in the House about the auto sector and the agreements we're we're talking about making with Korea; the manufacturers and the dealers are looking at this with a lot of raised eyebrows, but we're seeing Chinese tractors now. I see a few of them back home, coming in at prices that you would not believe.

Did they make any dent at all on your figures last year? We talk about tractors at roughly $1,000 a horsepower; they're bringing them in at less than half that. Is that something you are concerned about in our future?

Mr. Howard Mains: There are a couple of areas of concern there. So far most of the tractors coming in are smaller tractors. Most of them would be under 40 horsepower; there wouldn't be too many of them over 100 horsepower, from our observations, but let me tell you a couple of concerns that dealers and manufacturers share.

The first is in the standards. The simplest description of that would be the rollover protection safety standards that might exist for a rollover bar on a tractor. Tractors sold in North America have to have certain standards for that rollover bar. Some tractors are coming in with those rollover protection devices, but not to the standard that we expect in Canada. That's the first thing.

Another area of concern is in what we call the grey market goods. I'll give you the example of Kubota; we've had this raised with us through Kubota.

Tractors have come in that are Kubota tractors for other markets. They may have the shift lever for the PTO in a different place, or instead of going up, it may go down, or maybe the locations of the hydraulic levers are not standard or not common on your North American tractors. I don't know if you folks have seen this in your areas, but this is what we've heard from AEM members—that some of these grey market tractors coming in have different standards. For example, instead of having a 540 rpm PTO, it might be 600 to 620 rpm.

● (1640)

Mr. Doug Tibben: And the PTO turns backwards in them.

Mr. Howard Mains: So with a PTO turning backwards, the tractor would be useless. So those are a couple of concerns we've heard of, and this is where the Canada Revenue Agency or the Canada Border Services Agency should be a little bit more diligent about seeing what's coming into this country.

Mr. Doug Tibben: And also about not being able to supply parts for them. We've run into a couple of situations where customers want to trade those Kubotas in, and one of the customers couldn't get filters for it and we wouldn't take it on trade, because it was one of these grey market tractors. And there was another one whose PTO turned backwards, because it was designed for another country, which we wouldn't touch either. So he was very upset that he had bought it, and he had bought it through a non-dealer.

But these are issues—

Hon. Charles Hubbard: They haven't talked about the Chinese ones that I see at home, but anyway—

Mr. Doug Tibben: Our biggest concern on the parts issue with the Chinese ones right now is that we're asking where are customers going to get parts and what's their value going to be in five years? That's our concern as well.

The Chair: Mr. Bouchard, for five minutes, please.

[*Translation*]

Mr. Robert Bouchard (Chicoutimi—Le Fjord, BQ): Thank you, Mr. Chair.

Welcome and thank you for your presentations.

I believe you're in a better position than I to determine the matter, but I would be inclined to believe that very little agricultural equipment, indeed none, burns biodiesel.

I'd like to know whether farmers would be able to bear the significant cost that converting their agricultural machinery to biodiesel would represent.

[*English*]

Mr. Duane Smith: I know John Deere just released a letter and I believe Case New Holland has one out and Caterpillar has one out as far as the amount of biodiesel they will warrant is concerned, if there is a warranty issue.

I don't know that number, as Howard mentioned, but we could get those letters and provide them to the committee afterwards. So there is a small percentage that most of the major manufacturers will accept now. I think because it is so new, they're doing a lot of research and development to continue to increase and expand that, and I think it's pretty safe to say that we will see the manufacturers grow that with the industry. I don't think they will lag behind.

Of course there's a potential challenge for the older equipment that's out there, but then warranty is less of an issue in that case; if it's an older piece of equipment, then the farmer doesn't have the same risk as using biodiesel in a new engine.

Mr. Doug Tibben: We don't see a conversion cost. In speaking with the people involved in the program at Kemptville College, University of Guelph, there are no costs to the changeover to biodiesel or ethanol-type diesels. They're running those. They burn more cleanly and more efficiently, and there are no problems. They're much more efficient. They're seeing greater success with the longevity of the engine, with no problems.

[*Translation*]

Mr. Robert Bouchard: Thank you.

You're also seeking a revision of the capital cost allowance, mainly because, as a result of technology, the economic life of equipment is much shorter. I thought I understood that it was a period of five to seven years and that that could fall to three to five years.

Farmers' incomes are said to be stable or declining. I'd be inclined to think they're falling, since many of the comments from farmers in my riding point in that direction, that is to say that expenses have risen, but that income is stable or has declined.

In your view, how many farmers can bear an equipment replacement cycle of three to five years?

● (1645)

[*English*]

Mr. Duane Smith: Of course there's a diversity of farmers out there, and the size, so those that need the proper capital appreciation are the ones putting a lot of acres through the....

Some of our large farmers are putting in 300 to 400 hours or more on a particular combine, and feeding lentils, or some high-wear-and-tear type of commodity, through the equipment. The equipment is going to wear out, or not completely wear out, but be substantially reduced in its life within a five-year window, so the farmers are going to be trading that equipment more often.

Then the smaller farmer is going to buy that piece of equipment and within their capital pool get the benefit of a lower-dollar piece of equipment. They'll still get the benefit, but on a lower-dollar amount. With a higher CCA, this helps everybody in the spectrum of the industry.

Mr. Doug Tibben: The other concern that farmers have is when they're purchasing higher-technology equipment, equipment that comes with global positioning and advanced computer systems, they're depreciating those at the rate of the iron. It's a computer system, so if they spend $20,000 in technology on these combines and tractors, they're not able to depreciate that at the levels they should be, because they fall under the umbrella of the equipment.

The Chair: As a follow-up, you were talking about the biodiesel initiative and how that plays out with new tractors. Now I understand Cummins won't offer a warranty on any of its motors if biodiesel is used. I know this is true for highway tractors. Is it true for any of the farm tractors that are using them?

Mr. Howard Mains: What I'll endeavour to do is get back to you with the warranty provisions of AEM members. I'm sure that one of our members puts Cummins engines into their equipment.

The Chair: Okay, I'd appreciate that, Mr. Mains.

Mr. Devolin, you have five minutes, please.

Mr. Barry Devolin (Haliburton—Kawartha Lakes—Brock, CPC): Thanks.

Mr. Chair, as you know, I'm new on this committee. As a committee member, do I get a discount on farm equipment now? If I need a tractor, do I get 10% off or something?

Some hon. members: Oh, oh!

The Chair: You don't feel new, because you've been around the committee for a while, subbing in.

A voice: See me after.

Some hon. members: Oh, oh!

The Chair: You don't have that new smell.

Mr. Barry Devolin: I was curious about the fellow who had the reverse PTO. How many bales of hay did he feed into it before he realized that he had a problem?

Some hon. members: Oh, oh!

Mr. Barry Devolin: I have a couple of questions. The first has to do with the chart, in terms of tractor sales. My riding is an hour or two north of Toronto, in the Lindsay area. What a couple of equipment dealers have told me is that while the number of units has stayed fairly static, rather than bigger units, they're selling a lot more—and this is an area that's in the outer GTA—for estate lots. They're basically for lawyers who come up from Toronto and cut their three acres of grass on the weekend.

When I look at this chart, is that not what I see? When you say the overall number is holding steady, that's true, but is there not a shift going on in other places? Or is this something unique to outer suburban areas?

Mr. Howard Mains: The dealers have been very good at recognizing that those lawyers coming up from Toronto have deeper pockets than farmers. It is true that this is a trend across North America, where the owners of what we call estate lots are buying a lot of smaller pieces of equipment.

As you can see, the 20-year average for the 40-horsepower-and-under is just over 4,000 units per year in Canada, while 9,100 were sold last year. Those ratios are similar in the United States.

● (1650)

Mr. Barry Devolin: So this is a broader trend.

Mr. Howard Mains: Yes.

Mr. Barry Devolin: I have a second question that has nothing to do with this. When you were talking about the capital cost allowance, in terms of incentives to repair or update old diesel engines for environmental reasons, earlier this week I attended a dinner with the Canadian automobile manufacturers association. They had some interesting numbers, one being that a 20-year-old car produces as much greenhouse gas as 37 new cars. There has been such a dramatic increase, and we encourage them to get those numbers out there in the public, so that people could appreciate the benefit of getting some of these older units off the road.

In terms of diesel engine emissions, do you know of any numbers, in terms of a modern unit today compared to 10 years ago or 20 years ago? What have the improvements been?

Mr. Howard Mains: No, I don't know any precise numbers, except for those numbers I gave for the Nebraska tractor test. If we go back to it, back in 1981 it was 12 horsepower hours per gallon, and now it's up to 18.7. That is a 50% improvement just in fuel usage.

In terms of the emissions, I think the officials at Environment Canada who worked on what's called the non-spark ignition fuel standards would probably have some pretty good numbers that you could look at, and I know they work hand in hand with the EPA on the tier three standards. They would probably be the best resource, and I can get the—

Mr. Barry Devolin: A couple of things. I know that cars' fuel economy hasn't improved by 37 times in the last 20 years, so obviously their emissions improvement is dramatically better than their fuel consumption. I'm suggesting to you that when you're trying to convince the finance minister to help farmers buy new equipment, being able to point out the dramatic improvements, if they're there—which I imagine they are—might be a good sales point.

The other thing involves your second point, which was about incentives to deal with existing diesel engines. Farmers are concerned about the environment, like everybody else, but they're also business people. It would be hard to justify a big expense to take an existing piece of equipment and just switch motors or do something to improve environmental impact but not to really make it work any better or last any longer.

How realistic is this, or is the government program going to have to be 50% or 75% of the cost in order to make it worthwhile?

Mr. John Schmeiser: I won't go into the specifics of the California state program, but in short, if a customer has an older engine—a tier zero or a tier one—and wants to have an engine job done on it, the State of California will pay for the difference between the cost of the engine job and a new engine. When he gets that new engine, we know basically, from what Howard provided, that the fuel consumption will be better, but just the increase in technology will improve the efficiency for the farmer customer as well.

Mr. Barry Devolin: Right, okay.

The last point I wanted to make was that taking old tractors and sending them offshore, if they get used wherever they land, doesn't do anything for the global environmental impact, does it? A polluting tractor in Canada is a polluting tractor in South America, or wherever it ends up. I think something that would move towards replacing those engines or getting them out of production is probably a better idea than just sending them somewhere else where people are going to use them just as much.

The Chair: You're out of time, Mr. Devolin.

Are there any short comments on what Barry was just talking about?

Mr. John Schmeiser: The attitude of a lot of our members is that when we have a used equipment problem, we look for anywhere that can get it out of our dealerships.

The reason eastern European countries have been attractive is their ability to purchase. As Duane said, how do they finance it? It seems they have more ability to purchase a used tractor from Canada than a new tractor from any manufacturer. So it's a meeting of two minds: I need to get rid of this used inventory and I have a buyer over there.

You're absolutely correct on the environmental issue, but when dealers are faced with the situation of needing to move used inventory for financial survival, they will look at what the best route is to improve their bottom line.

● (1655)

The Chair: Mr. D'Amours, please.

[*Translation*]

Mr. Jean-Claude D'Amours (Madawaska—Restigouche): Thank you, Mr. Chair.

I'd like to address two topics with you. Reference has been made to the issue of capital cost allowance for a number of types of equipment and technologies. Net farm profits are currently not very high in general. Depreciation will mainly be profitable from a tax standpoint. What could be the benefits for the farming community?

Furthermore, certain Crown corporations can give the industry a hand in various areas. Farm Credit Canada can definitely help your customers acquire equipment. Whatever the case may be, I'd like to know whether you think the support of organizations such as Farm Credit Canada is enough or whether it should be greater. We're talking about equipment here, not working capital. So this is long-term financing.

I was an accounts manager at the Business Development Bank of Canada before becoming a federal member. That's why I'd like to hear your opinion on the subject.

[*English*]

Mr. Duane Smith: I'll first speak of Farm Credit Canada. We use them substantially in the financing of equipment; we have a relationship with them whereby when we complete a deal with a producer, we can send the information to Farm Credit and they'll approve it very quickly and fax all the contracts back to us and help finance the deal. Next to John Deere Credit, they're probably our number two financer. The process works smoothly, as producers like Farm Credit understand the business and seem to support it in their growth initiatives. So that's very positive on the producer level.

From a dealership perspective, Farm Credit probably is offering the most unique advantages out there if I want to expand my business, with creative ways of financing that acquisition and transitioning whoever wants to get out of the business. They've got more unique programs to offer me than any other bank I've talked to. I know that in our next acquisition, Farm Credit is going to be who we deal with. They're very aggressive, but they've also got something that meets our needs.

Relating to your first question, on the CCA, I was mentioning to one other individual that in our business about 8% of our customer base drives about 92% of our revenue. So it's a very small group of farmers who really keep us in the marketplace. Those are the bigger farmers, who consolidated and took risks 15 years ago to start expanding their farms and who are able to be successful. They need this to continue for the growth of their operations.

The smaller farmers are still important. They need us for service, for parts, for used equipment. But it's that small segment of our customer base that really needs CCA to recognize the wear and tear in their equipment.

● (1700)

[*Translation*]

Mr. Jean-Claude D'Amours: I very much appreciated your comment on Farm Credit Canada. You say the relationship is good, that things are going well and that that organization's product is unique. I agree with you, but I'd like to know whether you think this kind of organization could offer other solutions to improve matters.

[*English*]

Mr. Doug Tibben: The only comment I've heard from our sales team—and I second everything that's been said—is that we find Farm Credit to be our number two provider of financing and we get along very well with them. They do a good job for us and we're very happy to have them there.

The only comments that I've had come back are requests for leasing, as Farm Credit does not lease. So we have had some requests for that.

[*Translation*]

Mr. Jean-Claude D'Amours: As regards leasing, that's definitely because the equipment is increasingly technologically advanced. So that enables farmers to make changes after a few years. If there was one aspect that Farm Credit Canada could improve, would that be it?

[*English*]

Mr. Doug Tibben: Yes.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): I appreciate your coming out.

I would like to go to number one. I was looking at your chart and reading your comments, and I think we need some clarification. I am just following up from my colleague.

The chart brings up the point that basically two-wheel-drives from 1995 onward have just been on an incline. I think that reflects some of the marketing in terms of those smaller estates. I live north of London, Ontario, and in fact the John Deere dealership there is bringing a dealership together to market specifically not just to agriculture but also to the more affluent parts of the city.

When we get to 100 horsepower and over, since 1997 it's actually fairly static. Then we move to the four-wheel-drive, and I don't know what you mean by four-wheel-drive. I don't know if that's front-wheel assist, or just the big four-wheel-drives.

Mr. Duane Smith: It's particularly the large horsepower.

Mr. Bev Shipley: Okay, so those have basically stayed pretty stationary since 1998. Then we go to the self-propelled combines. All of these just amaze me. To watch the technology change in these just amazes me, and I farm. I don't think there's a relationship here in terms of numbers of pieces of equipment and dollars. It is fairly static.

Then we move from 1999 to 2006. We are talking about the last five or six years. There was a comment that low farm prices didn't seem to be effective or weren't a large issue. We are hearing quite the opposite, but when I look at the statistics and at what's being sold, I get a little confused. I see the number of pieces of equipment sold, yet I see the farm incomes in Canada in such a decline. I wonder if you can help me try to rationalize it a bit.

Mr. Howard Mains: You can see the dip in 2003-04 from the BSE crisis. That's pretty evident. That's one thing I would point out, but indeed the overall size of the market.... I did put a total in there for tractors over 40 horsepower. As you can see, that particular number is around 10,500 to 11,000. That is a rather stable number, but really it goes to the point that there aren't as many farmers as there used to be, and you have to take a look at the absolute number of buyers in existence.

That's one of the things that's driving this. If you talk about the number of acres covered by a tractor over the course of a day...I don't know how many acres one of those new seed drills that can tear up 80 feet of ground can cover in one day—the fellows in Saskatchewan can fill me in on that—but you've got a couple of factors at play: you literally have fewer operators driving tractors, but they are pulling a lot more behind them. That's why the number is stable—at least, that's what I would think.

● (1705)

Mr. Bev Shipley: I think you've answered my question. I think you've helped cement that, if that's a consensus among the rest of you.

I am on the industry and manufacturing committee, and one of the things we talked about was recruitment and skilled trades. Are you finding any disconnect between what the colleges produce with their courses and what they're actually putting out to meet the needs of the commercial initiatives that you guys would have in the industry?

Mr. John Schmeiser: I don't think so. In western Canada, where our organization is, we have pretty close relationships with all the colleges that provide agricultural technician training, whether it be a one-year certificate program or a two-year diploma program. We meet with them on a regular basis. They meet with our board on a regular basis to tell us what is happening within the college.

The challenge I see is that they have so many spaces, and the number of spaces they have today is maybe one-third of what they had ten years ago. It's because there's just been a lack of people coming forward to enroll in the programs. We want to see them fill the spaces they have. We want to see them grow the number of spaces they have. To us that's a bigger issue than the training they're giving to the students who are there.

Mr. Bev Shipley: How can you work with those institutions—and maybe you do and can give examples—to help partner in doing the marketing to encourage students to get involved in these high-need programs?

Mr. Duane Smith: There are a couple of initiatives. One is that we worked with Olds College in the establishment of a completely new program. It's a sales and marketing initiative, where we've provided a $250,000 commitment to them over a five-year period. We have one year left in that commitment. That was a completely new initiative that we partnered with them on. That's one initiative.

There are manufacturer/dealer educational relationships too. John Deere, in particular, has the John Deere tech program throughout the country. Those types of programs, whether with John Deere or New Holland, are extremely positive, because they're very hands-on with the equipment we operate. It's not all theory; it's hands on. It's a kind of co-op program: they work in the dealership for a period of time and then go back to school, so that we can get them up to speed a lot more quickly. We need an enhancement of these to encourage kids to enter those programs.

The Chair: Mr. Atamanenko, do you want to finish off the third round?

Mr. Alex Atamanenko: This very quick question doesn't concern only your industry, but others in rural Canada. How do we keep those skilled young people there so that they can work at $16 an hour in Quebec as opposed to $60 an hour in Alberta? How do we do it? Do you have any ideas in this regard?

Mr. John Schmeiser: As the board of directors of the Canada West Equipment Dealers Association, we've partnered with Canada East to create a charitable foundation to raise money to do things such as the $250,000 that's going to Olds College. When we started getting serious about addressing this issue, we were looking for one thing that would solve the problems, and we quickly realized it's a combination of things.

The first challenge we have is to get people into the programs that are there right now, because regional colleges are under funding challenges from their provincial governments, and the last thing we need is for them to cut the spaces because there's nobody going into the programs. It just makes the problem worse for us.

I would like to offer one solution—we're looking for one solution —but we're finding it's a combination of things. Maybe foreign recruitment is part of it, but it's certainly working with the colleges, it's putting money into scholarships, it's appearing before this committee to talk about tax credits for the purchases of tools, just to name a few. It's a pretty long list.

At every board meeting we have, our 13 directors in western Canada ask what we are doing to find techs and what we need to be doing as an association to get them into the program.

● (1710)

Mr. Doug Tibben: The apprentice tax credit is a benefit as well. It's in place now, and we encourage that it stay.

Mr. Duane Smith: The only thing I was going to add is that one thing that might help our industry is to take a program similar to what Manitoba has, or Saskatchewan to a much smaller extent, whereby a student going to university who stays within that province will get a deduction on their tax for, I think, up to $25,000. Maybe something similar to that for our industry, whereby if they attend an apprenticeship program there could be some tax assistance to them if they stay within our industry, could be a huge benefit for our industry and ultimately our producers.

The Chair: Mr. Anderson has a couple of follow-up questions.

Mr. David Anderson (Cypress Hills—Grasslands, CPC): I'd like to follow up on that same kind of theme.

Have you done any talking with the provinces about apprenticeship programs? I don't know about the mechanics program, but I do know that in the carpentry programs Saskatchewan requires 1,800 hours more to be a certified journeyman carpenter than Alberta. There's some reason behind the scenes for that, but have you done any work on this? A young person can't stay, if it's going to take them a full year longer to get certified; they can be certified, licensed, come back, and work for a year in the same time. There are no standards across Canada that are equal.

Do you have any comment on that?

Mr. John Schmeiser: Yes. One change that was made because of this very issue by SIAST at Kelsey campus in Saskatoon was that they moved their agricultural technician program from a two-year program to a one-year program with the idea that they could provide the training needed to get these folks into a dealership more quickly. We do have those discussions from time to time.

Manitoba is also on a one-year program at Assiniboine Community College. Alberta, however, at Olds College, still has a two-year program.

Each college is having varying levels of success as to whether or not they're filling the program, so we're not exactly sure which is the right way to go.

Mr. Duane Smith: We have to be careful there, though. Because of the skills we need in the industry, we don't want to diminish the value of the programs, either, by shortening them.

Mr. David Anderson: What's interesting is that in the carpentry thing, the educational components are the same length, but the requirement in terms of hours is not. That makes a huge difference for young people, and it makes it difficult to keep them.

On a different note, do you have any position on right-to-repair legislation? We've talked about that at different places here. We've had independent mechanics come in and say they would like to have right-to-repair legislation in Canada, as they have in the States. This is mainly with motor vehicles. People have the right to repair another company's vehicles; they have the right to the technical information and the computer codes they need in order to do analysis and repair.

Do you have any position on that? I would think that in small rural areas you'd probably be in favour of it, because you'd have an opportunity to work on other people's machinery and that kind of thing.

Mr. John Schmeiser: We have never taken a position on that question. We're at the point now that our equipment is so sophisticated that dealers have to purchase special tools to service it. Those individuals doing that type of repair wouldn't even have access to purchase those tools.

As an organization we haven't really touched it, but from the way the market is going, it appears that the amount of new equipment those guys could work on is getting smaller and smaller.

Mr. David Anderson: In the States I think you're just required to provide access to the information and the tools. If people want to spend the money to buy them, then that's their choice.

Mr. Doug Tibben: The danger is that we're trying to encourage apprentices to come into our field and we want to create and allow an environment in which we can pay them well for their services. The training costs we have are astronomical. What we have to commit right now to specialized training for individuals is something that.... We really want to keep the people once we get them trained. We can commit literally one week every two months to training for an individual, and we want to guard that a little more ourselves, because it's part of our business; that's who we are as dealers.

Mr. David Anderson: Duane, you had a comment.

Mr. Duane Smith: I was just going to say that I think it would be very difficult for one particular dealer to try to know all three brands. I know I spend about $150,000 a year for training just on John Deere equipment, and to expect my people to know all the new changes to Caterpillar, Case, and New Holland would be extremely difficult. Potentially it would create some safety issues if we tried to be all things to all pieces of equipment.

● (1715)

Mr. David Anderson: I have a question on the chart and then I'm done. I found it interesting that there's a huge drop in the four-wheel-drives and the combines from 1997 to 1999. I was farming then. I don't remember what the reason for that would be.

I don't think our finances changed that much from 1998 to 1999. There is half the number of four-wheel tractors, and it's the same with the combines. Do you know why that is?

Mr. Howard Mains: No, and I was actually trying to figure it out myself when I was looking at these numbers this morning. I was thinking about going back and seeing if I could get a ten-year chart on the price of wheat. That might help.

I'm wondering as well if an investment tax credit may have ended at some point, which would have affected it. Obviously something occurred in the market, and I couldn't figure it out myself.

Mr. John Schmeiser: There was a bump-up in our equipment sales because of the money that came out with the elimination of the Crow rate. There were some dollars that were distributed to consumers, so what you're probably seeing is just the rebound after the run-up that we had in years previous.

Mr. David Anderson: I actually would suggest you've had something like that in the past year and a half with NISA money, but we'll see.

The Chair: Thanks, Mr. Anderson.

We've got both Mr. Steckle and Mr. Bouchard. You can have one short question each, because we have other business that we want to carry on afterward.

Mr. Paul Steckle: For the benefit of those around the table who perhaps don't understand this industry as well as these gentlemen do, from my fairly close knowledge of the industry I can tell you that it's a tough industry and it's getting tougher. The profitability levels are not what they should be. If anybody thinks they're making a whole bunch of money, you'd go away from this meeting knowing that they are not, unless they had a business different from the one I ran, and I think we ran a pretty good business.

We haven't had any questions to you, Mr. Frazee, and I think you shouldn't leave this room thinking we don't want to speak to our American neighbours.

I should just like to ask you a question reflective of government policy in the United States, where the subsidies are considerably larger than they are in Canada. While no one wants to farm in the mailbox, including Americans, the reality is that American farmers generally have received more money from the mailbox than they have in Canada.

How is that reflected in farm machinery sales, relative to the numbers expressed here in Canada? Have they been higher? Have they been relative to what we have here? How do you see that?

Mr. Bob Frazee: I really can't answer how farm machinery sales are impacted by our subsidies.

One thing I think is important for you to understand is that, as an organization, we do have a policy position on subsidies. There are certain things we would like to see, for example, in the 2007 Farm Bill. I had an opportunity to appear before the House agriculture committee a few months ago to talk to that issue. We avoid trying to get involved with specific commodities and what should or should not be subsidized. I think it's fair to say that in the States we're probably going to see a lower level of commodity subsidies in the new Farm Bill.

Our position in relation to the Farm Bill is also asking for language that looks to better trade agreements, which are beneficial to all of North America.

There are times when the interests of the American components of the North American Equipment Dealers Association and the Canadian components aren't necessarily 100% aligned. I certainly wouldn't deny that. But we are trying to work for the good of all.

In terms of how subsidies affect machinery sales, I can try to get back to you with some details on that.

Mr. Paul Steckle: Maybe I should have framed my question in terms of farm income, because whether it's subsidy or from the actual commodity itself—

Mr. Bob Frazee: There's certainly a correlation between net farm income and equipment sales. If farmers in the States—and I'm sure it's true here—are making money, they tend to reinvest it in their enterprise. In relatively short order that circulates through the community—five times, I guess—where they do business. So there's certainly a correlation there.

In most of our agricultural segments in the States right now we're also faced with strong commodity prices. My region of the country is pretty heavy on the dairy industry. I'm also a John Deere dealer. I'm from near Syracuse in upstate New York. It's about a three and a half to four hour drive almost due south of here.

Our particular segment of the economy hasn't rebounded to the extent we would like to see it and that our neighbours to the west, who are in row crop areas, have.

● (1720)

Mr. Paul Steckle: Thank you.

The Chair: Thank you.

Monsieur Bouchard, a short question, please.

[*Translation*]

Mr. Robert Bouchard: You're seeking an increase in the capital cost allowance. That represents a loss of tax revenue for the government.

Have you estimated those tax revenue losses?

[*English*]

Mr. Howard Mains: I've done some preliminary research into that, and I actually do have some numbers I can share with the committee. I'd be pleased to do that. I can't recall exactly what the number is, but I've done some research into that.

The Chair: Okay.

I appreciate your presentation today. Part of it was in English and some was in French. I'd ask you to get everything into us in both official languages so we can distribute it to the committee. We'd appreciate that very much.

We will consider the recommendations you've made here. I think it was a good discussion today.

We're going to suspend briefly and allow you to leave the table so we can get down to some of the committee business we have to deal with before we adjourn.

We'll suspend for a couple of minutes.

●

(Pause)

●

● (1725)

The Chair: Let's call the meeting back to order.

Wayne had tabled a motion, but he has now sent a letter asking us to delay that motion until Tuesday. We will deal with that at that time.

Do you want to talk about future business?

First of all, based on the testimony we heard today, how do you want to deal with this? They are requesting that we ask the Minister of Finance to consider their capital cost allowance and their other recommendations. We've heard the industry committee and the finance committee have made those recommendations on the CCA. How do you wish to deal with it, by letter or report? I'm at the pleasure of the committee.

Mr. David Anderson: I would think a letter would be appropriate if that's—

The Chair: Yes, I'll ask J.D. to draft a letter, and we'll try to get that out to the Minister of Finance.

Mr. David Anderson: Do you want to see the letter before it goes? Do you want him to bring it back here on Tuesday, and we'll take a look at it? Do you want to clear it with the lead on your parties, or would you like it here?

Mr. Paul Steckle: I have no problem personally, but I can't speak for Wayne. As far as I'm concerned, the urgency isn't that we can't wait until next Tuesday to see it, so let's do it that way in fairness to —

The Chair: I'll have a draft letter circulated next week.

Hon. Charles Hubbard: Will the letter reflect...? There are three different brackets, I believe, under the agricultural business, so we wouldn't want to look just at.... What are they now—eight and ten and something else, isn't there, under the Income Tax Act? So we would want to look at all three, I would think, and not just—

Mr. David Anderson: Perhaps the letter could address their request then to give each of them 10%. Specifically on the farm machinery is what they're asking. They said they had a broader request than that, so maybe it should just reflect that.

The Chair: I agree. I think that what they were looking at is mainly that one bracket and moving it up by 10%. Essentially, I think we should reflect what the industry and finance committees have recommended as well. So we'll take that into consideration in the drafting of the letter. Is everybody good with that? Okay.

I'd like to table the report from the steering committee on schedule. I think it's been circulated to everybody. I'm at the wish of how formal you want to make this schedule. This is of course what the steering committee has come up with.

We have a couple of issues to look at. We did have the dairy ingredients study scheduled for February 22. Based on the announcement yesterday by the minister, I have to wonder whether or not it's required.

Mr. Bellavance.

[*Translation*]

Mr. André Bellavance: Mr. Chair, we no longer necessarily need to hear the same witnesses. However, since we are going to start a discussion on article 28 and so on, I think it would be appropriate to invite officials, from both the Department of Agriculture and Agri-Food and the Department of Foreign Affairs and International Trade, so that they can explain the exact process to us at a briefing session. I think that would be appropriate at that point.

We wouldn't need to go backward and have producers, processors and the mediator testify on what happened previously, but I think that, for the future, it would be good to know how the government intends to operate. I think we have to have a lot of questions to ask on the operation of article 28 and on the composition standards. We could invite witnesses to come and explain that to us.

● (1730)

[*English*]

The Chair: On article 28, we do have Steve Verheul coming, and he is the expert on WTO and he'll probably be able to answer some of those questions as well.

David.

Mr. David Anderson: I'm just going to suggest that we accept this as a general order of business for us, as we've done in the past. Obviously it's going to change, and we'll try to stick to it. The fall changed so much that we never got to half of what we wanted to do. So why don't we just treat it as our likely agenda and go ahead?

The Chair: One thing, just as a point of interest as well, is we may have.... We did have March 26 to 30 slated to travel on the APF. Talking to our whip, his desire is that we'd leave that till later, until April. But I don't know how that ties in with getting the report in in time for consideration for what's coming in at the minister's level.

Mr. David Anderson: I know what the schedule is, but we also talked about trying to do some business risk management hearings early on, and that's what I would suggest.

The Chair: Okay, so if we're going to be flexible, rather than go later, go sooner. I did mention getting out before the budget gets tabled.

Alex.

Mr. Alex Atamanenko: James, we know that Steve Verheul will be here on the 20th. I listended to him yesterday, and I think he will explain pretty well exactly what the process for article 28 is. I'm not sure if we need another hour to talk about dairy ingredients, if in fact this is going through and he is going to explain to us what's happening. If we don't need that, and we have a late session on the 20th, maybe we could move that in advance on the income crisis we were talking about, just to tighten it up a little bit so we don't have to do that.

The Chair: We have that set right now for March 20, and you'd rather move that forward?

Mr. Alex Atamanenko: I guess what I'm saying is if we don't need that time on February 22, let's devote it to that time we were going to use between seven and nine o'clock on the 20th and get that out of the way, if everybody is in agreement.

The Chair: André.

[*Translation*]

Mr. André Bellavance: I'm not concerned if it isn't February 22, but, since the minister has just made the announcement, I think it would be appropriate not to wait too long to get that information. So I don't want to postpone that until March. However, if other issues are urgent and we shift the date a little, that doesn't trouble me, but we shouldn't wait until after the March break.

[*English*]

The Chair: Alex, what you're suggesting is that on the 22nd we still do dairy ingredients, but just for an hour, and then add into that timeframe.

We'll do dairy ingredients on the 20th with Mr. Verheul?

Mr. Alex Atamanenko: That's what I thought we could do.

The Chair: And then the 22nd we'll use for the farm income crisis. Okay.

Mr. Alex Atamanenko: Probably what would happen is he could lead into this and somebody else could back up what he's got to say.

[*Translation*]

Mr. André Bellavance: Yes, that's fine. That would be February 20. It's because you spoke in English; I simply wanted to make sure I correctly understood. That's fine. I understand.

[*English*]

The Chair: That's the thing—on the 20th it will be more than just Mr. Verheul, so that will be a very full day.

We would do that in that evening from seven to nine on that Tuesday night.

Mr. Alex Atamanenko: Okay, now I'm confused.

The Chair: You're talking about the 20th—

Mr. Alex Atamanenko: What I'm saying—

The Chair: Oh no, you're suggesting the 22nd.

Mr. Alex Atamanenko: What I'm suggesting is that we take the seven o'clock to nine o'clock meeting on March 20 and plug it into the February 22 meeting if we don't need to do the dairy people.

The Chair: Okay, but André still wants to do the dairy people. What we might do then—

Mr. Alex Atamanenko: I think he was....

[*Translation*]

I thought you agreed with me that we could hear them on the twentieth.

[*English*]

The Chair: Okay, let's do that, then. So we'll just leave dairy ingredients for now, and we'll have Mr. Verheul appear first with probably Agriculture Canada and Finance Canada to talk about the WTO and article 28, and what we're trying to do with the dairy components.

Is that good enough, or would you want to have an extension to include the processors, consumers, and so on, on February 20?

● (1735)

Mr. Paul Steckle: I think basically all we really need on article 28 or chapter 28 is some clarification. There's some misunderstanding of what actually is entailed in that. Once we have an understanding of that, I don't think it really matters whether all of the industry people are here. Time moves on, so let's try to use our time in the most efficient way.

The Chair: Okay, understood.

Yes.

[*Translation*]

Mr. André Bellavance: That's exactly what I was proposing. In fact, I thought we were hearing from Steve Verheul on the twentieth. So we could hear him for an hour, then the next hour could be devoted to officials in order to talk about finances and agriculture. There are also officials from the Department of International Trade. I think all these areas are a concern. We could hold a briefing on the subject; that could be the twentieth.

[*English*]

The Chair: You don't want to have them all together? You want to keep them separate—an hour and an hour?

[*Translation*]

Mr. André Bellavance: I think that would be more practical.

[*English*]

The Chair: Okay, we'll do an hour and an hour. We'll do that on the 20th, and on the 22nd we will look at the impact of the farm income crisis on women in agriculture.

On the 27th, we'll do the Canadian Wheat Board, and call in some new witnesses, and then consider the draft report after that.

Is that okay with everybody?

Mr. David Anderson: It's a waste of time. The steering committee decided that.

The Chair: Well, we're flexible here.

Okay, so that's happening on the 27th, and then we'll dive into the biofuel study. If you're happy with that, we won't make this a formal report, right? We don't want to tie our hands; we want to have some flexibility. I believe those are the wishes of the committee.

Alex.

Mr. Alex Atamanenko: I have a real important question. I like the format when you have the little boxes on here. It makes it easier for me to understand.

The Chair: A timetable, yes.

With that done, I don't believe we have any other business. Any other comments?

Madam Clerk.

The Clerk of the Committee (Mrs. Carol Chafe): Yes, Karen Dodd's request.

The Chair: Yes, this is an issue.

Karen Dodds is appearing before us on the grow and the own-use import program on Tuesday. She has requested to bring along Craig Hunter of the Canadian Horticulture Council and Gord Bacon from Pulse Canada.

I'm just wondering if that's appropriate. If they're coming, do we need to have the CFA or FMA here then?

Mr. David Anderson: If she's requested them, there may be some particular reason. I haven't talked to them about it.

The Chair: Is everybody okay with these extra witnesses?

An hon. member: It's up to the chair.

The Chair: It's up to the chair. I'll take that direction then.

Mr. Anderson.

Mr. David Anderson: I would also like that expanded to cover the additional item we covered last time when she was here, which was the strychnine.

The Chair: Okay, we'll make sure she's aware of it. That's grow, own-use imports, and strychnine for gopher control.

With that, we adjourn.

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