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Chair

Mr. James Bezan

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• (1530)

[English]

The Chair (Mr. James Bezan (Selkirk—Interlake, CPC)): I call this meeting to order.

We're continuing with our study on SRMs, on the ban that's coming into effect on July 12.

We welcome to the table today Susie Miller from the Department of Agriculture and Agri-Food, Graham Clarke from the Department of Agriculture and Agri-Food, and we have from the Government of Alberta, John Donner and Gerald Hauer. We also have from the CFIA, Freeman Libby and Brian Evans. From the Government of Saskatchewan, we have Harvey Brooks and Paul Johnson, and from the Government of Manitoba, we have Allan Preston and we are still waiting for Mr. Horner and Mr. Schellenberger who we hope will come in later to participate.

Because we have such a large number of witnesses today, we're asking everybody to keep their comments as short as possible. Your maximum time is ten minutes, and I will intervene if you're going over that time.

With that, we'll start off with the Government of Canada comments, and we'll turn it over to you, Dr. Evans.

Dr. Brian Evans (Chief Veterinary Officer of Canada, Canadian Food Inspection Agency): Thank you very much, Mr. Chairman. Good afternoon, honourable members and ladies and gentlemen.

I appreciate the opportunity to appear before and support the work of the committee. My name is Dr. Brian Evans. I am Canada's chief veterinary officer, and I work with the Canadian Food Inspection Agency, also known as the CFIA. As this committee will well be aware, the CFIA has regulatory responsibility for the safeguarding of food, animals, and plants for Canada.

Canada's existing mammalian-to-ruminant feed ban was introduced in 1997. Following the detection of our first domestic case of BSE in Canada in May 2003, an international panel of BSE experts recommended, among other things, the complete removal of specified risk material, SRM, from both human food and animal feed. I'm sure most of the committee members are aware that those are those tissues, based on research determinations thus far, that have demonstrated the potential to harbour BSE infectivity.

The government moved immediately to require SRM removal from the human food chain. After extensive consultations with stakeholders, the government announced in July 2004 that it would

be requiring SRM removal from animal feed. The proposed regulatory amendments were formally published in the *Canada Gazette* part I on December 11, 2004.

In-depth government industry workshops were held in nine provinces from late 2004 to mid-2005 to help understand the practical challenges associated with SRM disposal, and the CFIA pre-assessed a range of possible disposal techniques. After further analysis and consultation, the final enhanced feed ban was gazetted on June 26, 2006, providing for a further 12-month transition period to full enforcement.

The principal enhancement requires that all SRM be removed from the entire feed, pet food, and fertilizer chains effective July 12, 2007. Small, non-federally registered abattoirs will be given an additional six months to comply with certain of the requirements.

While Canada's current feed ban can be expected to eradicate BSE over several decades, the effective implementation of the enhanced ban is expected to accelerate this to within 10 years. This will be achieved by removing over 99% of potential BSE infectivity at the top of the chain to avoid any possible cross-contamination in other processes.

While Canada's market recovery subsequent to May 2003 has been unprecedented and it is clear that the international community has respect for Canada's efforts and investments made in the disease mitigations to date, the need to eliminate cross-contamination opportunities in the feed system is fundamental to further market access opportunities. Industry has been strongly supportive of Canada's pursuit of official recognition on the part of the World Organization for Animal Health, known by its previous French acronym of OIE, as a BSE controlled-risk designated or recognized country.

In presenting its case to the OIE evaluation team of international subject matter experts in January this year, it was very clear that Canada's commitment to the introduction and enforcement of the enhanced feed ban on July 12, 2004, was critical to our achieving such a designation. Any indication of Canada changing its intent to implement an enhanced feed ban would provide OIE member countries with the basis to not adopt a controlled-risk status for Canada in the general session in May. Such a result would relegate Canada to the status of an unknown-risk country, with associated resulting domestic and international repercussions. For these reasons, the industry understands the benefits of the enhanced feed ban and stakeholders recognize the need to keep to deadlines on its implementation.

Although waste disposal is within provincial jurisdiction, it was determined that a contribution by the federal government to develop SRM waste disposal infrastructure was in keeping with other measures taken by the federal government to assist the industry to respond to BSE.

The federal government set aside \$80 million to help provinces put in place programs that would assist industry to adapt to the enhanced regulations and for research on disposal methodologies. This funding commitment was predicated on a federal-provincial cost sharing of 60% federal-40% provincial funds, with an expectation that industry would also contribute to these waste management and research costs. Provinces submitted program proposals to AAFC that outlined actions they would take in the context of industry needs.

• (1535)

When this government announced the enhanced feed ban, authority was also provided to proceed with the \$80 million commitment. Allocations among provinces were finalized according to the proposals submitted and the needs articulated. Care was taken to ensure that the results of the programs would lead as much as possible to an equivalent outcome across the country and that they would address the needs of smaller abattoirs.

Given that this is a federal contribution to provincial programs, the provinces will be responsible for the development and implementation of the SRM waste disposal programs, including the receipt and evaluation of project proposals, the approval of individual projects, and the determination of which costs will be recovered. Although some provinces have included research as an eligible activity, most provinces will spend the bulk of the program funding for the creation of waste disposal infrastructure, such as SRM rendering facilities, incinerators, landfills and for transportation of SRM material.

As with other program transfers by the federal government to provinces, the federal contribution is specified through federal-provincial agreements, now being finalized. There is specific provision to permit the inclusion of provincial contributions since December 2004 and federal contributions to expenses incurred since December 2006. These agreements are being finalized with all jurisdictions, and we expect signatures from many of them within the next several weeks.

Prior to and since the publication of the regulations, we have worked with our provincial and territorial colleagues, as well as industry, to be well positioned to implement the enhanced feed bans. Since 2003, we have spent countless hours working on this. We have met on more than 64 occasions and held over 110 conference calls with the federal-provincial-territorial network, including the agriculture policy assistant deputy ministers, the regulatory assistant deputy ministers, deputy ministers, and the ministers committees to discuss and plan for the enhanced feed ban and the broader BSE recovery. This subject will continue to be an agenda item for future federal-provincial-territorial calls and meetings at every level. As well, the federal-provincial-territorial feed ban enhancement implementation task team has had a total of eight conference calls and five meetings. A federal-provincial-territorial meeting on November 29, 2006, included representatives from industry sectors.

In addition to this high-level dialogue, the CFIA has established a feed ban task force, with participation from Agriculture and Agri-Food Canada, to complete the federal component of implementation and to facilitate the resolution of outstanding issues involving industry and the provinces.

Over the past few weeks, Agriculture and Agri-Food Canada officials and the head of the feed ban task force, Freeman Libby—who is with us today—have been meeting individually and with provinces to accelerate the sign-off of the funding agreements; to discuss each province's state of readiness with respect to waste disposal strategies for both the short and longer terms; and to better understand the impact of the new requirement on industry sectors and explore options for bringing the various sectors into compliance with the deadlines provided.

We have met with eight provinces and we will shortly meet Ontario and Newfoundland. We are also working with industry to plan for implementation. Outreach activities include national meetings with large industry organizations, regional workshops, and pre-assessment of SRM disposal methods. CFIA has also launched a national communication campaign to target key groups. Copies are available for the committee.

The industry believes in the benefits of the enhanced feed ban, and stakeholders are adamant about the need to keep to the July 12 deadline. We also believe we need to stay the course, and we are confident that everything will be done at all levels to allow the industry to meet the deadline of the enhanced feed ban and thereby maintain public and consumer confidence within Canada and beyond.

We respect both the time and the needs of the committee and would be pleased to answer the committee's questions.

Thank you, Mr. Chair.

• (1540)

The Chair: Thank you, Dr. Evans, for staying well within your time limit.

With that, I'll turn it over to Alberta and Mr. Donner. You're making the presentation, I believe, for Alberta?

Mr. John Donner (Assistant Deputy Minister, Environment and Food Safety Sector, Department of Agriculture and Food, Government of Alberta): I am. Thank you, Chair.

Good afternoon. With me today is my colleague Gerald Hauer, assistant chief to the provincial veterinarian of Alberta.

I believe, Mr. Chair, you are in receipt of a letter from my minister, the Honourable George Groeneveld. The letter outlines that although it's unusual for us to appear before a committee of the House of Commons, we're here through a sense of partnership to achieve the feed ban and accelerate BSE elimination. We're also here—because it is of sufficient urgency and importance—to indicate the progress we're making on this file.

Just to remind you, in case you're wondering, Alberta is beef country. We account for a significant proportion of the herd. As the picture displays, we have slaughter facilities, both federally administered and provincially administered, throughout our province.

We've heard the importance I think of the July 12 effective date, and we want to reiterate that we are committed to that date. The federal government has identified the share of funding that's available to the Province of Alberta. As the minister pointed out, we have funding identified from the Alberta Treasury Board. We have a clear plan for how we're going to implement. And based on today's meetings, we believe an agreement with the federal government is imminent to allow us to move ahead to announce and proceed with implementation.

I just want to take a moment to outline the nature of our plan. Again, we have \$20 million identified. That is in excess of our normal 60-40 sharing. Our plan indicates that we are going to apply some of that to some additional relief for provincial facilities, for ongoing operational expenditures, and also for research.

As for the principles under which we're operating, we want to make sure that we have an effective, timely feed ban, that we facilitate adaptation of the industry, and that we minimize any negative economic impact on industry.

What I really want to do here is provide a sense of the systemic approach we've taken to this issue. We are looking at farms, federal plants, provincial plants, and the collection of that material and its safe disposition—first in containment, then in destruction, and ultimately in value-added development that creates an effective market for SRMs in Alberta.

The black lines indicate the critical path, the key things that must be done immediately, in the short term—it is very short—and in the long term to bring this about. This also reflects on where we are committing our resources. We are committing resources focused on, first of all, those black-line elements on that critical path. These focus on developing the rendering capacity for SRMs, as well as non-SRMs, to maintain the value for the producers. We are looking at assistance to the federal red meat...to develop the separation facilities in order to take advantage of this second line of SRM. We are looking at enhanced access—first to landfills, second to cement kilns—in order to have first disposal and containment and then disposition. Finally, we are looking at addressing the tipping fees so that we reduce the costs associated with that.

In the longer term, we are looking at developing the other technologies that will create an effective market for the SRM and increase the value so that we are not only reducing the cost but perhaps creating a value proposition for the SRM.

This implementation plan has been developed in close collaboration with regional CFIA, regional Agriculture and Agri-Food Canada, and a variety of Alberta government departments. We have confidence now that we have the immediate solution, enabled by the CFIA decision two weeks ago, that allows us to be clear that we will have two tracks available for compliance as of July 12.

We have been sharing information with the industry throughout the process. We have not yet made a program announcement,

pending completion of the federal-provincial agreement. We expect that will be coming, as we say, shortly.

What are the take-away messages? Although there has been delay, we're on track for on-time implementation. The capital costs are cost-shared among the governments. We've chosen to add funding for operational expenditures for transition. And we know that the federal government will treat all provinces equally in terms of the time of signature of agreements.

● (1545)

Respecting the committee's time, that concludes my presentation.

The Chair: Thank you.

I will turn it over to Mr. Brooks from Saskatchewan.

Mr. Harvey Brooks (Deputy Minister, Department of Agriculture and Agri-Food, Government of Saskatchewan): Good afternoon.

I am pleased to be here to represent Saskatchewan Agriculture and Food. I have with me Paul Johnson, who is the manager of our policy branch.

With Canada's second-largest cattle herd, about 21.7% of the national total, the subject we are discussing today is of great importance to our producers and all stakeholders in our beef value chain. I want to provide an update to the Standing Committee on Agriculture and Agri-Food on the state of readiness for SRM segregation and feed-ban regulations in Saskatchewan. I will also speak to some of the challenges we have with the regulation and the implementation process. I am pleased that we have the opportunity to inform members of this committee about what is happening in Saskatchewan.

As you may be aware, provincial funding was approved to cost-share this program on Monday, February 26, 2007, which was two days ago. Now that the provincial funding has been approved and published, we will be able to move quickly to finalize program regulations in our province and to finalize the federal-provincial agreement. With provincial and federal funds, my department will now move to administer the Canada-Saskatchewan SRM management program. While the details have yet to be finalized, we are planning to announce full program details in the coming weeks. We are very engaged on this file.

My department, in conjunction with Agriculture and Agri-Food Canada, held the first public meeting with stakeholders in our province on June 1 and 2, 2005. Since then, we have held numerous public and private consultation sessions with our stakeholders. On many occasions, these sessions were jointly held with the Canadian Food Inspection Agency.

As our consultations continue, Minister Mark Wartman and I recently toured the Saskatoon processing rendering plant and discussed the modifications to their plant that are necessary to comply with the regulations. We have been in regular contact with XL Beef in Moose Jaw, and I have personally toured their operations to understand the infrastructure changes necessary to comply with the federal regulations and the timing of their construction schedule for the necessary renovations. We're working very closely with our industry to develop solutions and plans to properly handle and dispose of SRM.

I believe that the state of readiness in Saskatchewan is relatively advanced, given the challenges the industry is facing across Canada. There are some gaps, and we recognize that, but we are working diligently with stakeholders to bridge those gaps.

To better understand the state of readiness in Saskatchewan, the committee should know that XL Beef in Moose Jaw is Saskatchewan's largest cattle slaughter facility. They kill about 85% of all the slaughter animals in Saskatchewan. We've had numerous conversations with XL Beef and are reasonably confident that they have a plan for handling and disposing of SRM that will work. We have concerns that their slaughter plant in Moose Jaw won't be fully renovated in time to meet the July 12 implementation deadline, but we are working on contingency plans with them to ensure that proper segregation and disposal is maintained prior to them fully being completed.

Our other federally inspected slaughter facility, Natural Valley Farms, has developed and implemented an on-site waste management system that includes SRM. They're confident their facility will be fully compliant by July 12. Because of the size of the federal plants in Saskatchewan, plans will be in place that will allow the vast majority, greater than 95%, of our industry to be in compliance by July 12. We do have some issues to overcome in the short term, but our planning and industry preparedness is well advanced with our federal processors.

The situation is a little different when we talk about the non-federally inspected beef processors. In total, we have approximately 90 facilities in the province that slaughter and process beef. Two of these are federally inspected, 12 are inspected by CFIA under agreement with the province, and the remaining are licensed by the provincial health department.

The breadth of the slaughter industry in Saskatchewan is unparalleled in Canada and literally covers the whole province. The operations are spread out over hundreds of miles, and the volumes of cattle they slaughter are small in comparison to the main processors.

In some respects, solving the challenges placed on our smaller processors as a result of the federal regulations are more daunting. For those of you who are very familiar with this file, volume is a significant factor in minimizing costs of disposal. The frank reality is that other than in a few clusters in Saskatchewan, we don't have the volumes of slaughter waste materials to keep costs minimal.

Yes, the processors are relatively small and somewhat insignificant in the national picture, but as members of the committee can

appreciate, those small processors are just as important to their rural community as a large processor is to its community.

I want to spend a couple of minutes discussing the development of the federal regulation. Saskatchewan has been actively involved in trying to craft this regulation, and we agree that the science behind the regulation is solid.

● (1550)

It is in the best interests of the industry to eradicate BSE as quickly as is practicable.

As some of you may be aware, throughout the federal-provincial consultation process, Saskatchewan raised concerns regarding the economics of the regulation. The new rules will add costs to slaughter in Canada. They are new costs, and they are permanent. They are also unique to Canada in the North American market. Processors in the U.S. will not be subject to these higher costs—at least not yet—and that will impact the economics of cattle slaughter in Canada.

We support a policy of harmonization with the U.S. feed ban. They will argue that they have a lower risk for BSE, but we believe the global marketplace has and will continue to treat our nations the same.

We can't lose sight of the fact that the U.S. is and will remain our largest and most important export market for beef and cattle. A policy of harmonization with the U.S. would have helped to keep our slaughter industry competitive. Now we are faced with the reality that perhaps more animals may be shipped south for slaughter.

Another issue of concern to Saskatchewan is federal funding and the process used to allocate federal funds to provinces. In the federal 2005 budget, it was announced that \$80 million in federal funding was set aside to help the industry adjust to the enhanced feed ban. Several months later, provinces were informed that there would be a requirement to cost-share 40% on top of that, and we were informed that we would need to be a financial partner to help alleviate the costs created by that regulation.

In addition, the allocation of the \$80 million is an issue with our industry and with the Government of Saskatchewan. In Saskatchewan's original proposal for SRM funding, which was submitted and accepted in November 2005, we proposed a formula to allocate funds. The formula we proposed was based on a weighting of the slaughter capacity of the various jurisdictions and the size of the relative cattle herds. It would have been a fair and transparent process to allocate federal funds.

The proposed formula was not put forward for discussion, and Canada used instead an allocation process that has not been fully disclosed to the provinces or the stakeholders. We have asked for clarification on how the money was allocated but have not received that. We have only been shown the final results for the jurisdictions.

We have significant concerns as well about how the feed ban is developing across Canada. We had called for a national program, with national rules and national criteria for eligible expenses and program funds. In this manner, all stakeholders, regardless of where they are located, would have access to similar levels of government support with identical parameters. Processors in Saskatchewan would then be confident that eligible expenses and the level of support would be equitable across all jurisdictions.

Instead we are developing a system of ten different agreements, with potentially different eligibility parameters and different funding support levels. I am encouraged today to hear that we will all have access to the same rules at the end of the day.

To conclude, I am confident that Saskatchewan is in good shape with respect to our ability to be compliant on July 12, 2007. There are still gaps, but we are working with industry and stakeholders to bridge them. As you now understand, Saskatchewan has raised issues with the federal-provincial program funding that is part of this process. As it has evolved, we now will have a very fragmented system of the programs across Canada that will be more difficult to explain to stakeholders.

That said, we recognize the importance of supporting our livestock and processing industries to address the increased costs of complying with this federal regulation. It's important to remember that this is not an issue of food safety or quality. It's an animal health measure that will place restrictions on feed, not the food produced by the processors.

Because of the federal regulation, additional handling and segregation of cattle slaughter waste and dead cattle are now necessary components of livestock production processing in Canada. As we continue efforts to expand the livestock industry in Saskatchewan, it's important that all elements of the value chain continue to function properly, from the producer right through slaughter, processing, and waste disposal. The investments we will make with this funding will help our industry to remain competitive.

Thank you for the opportunity to be here today and to clarify our readiness and the readiness of the Saskatchewan industry to meet the regulatory requirements on July 12, 2007.

• (1555)

The Chair: Thank you.

I'm saving the great province of Manitoba for the end—and I'm not biased at all.

Dr. Preston.

Dr. Allan Preston (Assistant Deputy Minister, Department of Agriculture, Food and Rural Initiatives, Government of Manitoba): Thank you, Mr. Chairman. It's a pleasure to be here to speak to the committee on behalf of Minister Wowchuk and Agriculture, Food and Rural Initiatives.

I'll try not to be repetitive, but I will echo some of the comments that have been made. I think some of the comments are worthy of repetition.

First of all, let me state that Manitoba is fully supportive of the enhanced feed-ban regulations that will minimize the risk of

potentially infected feed or fertilizer entering the ruminant feed chain. Going back to the beginning of the BSE situation in 2003, the international scientific panel, in its report, laid out some key points for Canada. One of them was the recommendation to enhance the existing mammalian-to-ruminant feed ban by moving to a full SRM ban. My province has lobbied vigorously for an introduction of this enhanced feed ban and has pressured the federal government to move more rapidly than it has.

Canada is in a position to have its BSE country status assigned to the controlled risk category, a categorization that will assist us in accessing more international markets for live cattle and beef products. A significant factor in moving into this controlled risk category is the presence of a full SRM feed ban. Without the implementation of the feed ban on July 12, Canada could be at risk of falling back into the uncontrolled risk category.

There will always be issues around the mechanics of the feed ban; issues of containment and disposal and destruction of SRM; and, most significantly, as has been pointed out by others, issues of the cost of the feed ban to the cattle and meat industry. However, the simple fact remains that the cost of not proceeding with full implementation far exceeds the aggregate cost of failing to meet the recommendations of the international community.

From the Manitoba perspective, as most of you will be aware, we have limited federal slaughter capacity. We have one federally licensed establishment in Manitoba, but we have 24 provincially licensed abattoirs. The province produces approximately 8,000 tonnes of inedible slaughter waste per year, and there's no segregation of SRM from the rest of the inedible waste at the present time.

We also produce something in the range of 12,000 tonnes of dead stock per year. We have no provincial capacity to render this material. In June 2003, our only provincial renderer elected to move to a dedicated line to render non-ruminant material only. Therefore, since that time, all ruminant inedible offal has had to be disposed of using alternative methods, primarily deep burial in landfills and composting.

Rothsay, the rendering company, continues to play a significant role in the movement of SRM and inedible offal from our provincial plants to landfill sites. Their service, with dedicated vehicles, accommodates our one federal plant and approximately nineteen of our provincial plants in the southern part of the province. The remaining plants that are outside of Rothsay's coverage area either use composting or deliver their SRM and offal directly to a local landfill. These are the plants that will be most impacted by the new regulations if indeed existing landfills are unable to meet the criteria as outlined by the CFIA.

For those plants that are currently using composting as their major means of SRM and offal containment and reduction, they will continue to use this methodology and will work with CFIA to procure the necessary permits to move the compost off-site as required.

With regard to dead stock, the other very major component of SRM, producers have had to resort to their own disposal systems since 2003, when the dead stock pick-up service for rendering was terminated. Apart from two provincial programs in the springs of 2004 and 2005, set up to assist with removal of dead stock from the landscape, as well as to provide the necessary BSE surveillance samples, the province's cattle producers have had to deal with dead stock disposal completely on their own, utilizing the approved methods under the Environment Act, mainly deep burial, composting, and incineration.

In terms of the Manitoba solutions, again in keeping with the disposal methods approved under our Environment Act, the province has been seeking SRM disposal options that concentrate on these methods of incineration, deep burial, and composting. We recognize that deep burial and composting provide containment only and do not address the issue of destruction of prions.

Municipalities must provide waste disposal services for waste produced in their municipalities, including dead stock. However, many municipal landfills refuse to accept dead stock. In addition, apart from the few class 1 landfills in the province, most municipal landfills do not have a leachate collection system, as required under the revised regulations.

Manitoba plans to utilize the funds from the program that we're now talking about to support regional solutions for the disposal of SRM and slaughterhouse waste. As I've indicated, these solutions will initially concentrate on incineration and composting. Other methodologies, including gasification, alkaline hydrolysis, and thermal hydrolysis will also be investigated. We are also already doing some research on various methods of gasification and larger composting sites.

• (1600)

An interesting twist in our province is that we are working side by side with Manitoba Health to look at some common sites for incineration, to dispose not only of SRMs and the inedible offal from our slaughterhouses but also medical waste. There's a synergy to be had by having one incinerator serving many purposes.

While the funding that's available is never sufficient, the combined \$10.3 million from the federal government along with \$7 million from the province will move us a long way towards a solution to the SRM issue. While we have not yet signed our federal-provincial contribution agreement, it has been thoroughly reviewed and is nearing completion.

The one area of concern that is left to be reviewed is the environmental assessment requirements under the Canadian Environmental Assessment Act. We anticipate that those will be resolved very shortly.

Again, I just want to reiterate our full support for the enhanced feed ban and the removal of all SRM, but I do want to point out a couple of areas of concern. One of them is the concept of risk. Regulations, when fully implemented, as Dr. Evans indicated, will reduce the risk of infectivity through the feed chain by 99%. What is not clearly communicated is the fact that the risk factor right now is essentially negligible. SRM is not a hazardous material given that the vast majority of the product is prion-free.

The focus of our regulatory environment should be on segregation and containment and less on the destruction of the prion. As one example, composting is a method we are using extensively in Manitoba, and I think it's a very useful method for reducing the volume of SRM. But at the end of the day the issue of what to use the compost for becomes a bit of a challenge given the regulatory environment we now work in.

The good communications Dr. Evans spoke of as well with regard to this whole program are essential. I think if we can take away some of the aura of a hazardous material regarding the SRM, we will have more success in dealing with our municipal partners, in particular with regard to accepting SRM into their landfills and other methods of disposal.

The main priority, again, must be to reduce the size of the SRM pile. Biosegregation is essential. There are some developments that have taken place in the last little while to reduce the size of that pile, including such mundane things as removing the distal ileum from dead cattle in the feed lot and not having to use the rest of the carcass as an SRM. I think a number of these rather simple measures will help us reduce the volume considerably.

Again, I want to recognize that these measures we are putting in place are adding costs. They're making our Canadian industry somewhat uncompetitive with the U.S. But I repeat, we have no option but to introduce and implement these stringent feed controls on time. The failure to achieve the control risk country classification carries a much higher potential price tag.

From Manitoba's perspective, we are well positioned to move forward prior to July 12 with implementation that will put us in control of something in the range of 90% to 95% of the SRM produced by the slaughter plants in our province.

With that, Mr. Chairman, I will terminate my comments.

• (1605)

The Chair: Thank you, Dr. Preston, and thanks to all of you for your presentations.

I was just informed that Mr. Horner and Mr. Schellenberger are on their way. They'll be a few minutes late. We'll receive their presentations when they get here or at the end of the meeting, whatever the committee desires.

Also, just to bring it to your attention, we did receive a letter from the Ontario Minister of Agriculture stating their position on SRMs. That is at translation, as is a letter from Minister Groeneveld. They have to be in both official languages before we circulate them.

So with that, I'll turn it over to Mr. Steckle for seven minutes.

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

Thank you for appearing. This is a file that is relatively well-known.

And might I just say at the outset, Dr. Evans, that your work has not gone unnoticed by the committee members, and certainly by the people in this country, as well as our neighbours to the south.

Given that we have taken the lead.... Since the genesis of this issue really had its beginnings—May 2003 is when this really became an issue—we immediately took some measures. Of course, going back to 1997, there were some feed bans initiated both here and in the United States. To give indication that we would be removing—as we had in 2003—all of the SRMs from the human food chain, we moved for complete SRM removal in the animal feed, and we had those regulatory amendments put before the Canadian people in December 2004.

We have now, in 2006, put \$80 million to the industry to see this come to fruition. We set a deadline of July 12, 2007. Given that the provinces are partners in this arrangement and given that we have a 64-year arrangement for general purposes in this country, for funding, why is it that we find ourselves running behind on this file? With \$80 million and the deadlines clearly defined, why is it that we haven't moved more quickly? There comes a time when consultations must end. Why are we at this juggernaut at this stage of time?

The Chair: Go ahead, Dr. Evans.

Dr. Brian Evans: Thank you, honourable member, for the question. I'll maybe ask my colleague from AAFC to add perspective as well.

I think if people reflect back, those with some longer history would recall that the 1997 feed ban was not an exercise in simplicity in itself. Reference has been made to the desire at that time, because of market integration, to move in synch with the United States; again, it's important to point out that even though there were comparable feed bans, the Canadian and U.S. feed bans have not been identical since 1997. In fact, the Canadian feed ban in 1997 was more stringent than the U.S. feed ban, and the U.S. made exemptions for products that we felt would have problems in cross-contamination.

I share with you the reality, as you say, that this has been a three-year process. I think there have been clear signals on all sides, reinforced by objective third parties, as to where we felt we should go and what should be achieved. Certainly the balance has been the desire for reintegration of the North American market and not to create an economic disadvantage that could not be overcome with other benefits. That is against the backdrop of industry also saying that diversification of markets in the long term is the best strategy for Canada and that we should not put ourselves into the circumstance of being dependent on a single market in the long term.

All those factors have played, I believe, in the background of people hoping that we could move in parallel with the United States. In fairness, the United States did announce in 2005 a proposed interim rule for enhancements to their feed ban; to this point in time, they have not moved to finalization.

One can speculate as to what plays in that scenario. I believe the recent announcements and determinations of Canada and the United States in terms of their categorization internationally will bring

refocus to that issue. I don't preclude that there won't be adjustments made on the U.S. side at some point in the future.

As has been indicated by all the goodwill around this table, the work of the provinces, the complexity of the file, and the jurisdictional issues around environmental management, the desire to ensure that we had an implementable feed ban was very important. We saw the failures of other countries that responded to findings of BSE, and findings of BSE after their initial feed bans and the introduction of measures that on paper would have stopped the problem, but in reality industry did not give support, others did not support, and it just exacerbated the problem even further.

I think part of it is wanting to ensure that we have done all that was feasible to have an implementable, environmentally sustainable, collaborative feed ban that all the players could support, so that at the end of the day it would be an effective feed ban. That has been very critical, I believe, in how the rest of the world has seen it.

That would be my perspective, honourable member.

Susan, would you like to speak on the funding side of it?

• (1610)

Ms. Susie Miller (Director General, Operations, Market and Industry Services Branch, Department of Agriculture and Agri-Food): I will follow up what Dr. Evans has indicated on the regulatory side.

The \$80 million of the federal contribution to provincial programs was announced originally in, I believe, Budget 2005, but in order to be certain as to the best utilization of this funding, one needed to be certain of the type of infrastructure that was needed. To proceed with a program before having the regulatory infrastructure finalized didn't make any sense.

When the regulations were finalized, published...I don't know the technical terms.

Dr. Brian Evans: It's "promulgated".

Ms. Susie Miller: When they were promulgated in June 2006 and the current government confirmed the \$80 million commitment originally made in Budget 2005, we proceeded to work with the provinces to finalize their plans according to the regulations. We sought both cabinet and Treasury Board authority, and we are currently working through the process we use to transfer money from federal governments to provincial governments.

The process never runs as smoothly as we would like it to. The agreements between two jurisdictions always take some time, but there were several provisions put into the federal government contribution that would assist in not delaying the program—the funding to industry, as it were.

The first was that the funding by provinces to address SRM disposal could be counted as their contribution going back to December 2004. This was to ensure that any province that wanted to proceed immediately to put in measures in anticipation of changes in regulations would not be disadvantaged when it came to receiving federal funding.

The second was that federal government contributions could go back to the date when we had our authorities, which was December.

I am confident in saying that we're in a position of finalizing wording in the agreement with eight of the provinces. The other two will take a little bit longer, first because during an election period it is not common to have federal-provincial agreements pursued, and second because we're still working with Newfoundland on the details of their program.

The Chair: Thank you.

Your time has expired, unfortunately, Mr. Steckle.

Please keep your comments as brief as possible, because there are a lot of witnesses at the table, and they're probably going to want to participate as well.

We'll go to Monsieur Bellavance.

[Translation]

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

Mr. Donner, the document you submitted seemed interesting. Do you have a French version? As you know, the committee rules are clear. All documents must be submitted to us in both official languages. I would therefore like you to assure us that you will provide us with a French version as well.

Mr. John Donner: Yes, I apologize. I did not submit the document in time for translation.

Mr. André Bellavance: It is very important that we have a French copy to read. Thank you.

Mr. Donner, according to the testimony we have heard, Alberta appears to be further ahead than the other provinces when it comes to the elimination of specified risk material, or SRM. You have a program that is practically in operation, one that is quite advanced, yet you still do not have an agreement signed with the federal government.

What is missing? What still needs to be negotiated? Exactly where are you in the process? Most importantly, do you think you can meet the July 12 deadline? Do you really believe that it can be met?

[English]

Mr. John Donner: Yes, we believe we can meet the deadline. As we indicated, we have a program ready to go. Based on our most recent discussions today, we believe we're in a position to finalize, and the remaining step is really for ministers to sign. So we believe we're very close to signature.

• (1615)

[Translation]

Mr. André Bellavance: What is preventing an agreement from actually being reached? Could you please elaborate on what you

have done to ensure that you can meet the July 12 deadline? This could serve as an example.

[English]

Mr. John Donner: In terms of the agreement itself, it is simply, in my view, a matter of going through the steps for approval in our two governments, submitting the document, and having the decisions taken.

I am not aware of anything outstanding in the document that needs to be changed, except that it has to be finalized and sent up for approvals.

In terms of what has been successful in having our plan ready to go, we've had strong cooperation with the regional CFIA and Agriculture Canada offices in developing our strategy. We've engaged in extensive consultation with industry about what their investment requirements are. We've looked at it from a systems point of view in terms of how we address the total SRM in the province and by trying to address system approaches. And we have been very specific in identifying resources for elements of that system, as opposed to having one pot for everything.

Those I think are some of the attributes that have made us successful, or that will, we hope, make us successful.

[Translation]

Mr. André Bellavance: Mr. Evans, I have a question for you. As I am sure you are aware, we recently heard testimony from the industry. I am not sure whether you had a chance to read the evidence. Representatives appeared before the Standing Committee on Agriculture and Agri-Food. Naturally, there were some concerns about that deadline. We just heard the representative from Alberta say that the July 12 deadline will undoubtedly be met, however, we do not know what will happen with the other provinces. Thus, the industry has considerable concerns about this and is saying that federal money was handed over to the provinces, and that that money must now be passed on to the industry.

In your presentation and in your document, you say that you are still in discussion with the provinces. I would therefore like to know if you can allay the industry's concerns or, conversely, indicate to us whether the July 12 deadline should be extended?

Where is the department in terms of its negotiations with the provinces? Without necessarily referring to each province individually, can you reassure the industry on that score?

[English]

Dr. Brian Evans: Certainly. I would ask if you would lend me the opportunity to ask Susie Miller, from the department, who has been managing the funding arrangements with the provinces, because the funding is through AAFC; it's not through CFIA.

Susie, would you be prepared to speak to that?

Ms. Susie Miller: You have heard three provinces here speak about their readiness. If you ask the other seven provinces, you will get seven more statements as to whether their waste disposal infrastructure will be ready.

There is no doubt that some of the larger projects, for example, the construction of a rendering facility or an incinerator, may not be complete by July. But my understanding is that each of the jurisdictions—and the ones that are here can respond for themselves—is working very closely with its industry, as is CFIA, to make sure it can utilize the existing infrastructure during the interim period until the optimum solution is developed over time.

The discussions among CFIA, Agriculture Canada, and the provinces have been extended to the industry as well, so that there is ongoing discussion at both the provincial level and the federal level to find solutions under the current regulations to ensure that the feed ban can be put in place by July 12.

[Translation]

Mr. André Bellavance: My question is essentially for everyone, that is, the representatives of the provinces. We heard from the industry, we heard from people from the provinces, we heard from the department. One of the other concerns I heard was from the producers. These people know that a certain amount of money was allocated by the federal government. The provinces are also going to kick in some money. At the end of the day, considering all the changes that this is going to require, all the changes that will be made, will the producers not have to foot part of the bill?

Do we have some idea of the total cost of all these changes? We can look at Europe, which began before us, as an example. Do we seem to be heading in the same direction? I raise the question, for anyone to answer.

• (1620)

[English]

Dr. Brian Evans: Thank you for the question.

I guess my perspective on that, honourable member, is that, as have you—and I'm sure most other members around the table—I've heard, over the last four years now, the pain of individual producers, with what this has done to them and what it continues to do to them. The one message I hear repeatedly from the producers, whether it's in the barns at exhibitions, in county meetings, or in provincial meetings, is that they need to be sure that when they buy and feed their animals, the system is protecting them, because when the system fails, the pain is felt by the individual producer. That has been a very clear message and a very clear motivation from day one in managing this circumstance.

While we acknowledge that there may be trickle costs in the short term, we are working diligently to create alternate markets, as has been referenced here. We believe the designation of Canada internationally, by the World Organization for Animal Health, as a controlled BSE country opens up new markets to us. It expands existing markets to us and maintains domestic confidence that what we're doing is the right thing. It also allows us the opportunity to pursue other uses of SRM material, to create an international standard that would allow for trade in feeds from which SRM has been removed from production, to put value back into the carcass.

Others can speak to the research that's being done in other areas to find alternate use for the material. Again, some of those will not be immediate, but we believe, as has been said, that the longer-term

market recovery and the longer-term interests in the industry's economic recovery will be accelerated by this.

Others may have a view as well, honourable chair.

The Chair: Let's keep it quick, because Mr. Bellavance's time is up.

Mr. John Donner: Thank you for the question and the comment.

Certainly we understand the urgency on the part of industry to have clarity on the expectations and the funding provisions. That's one reason we need to get out an announcement as early as possible, to give some time.

Certainly there is a cost share to the capital facilities, but right now we're not addressing the operating facilities. Everything Dr. Evans says is correct about the general advantage to the industry. That can be small solace to the individual producer or individual plant faced with those additional expenditures.

We do have some issues, in terms of the cost impact, as my colleagues from other provinces have said. At least in some of our provincial facilities, we are trying to offset some of that by addressing some of the tipping and transportation fees and some of the other fees that are associated. However, generally, there is, and should be, a concern about the cost impact. That being said, the advantages of moving ahead are obvious.

The Chair: I just want to draw to everyone's attention that we have been joined by David Horner and Stan Schellenberger.

We've already made our opening comments, but if you want to make some brief opening comments, then we can kick it off. We've already started our questioning round.

Mr. Schellenberger.

Mr. Stan Schellenberger (President, Ranchers Meat Inc.): Thank you, Mr. Chairman. I'm sorry we're a bit late. Our messages were a bit at cross-purposes.

I am a producer, and we represent a producer-owned packing plant in Alberta. Our packing plant started as a result of the issue of BSE. The price for our cattle diminished dramatically, and of course, out of tragedy often things happen. Farmers came together to try to build their own facility.

We continue to face that struggle as we build this plant. The issue of the SRM came to the forefront and we believe we heard about it early in September. Funding has still not come forward.

In our plant, we intend to build, to start in September. So we probably can meet these deadlines as far as the segregation and separation of SRM in our plant are concerned, but I know others I've talked to in Alberta will have difficulty because we still don't have the forms, we still don't have the ability to apply for funds. This is an expensive operation. If you are in production, you almost have to shut down to put in the conveyers and the mechanisms to actually segregate and separate this SRM material.

I will get back to the question. From a producer perspective, the big issue that we see is this. If you do not have your own rendering facilities as a packing plant—and only the two large American companies in Alberta have that facility—you are captive to one rendering facility in western Canada, and they have set a price for that SRM of 8¢ to 10¢ a pound. For our plant, which is an OTM plant, where we process mature cows and bulls, we would have in the neighbourhood of 700 pounds of waste material from an animal. About 35% to 40% of that may be considered SRM material, and that's continuing to change as time goes forward.

So you start calculating the price per animal from that, and that could be anywhere from \$30 to \$50 per animal. And you know what happens when there's a cost like that; it tends to be borne by the producer. The wholesale price of meat doesn't adjust according to those additional costs. So the plant has additional costs—the small plants, particularly. The large ones will as well, because they have to deal with SRM material. In my opinion, unless we move away from rendering and landfilling, incineration, or alkaline hydrolysis, which are three of the four that have been submitted, small plants like ours will have a very difficult time competing and existing.

If you look at the new plants that have tried to start in Canada, small federally inspected plants, they are all at risk right now. They are all going back to their shareholders for additional money. In our case, we're trying to find the ability to compete with the large plants that control so much of both the slaughter capacity and the sale of fresh meat into the retail industry.

So we really believe, in a competitive sense, we have to go with the other technology, the thermal hydrolysis. The difficulty in not getting funding or the capability of showcasing this technology pushes it back so many months that we get into this dilemma of time before we can actually get a plant up and running in order to process SRM material in this way.

If you use thermal hydrolysis, you have a revenue stream at the end. You take waste material and make revenue out of it. It becomes a certified organic fertilizer. If you put it into a biogas facility, you can get methane and produce electricity. The waste heat from the electricity can be, in our case, used to heat the water in our packing plant—we produce our own electricity—or we can use waste heat to heat buildings, dry wood, whatever happens to be in our area.

In our view, we ought to be moving as quickly as we can. And this is Canadian technology. These patents are Canadian. We need to move quickly to showcase this technology and to get our packing plants to use it.

• (1625)

In Alberta, the Bouvry Exports facility at Fort McLeod and Cargill Inc. were talking about doing this, but they want to see one operating. That's where these federal-provincial dollars could be very, very helpful, but you need a champion. You need somebody to say we should do this.

I am carrying on a little bit too long, but I am passionate about this because I hate wasting things. I think we have good technology. We ought to be moving quickly to put it into play. This could be showcased to the world. The OIE has told us that if we build this facility, they will certify it for all 148 countries. And hey can come

and see how to do this, instead of incineration, which is just a costly waste.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Schellenberger.

Mr. Horner.

Mr. David Horner (President, Alberta Bio-Refining Technologies Ltd.): I won't have very much else to add to what Stan says, except that we have the opportunity to showcase Canadian technology on an issue that has been on the world's mind for the last five years.

We have the means and the ability to showcase how to handle BSE material, SRM material, in a positive way. We can show how a packing plant can go from being a negative producer to being a positive producer by producing a new value-added product and how to handle animal waste material, SRM material.

I think that's exciting, and I think Canada can be the lead in this around the world.

That is my statement.

• (1630)

The Chair: Thank you, Mr. Horner.

We'll go back into our questioning. Mr. Miller, you're up for seven minutes.

Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC): Thank you very much, Mr. Chair, and thanks to everyone here for coming today. I've only got seven minutes; I wish I had 30. There are a lot of questions here.

I am a beef producer myself, and I totally support this ban. I think it's long overdue, but I do have some concerns. I'll ask some questions and get the answers.

Mr. Evans, some of the first ones that come to mind are these. We've been at this for over three years, and I appreciate the work involved, but as a farmer, as a politician, I'm getting worried. We keep talking about the July 12 date, and of course that's the date when everything's got to be done, but another date that hasn't come up here today is two months from today, May 1. My understanding is that for bagged feed and what have you, we've pretty well got to have this ban in place and working by that date to make sure that feed is used up. I'd like some comment on that.

Another comment that I'd like you to touch on, and I believe it was made in either Saskatchewan or Manitoba.... I find it hard to fathom why they're getting so close and still going on, but they made the comment that here we are in the dying days of negotiations and they don't even know the number of dollars in place. It seems to me when you're negotiating with someone, surely the costs, the allocation of funds, might come up.

I am not sure which one of the gentlemen raised that, so I'd like some discussion on that.

Mr. Preston or Mr. Brooks, you said you may have to store some of the SRMs and what have you until everything is in place, and I can understand that, but to keep this stuff segregated, how much capacity do you have? Do you think you have enough? I'd like a few comments on that, because you don't want to be looking to build storage at the last minute.

Going back to the last comments on technology by Mr. Schellenberger and Mr. Horner, I get the opinion you feel maybe both levels of government should be covering all that cost. I'd like some comments on how you do it.

The small plant issue comes into this. You made the comment, Mr. Schellenberger, about the plants and the producer having to bear the cost of this. Usually, it's the producer who bears the cost, but in this case, small plant versus big one, my fear is that the small ones aren't going to be able to afford to get rid of it in the same manner. So I'd like some comments on that.

I know it's a lot of questions, but I'd like to hear the answers.

The Chair: I hope everyone has taken notes. There are four minutes left, so let's be quick and to the point.

Mr. Brooks first.

Mr. Harvey Brooks: The transition period we're talking about is not so much a matter of storage, but that while the plants are in transition, while they're cleaning out the system and finishing construction, everything out of the plant will be considered an SRM and will go to the renderer as an SRM. Therefore they will have additional costs relative to when they are finally fully functional with the segregation and storage system that meets the needs of the renderer, so they will forgo the income stream of meat and bonemeal that is non-SRM in nature.

Dr. Brian Evans: On the economic issue of allocation, Allan may want to make reference to his allocation in Manitoba. I know Sue could speak to the allocations on a province-by-province basis so there is clarity around what those numbers are.

Ms. Susie Miller: I believe Mr. Brooks indicated that they didn't understand how the allocations were done, not that they didn't know their allocations. However, if it is of interest to this committee, we can submit the exact allocations by province in writing. That was known as soon as the new government committed to the \$80 million and those allocations were provided to each of the provinces.

•(1635)

The Chair: Dr. Preston.

Dr. Allan Preston: For clarification, as soon as those dollars were officially noted, Manitoba was notified as to our level of contribution of \$10.3 million. There was no problem in knowing what the dollar value coming to the province was.

The Chair: Mr. Donner.

Mr. John Donner: On the issue of technology, about 36% of what we have to allocate will be going to technologies that, as Mr. Schellenberger has said, add value and create competition for the SRM to try to address the issue of creating value instead of cost to producers.

The Chair: Mr. Schellenberger.

Mr. Stan Schellenberger: If we were at 800 head a day and all of the material was considered SRM, the cost would be in the range of \$9 million to \$10 million for a small plant. When you're in a very competitive business, that can be the difference between succeeding and not succeeding. If we can change that \$9 million cost to \$1 million or \$2 million, we can eventually have a profit on the other side. In a small plant that is only making a few million dollars of profit, you can see the risk we have in ameliorating the SRM material. Generally, as a large plant—and we have to compete in that—we can push that back to the producer to some extent, but we have to compete for cattle. So some of that cost will have to be taken up by the small plants for a period of time until prices settle down.

As producers, we want to get the price of cattle up to where we think it should be or where it was. We're pretty close to that in the prairies right now, but that moves up and down quite quickly as costs change and the wholesale price of meat doesn't.

We're not of the view that government has to fund the total amount of a plant. As we're getting new technology in place, the engineering, and the plant set up, if we want to showcase the technology, we feel this is a chance for Canada to assist this technology in Alberta to shine, not only in Canada but around the world. In order to do that properly, you need to build a plant that's not strictly just commercial, and that's what we're talking about in having some assistance from the funds. We've been talking to our people in Alberta about that. But we really need some additional help from Canada to showcase this technology.

As far as being competitive, we believe this is the only technology that can make small plants competitive and not have the costs passed on to the producer. That's the key point in focusing on this technology, versus the others that deal with SRM material.

The Chair: You're out of time, Ms. Miller, but I do want a clarification. We were talking about the money, costs, and the dollars coming from the federal and provincial governments. All these agreements have been negotiated, but a lot of them still aren't signed. We have plants that want to go ahead and make their investments because we are quickly approaching our deadline. We have new technology out there that people want to start proceeding with.

If they proceed before the agreements are inked, are they going to be eligible for any of this funding? We want to get some commitment from the provinces and the federal government on that right now.

Ms. Susie Miller: From a federal government perspective, we have the capacity to contribute anything after December 14, 2006. For any provincial contributions, they can count on their 40% share after December 2004. However, how it works in each province is up to each province. That capacity is built in, but whether or not they'll use it is dependent on them.

The Chair: Does anybody else want to jump in on this, or does that explain it?

Mr. Hauer.

Mr. Gerald Hauer (Assistant Chief to the Provincial Veterinarian, Department of Agriculture and Agri-Food, Government of Alberta): We've communicated to the industry verbally that we intend to be retroactive to July 12, 2006.

With the way the agreements are set up, we will be allowed to go back that far with our provincial money. So we've communicated to the industry, especially on what we call immediate needs for July 12, and said, go ahead and start building. As long as it's eligible for funding, it will still be eligible, even though you started before the agreement was signed.

So we've communicated that.

• (1640)

The Chair: Mr. Brooks.

Mr. Harvey Brooks: For our stakeholders, the primary issue is to make sure they have a solution that satisfies CFIA, in terms of the federal regulation, and that they have plans in place that will do so, except for some fine-tuning.

We have been providing some verbal comfort to them with regard to the ability to make expenditures, but I believe they would take more comfort in a signed agreement, with full knowledge of the parameters of the eligible expenses. We've tried to provide some comfort to them verbally, but we're still working out some details.

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

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

There was a state of panic here a few weeks ago, when other folks appeared, as to whether the timelines would be met and whether this would happen.

I have a question. Mr. Donner, I believe your minister came out with a statement that was very supportive of the biofuel industry. He also mentioned that he would like to encourage smaller business and value-added, and he gave an example of a company.

Was that your operation, Mr. Horner, as far as biofuels from SRM? If that's the case, could you talk a bit about it? It sounded very exciting when I read the article.

Before you start, my question is, can you use all of the SRM, or only a small part and the rest of it has to go somewhere else? That's the impression I had when some other folks appeared last time.

Mr. David Horner: Thank you for the question.

We can process all the SRM; we can't process all the SRM from the whole province in one facility.

Certainly the strategy is that the SRM facility, which we would build in conjunction with Ranchers Meat, would be in partnership with Ranchers Meat, the province, the federal government, and the producers, so that we'd also be able to take in dead stock and so on from producers at lower or no cost, if we can get some funding there.

But certainly, strategically placed, SRM-handling facilities that use the thermal hydrolysis system could be spotted all over Alberta, which would take care of all the SRM material. There would not be

any need for rendering or landfilling especially, and as I say, you would end up with a value-added product.

That product can be further researched and fractionized down to where you can start looking at things like pharmaceutical products from animal waste. Wouldn't that be something?

Mr. Alex Atamanenko: So what you're saying is that through this process of thermal hydrolysis, we have the technology.

Mr. David Horner: Yes.

Mr. Alex Atamanenko: Would part of the product also be biofuel? So fertilizers and biofuel—

Mr. David Horner: The showcase facility would incorporate a biogas facility to show how all the animal waste material, not just the SRM material, can be utilized to produce green power, electricity, and organic fertilizers. Basically it's a closed-loop system where there is no waste material, period, and you end up with value-added products from all of these streams.

Mr. Alex Atamanenko: Mr. Donner, this idea seems to be the answer in the long run.

Have there been discussions about funding for a pilot project, in other words to get one operation going in conjunction with two levels of government and private industry, and then showcase this, as was mentioned, so that it could be applied right across our country?

Mr. John Donner: You mentioned my minister's excitement about bioenergy. Certainly we have a bioenergy program that includes the development of biodigestion.

We have a pilot project through the Alberta Research Council, which has a demonstration facility for an integrated manure management system. It's part of the platform that we're talking about here for developing this entire system of managing waste and turning it into value.

In terms of resourcing this, I've indicated that over a third of the resources for SRM removal go in support of these kinds of technologies. We're going to be looking for applications. We're not looking to fund one plant, but certainly the vision of complementing a rendering system and collection with regional thermal hydrolysis, creating a dynamic market for SRM, is part of how we see alleviating the cost pressure to producers and translating the value, which these gentlemen are talking about, to the producing community.

Mr. Alex Atamanenko: So are we going to see something, on paper at least, before July?

• (1645)

Mr. John Donner: It'll be up to these gentlemen to respond to the applications, but we're hoping to get those applications out PDQ.

Mr. Stan Schellenberger: The problem is timing and applications, and we've been talking both to the federal and provincial governments. The deadline is set. It does take eight to ten months to a year to build a facility. We've known about this for quite a number of months now. We've been chasing our good people in government, but you can see there's a level of frustration amongst producers and producer-owned plants that we have this challenge.

Methane production from protein, when you put it in these biodigesters, is much better than manure. In fact, if you add up to 23% of protein from a packing plant into a biodigester, you get a surge of methane because the little archaea really like this product. So instead of landfilling that and trying then to capture the methane, which is a greenhouse gas, you immediately capture it all and produce electricity and all the other things that come with that.

The frustration is timing. We need to get started with this and hope we have enough money. The problem often is that you just get enough money from these programs to be dangerous. You can't get enough to actually build it and operate, and that's the frustration that a lot of the greenfield start-up projects tend to suffer.

Mr. Harvey Brooks: Just to address the issue of technology and the handling of the SRMs, I would like to add that we have one of the newest plants in Canada in Saskatchewan, Natural Valley Farms in Neudorf. They have a solution that sees almost the entirety of the SRMs, and in fact all the animal waste, remain on farm. It's composted on site, and after composting it is then filtered, fed into the boiler system, and burnt as a fuel, and they capture the heat from that as well. So it is a self-contained solution that uses the latest technology.

Mr. Alex Atamanenko: Do I have another...?

The Chair: Yes, a little bit of time.

Mr. Alex Atamanenko: My next question deals with the challenges facing especially smaller businesses, processors, and one of you gentlemen mentioned the reality that more animals might go south for slaughter.

Is the feeling on the ground that there is a danger of some of our small packing houses going out of business because they're unable to meet the deadline, they don't have the funding of the large companies? And is there something in place as part of this agreement, or otherwise, to assist them in time so that we don't have job losses and we don't have more animals going south and plants shutting down in our small communities?

If anybody could answer that, it would be great.

Dr. Brian Evans: I'll seek assistance from others involved in that type of programming.

Mr. Chair, in responding to that, I would just come back to the important fact that with the smaller facilities, of course, in preparing the legislation, in addition to the 12-month window from last June until July of this year, there's been an additional six months beyond that to again help them and try to resolve a number of the issues you've raised.

I think the purpose of the legislation has been very clear and very well supported by all, and perhaps one of the dynamics that we continue to hear as a challenge for people is that unlike most legislation, which is very prescriptive and gives you very little room

to figure out how you're going to do something, this legislation was worked on for an extended period of time to provide for these flexibilities, to look at new technology, to be open and adaptive and conceptual, to say that there are many ways we can achieve the outcome and to create that R and D environment and find that alternate use.

Maybe we've done a disservice by being so flexible because it's created this dynamic of everybody looking at opportunities, but the ability to do composting, to do biofuels, and to do these thermo and other processes I think is actually, at the end of the day, a win-win for us.

But again, to address the issue of whether all the smaller facilities will be able to take advantage, I think we've heard clearly, both from the provinces and some of the industry people, that it may not in fact be the case in the longer term.

In terms of other programming, I don't know, Graham or Susie, if there's anything you would share from a departmental perspective in terms of the support that has been ongoing from government to the various industry sectors as we continue the longer strategy of full recovery from BSE.

• (1650)

The Chair: Be really, really quick, because we are out of time on this round.

Mr. John Donner: I would just point out that we have some provincial funding targeted to provincial assistance. As has been noted, the thermal hydrolysis has accelerated from when we thought it would be available. That is part of what's happened over the last three years; the imminence of that technology and its reality has really changed the nature of the market.

The Chair: Mr. Brooks.

Mr. Harvey Brooks: Just to reiterate our points again, the two federally inspected slaughter plants account for over 95% of our slaughter in the province. So when we talk about the other 85 or so plants in the province, we are talking of smaller numbers—very small numbers in some cases.

Those who have the ability to keep the SRMs onsite for landfill or composting, I believe, will have a reasonably lower cost solution. For those who have to transport it off-site, we are hoping the renderer in Saskatoon will be a solution for them.

But as I said, the geographic dispersion of our smaller processors essentially means they cover the bottom half of the province. So we are still working toward that solution.

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

Hon. Wayne Easter (Malpeque, Lib.): Thank you, Mr. Chair, and thank you, folks, for coming.

I think you're aware that this meeting was really called as an emergency meeting as a result of our absolute shock at what the industry told us at a meeting a little over a week ago.

I think Mr. Evans outlined in his presentation the tremendous market recovery we've had and the absolute need to meet our targets.

The two things that shook us were that no one, in terms of the whole industry who was here, seemed to be able to tell us where the \$80 million was, where it was being spent, and how far along the line we were in terms of meeting our commitments. What was even more shocking was the fact that no one seemed to know who was in charge.

We know who will bear the cost at the end of the day, and Denis Laycraft said that if we don't meet these obligations, "The reality on July 13 is that the product that was worth \$150 to \$200 a head is going to be worth about minus \$60 to minus \$80 a tonne. In the U.S. it's still going to be worth \$150 to \$200 a tonne, so they're going to be competing for those cattle."

As usual, the cost is going to be borne by the farm community. That's clear.

So my first question is, who has ultimate authority and responsibility for this issue in this country? Is it the federal minister?

Dr. Brian Evans: Thank you, honourable member.

Certainly, from my perspective, in terms of the design of the regulation and its ability to achieve the outcomes necessary to sustain public confidence in our food supply domestically and with our international trading partners, and in terms of our ability to leverage that into economic recovery, I would say unequivocally we have a federal lead in achieving that.

Again, when we get into the area of the matching funding and the disbursement of funding to support that, it becomes a shared jurisdiction among all agricultural ministers. I don't know if others would see it differently, but that would be my perspective.

In terms of CFIA's role specifically, honourable member, as I said, we did put together an implementation task force led by Freeman Libby, with us today. So we do take significant lead responsibility in ensuring that the issues are identified and that we have mechanisms to address them.

Hon. Wayne Easter: Then I think it is clear that it is going to require federal leadership.

I understand the process, Ms. Miller. You talked about that process and how difficult it is to get there, but we find that while the process between the provincial capitals involves pushing paper and trying to come to an agreement at that level, those on the farm are in an entirely different situation, because they know they are going to be carrying the can.

So I would suggest—and this message can be carried back to the minister—that from our side.... And the deadline is really not July 12; the representative from the Animal Nutrition Association of Canada told us very clearly they are really looking at three months in advance of that date for their making very, very serious decisions. I guess from our perspective, this has been in the mill and the \$80 million has been there; we've had lots of lead time on this. If we

don't meet the deadline, we're certainly going to be asking for compensation for the farm community, because the farm community cannot bear these costs. So you should understand this up front.

In terms of the Schellenberger-Horner proposal, which is a very positive one, where is Western Economic Diversification? Why wouldn't that be a proposal that WED would be jumping at?

• (1655)

Mr. David Horner: We have yet to approach them, so it's partly our fault. We've been working with the province and other federal programs to date, but we actually have a meeting set up next week to start that process.

Hon. Wayne Easter: Based on what we've heard from all the witnesses—you folks—today, and in Saskatchewan's and Alberta's proposals about some of the things that are happening in their provinces, I think there are certainly ways to turn this problem into an opportunity. We look at the advances we're making, how we're dealing with specified risk material versus how the United States is doing so. There's an opportunity from a marketing point of view. There's an opportunity from an energy and waste disposal point of view. We need to seize that, and all players need to help in that regard.

Mr. Chair, I think the key is, based on what we heard from the industry, that someone has to be in charge and somebody has to be responsible. I take it that it should be the federal minister. I'd like to hear the provinces' point of view on that.

We do get into shared jurisdiction—we understand that—but there's a lot of authority in the federal minister's office, if he wants to use it, in terms of pushing these files along, and we'd expect that to be done.

The Chair: Who wants to comment on that?

Mr. Donner.

Mr. John Donner: I think if you're asking who's going to be in charge of the programs, when the announcements are made, the program's authority will be very clear. As I think Suzie has talked about, there will be a very clear delivery of the specific programming and the funding, and the application process and decision-making will be abundantly clear.

I think you're asking a more general and broader question, but in terms of the dollars and the allocation of the funding, that authority will be abundantly clear, and it will rest with the provinces.

The Chair: Dr. Evans, do you want to go?

Dr. Brian Evans: I would only again pick up, as the honourable member has indicated, that given the nature of this file, the regulatory lead is ours. I think it's fair to state that I have every understanding and belief that there is planning, as was indicated in our opening comments, that this is an issue in which leadership will continue to be shown through the deputies and the ADMs, right up to the ministers, over their coming agendas, and that leadership will be well demonstrated.

The only other comment I would make again is that at the end day, I believe producers and Canadians generally expect certain things from us. Although there can be leadership, it's a shared accountability. We all have a role to play, and I expect that everybody will play that role and that everybody is committed to meeting the July 12 deadline. It's in our collective best interests.

The ramifications of not meeting it will be significant economic problems for us, well beyond where we would envision ourselves being. With the successes that you've outlined, it actually could be turned into tremendous opportunities.

The Chair: Mr. Easter pointed out that witnesses we had a couple of weeks ago stated that there is a concern because really the cut-off date isn't July 12; it's mid-April. Are we going to hit that in time to make sure the product isn't flowing down the supply system and ending up on the shelf?

Dr. Brian Evans: Thank you for the clarification of the point raised, Mr. Chair. I appreciate that.

I would ask if Freeman Libby, who has been involved with the discussions with industry and provinces across the country in implementing this, could speak to the issues of implementation and strategies that are being employed there.

The Chair: Mr. Libby.

Mr. Freeman Libby (National Director, Feed Ban Task Force, Canadian Food Inspection Agency): Thank you very much, Mr. Chairman. I guess when you talk about the dates, we have July 12, which is what we call the regulatory date. That is when CFIA has the responsibility to ensure that there is compliance to the enhanced feed-ban regulations.

This is where the May 1 date comes in. I think it was Kathleen Sullivan of ANAC who brought that date to the committee. Basically what the feed industry has said is that for them to be in compliance on July 12, they have to stop accepting SRM as of May 1, so that they will have SRM-free feed on the shelves, ready to go, on July 12.

We have been working with the feed industry and with ANAC to ensure that whatever they need to be in compliance with as far as the feed side of the house goes, we will work with them on that.

As far as the preparedness of the industry to meet the May 1 deadline goes, where the problems probably will occur the most will be basically in the segregation and the disposal of SRM come May 1, when the feed mills stop accepting the SRM.

For the last two months we have been trying to work with the industry and the provinces to identify where all the hurdles are. I think the three members from the three provinces here today have identified the fact that they've put a lot of commitment into trying to ensure that they will be ready. There are going to be some hurdles for the small abattoirs in some of the rural communities. That's been identified.

We are trying to identify ways that we can work with the industry so that they can meet that May 1 deadline on a voluntary basis. We're addressing some of the technical things that the CFIA can address so that we can speed up those processes, such as the issue on the rendering side of the house on the west coast, where they needed to

get an answer from CFIA on whether or not we would allow certain SRM products to be processed in the same facility, so that they could get their infrastructure in place.

We're expediting all those things as much as possible. There are hurdles, but it's my role as the head of the task force to work with the industry and with the provinces to try to get answers to those hurdles as quickly as possible and to work on the solutions.

● (1700)

The Chair: Dr. Preston.

Dr. Allan Preston: It's a summary comment, I guess. I think you're hearing from the federal government and from the three provinces represented here that we can and we will meet the deadlines; whether we use May 1 as the functional deadline and July 12 as a regulatory deadline, we will meet those deadlines. I think it's also very clear from discussion around the table that the solutions that will be in place at that point in time will be different from the long-term solutions that will be in place two, three, or five years down the road.

I think every province that is represented here has demonstrated or indicated that they are looking at longer-term solutions. We can give you a pretty clear indication that we will have the situation in hand and we will have the containment and the segregation in hand in time for this deadline.

The Chair: That's good to hear.

Mr. Devolin, it's your floor for five minutes.

Mr. Barry Devolin (Haliburton—Kawartha Lakes—Brock, CPC): Thank you, Mr. Chair.

I have a couple of quick comments. I also share the concern, and it's a shock almost, that four months before the deadline we still don't have agreements.

I have a quick question for Ms. Miller.

I'm from Ontario. Did you say you don't have an agreement with Ontario, or is it in the same situation as everyone else, which is almost ready to be signed?

Ms. Susie Miller: Yes, the agreement with Ontario is almost in the process of being signed. Each province is different in terms of the authorities it has. We're entering into a budget cycle over the next three to four weeks. There are going to be announcements by all jurisdictions, actually, in terms of budgets. Some of the provinces' timing is contingent upon the timing of their budget, except for the two that I identified, which are Quebec, because of the election, and Newfoundland. Because their allocation is quite small—they're an island, they don't have the same issues that others do—they haven't determined exactly what they want to do. Other than those two jurisdictions, we expect signatures with everybody, hopefully before the end of March, but a lot of it is dependent upon when they get the financial authorities.

Mr. Barry Devolin: Right.

I have another question for the three different provincial representatives here, and I wish there was someone here from Ontario.

Very often when food safety standards go up, it creates new costs and there need to be some economies of scale to manage those costs. It seems to push a lot of the smaller outfits out of the business. I think it was Saskatchewan that quoted the very large number of provincially regulated facilities you have, compared to one federal one.

I expect one of the consequences of this change is going to be pushing a lot of these small abattoirs over the edge. Do any of your provincial governments have any strategy on how you're going to deal with what I think is an inevitable consequence of this process?

I'm not disagreeing with the process. I'm just saying, do any of your provincial governments have a strategy as to how you're going to deal with a whole bunch of these small operations going out of business?

• (1705)

The Chair: Mr. Brooks.

Mr. Harvey Brooks: It is a concern for us. We have two federally inspected plants and 12 provincially inspected ones and a large number of health-inspected plants in the province.

The health-inspected plants, I would suggest, are the most likely to have the lowest economies of scale, and therefore they won't have the volume to be able to achieve cost efficiencies on this.

For those that can dispose on-site, it will be a very cost-effective mechanism for them.

And then the rest of our efforts are designed to make sure that, number one, there is a viable alternative for them to make sure they can dispose of their waste material, and, number two, to make it as cost-effective as possible.

We are concerned with regard to the cost and we are trying to work with them to understand what the effects might be.

Mr. Barry Devolin: Anyone from Alberta or Manitoba?

The Chair: Dr. Preston.

Dr. Allan Preston: We've got a number of programs in Manitoba to support the small plants. In our province, we only have the one federally inspected facility. The rest of them are small provincial plants, and we're very, very keen on keeping those folks in business as much as we can.

SRM issues aside, we have programs in place to assist with the purchase of equipment, with the purchase and development of more cooler space, and those sorts of things.

We endeavour, where possible, to provide assistance to plants that may want to move from a provincially inspected level to the federal level. Granted, very few are doing that, but we have programs in place to assist them when that does happen. A number of those elements are in place.

The other thing I would comment on—and it goes back to a number of issues that were raised awhile back—is that the cost to producers and the cost to the small abattoirs is, indeed, significant.

But in our province in particular, when we lost our rendering capacity in 2003, most of our small abattoirs at that point introduced what they referred to as an environmental levy. For every animal that

was slaughtered, there was a price tag attached to it. It varied a bit from plant to plant, but on average it would be \$50 or \$60 per head. That levy was put in place to defray the costs of having to dispose of a product that had been worth something prior to that period at the end of May of 2003 and now was a cost item.

That's a long answer to your question, but we have a number of programs in place, and it's abundantly important to us to make sure those 24 plants stay in existence.

The Chair: Mr. Donner.

Mr. John Donner: I'll try to be brief.

Like my colleagues, we have a number of programs that work with our provincial plants trying to introduce facilities approaches, processes for better meats, safety—kind of the HACCP approach for our plants. So we have a number of programs to work with them.

As I've mentioned before, we see some of our provincially focused money on the operational costs associated with provincial plants. The broad solution we're trying to bring about is to make sure they are well-served for collection of their SRMs and they have the opportunity at least to have some valued segregation.

The longer-term, as I'm sure others will add, talks about thermal hydrolysis and other opportunities.

I think it's also important to recognize that many of these facilities are operating in a slightly different market. They have a different niche and they have a different composition of what is run through those plants, so there are some other circumstances that need to be addressed as well.

The Chair: Thank you.

Thank you, Mr. Devolin.

Mr. Gaudet.

[Translation]

Mr. Roger Gaudet (Montcalm, BQ): Thank you, Mr. Chair.

I would like to make an observation. Mr. Easter asked earlier who will be responsible. I know that it will not be the federal government, nor the previous government. Nor will it be the provinces. But there is one thing of which I am certain. It is the farmers who will pay, and as a result of the 1.9% increase in their revenue, personally, I think many of them will have a hard time paying. This is merely an observation.

During his presentation, Mr. Brooks from Saskatchewan said that, with respect to specified risk material, or SRM, their proposed formula was not used.

I would like to know what that formula was, Mr. Brooks, that the federal government... You were not satisfied with the formula that it gave you, but you had no choice but to accept it.

[English]

Mr. Harvey Brooks: We haven't been informed of the process by which the allocations were made. We understand the allocation for Saskatchewan is \$11 million from the federal government and we have our 40% on top of that, but we don't know the process by which the interjurisdictional allocations were performed.

• (1710)

[Translation]

Mr. Roger Gaudet: Thank you. I have a brief question for Dr. Evans. Based on his document, I see that a feed ban was introduced in 1997. Then, in 2003, we had the BSE, or bovine spongiform encephalopathy, crisis. According to the *Canada Gazette*, we only began looking into this on December 11, 2004. Why did it take so long? It has been 10 years, yet we are only starting to work on this now. I have a problem with that.

Does it depend on the government? Does it depend on the Organic Crop Improvement Association, or OCIA? I am wondering who is to blame. I do not want to point at you, but we will need some culprits soon. I know who will have to pay, as I said.

Considering the document you gave me, I would not want to be in your shoes.

[English]

Dr. Brian Evans: Thank you, honourable member, for the question.

As I indicated earlier, I don't think anybody should underestimate that the challenges encountered in 1997 with the initial feed ban are any less than the challenges we're facing today. The 1997 feed ban was in fact brought in against a backdrop where BSE had not been diagnosed in any domestic animals in Canada. There were concerns on both sides of the border about introducing costs that a number of the industry felt were inappropriate in the absence of an identified BSE risk.

In Canada's case, of course, we had identified BSE in an imported animal in 1993, which had been dealt with. Some felt we had overreacted by removing all the U.K. imports and all of the progeny and that the government had been overly aggressive in doing that. When those animals were tested and we could not find evidence of BSE, I believe there was significant resistance on the part of industry to go any further. Yet the conventional wisdom said we'd had one positive animal in the system and we needed to prepare ourselves to make sure that BSE could not become established and create a broader issue in North America.

We were also responding, in 1997, to a World Health Organization call for bans in all countries in order to protect the food supply. Those measures to gain the consensus to go forward were taken with significant difficulty—similar to what we've encountered in the current iteration of the feed ban. Having done that, I can assure you there was very little appetite on the part of industry or other sectors to go beyond 1997, until BSE was found in May 2003. With that finding it was demonstrated very capably to everybody that in fact there had been a degree of penetration to the system.

We felt that the proactive introduction of the 1997 feed ban had prevented a major epidemic from taking place, and it positioned us

well to deal with this in a rational, responsible, and scientific way. Although there were severe economic consequences with the 2000 issue, which we still continue to work through, it is safe to say that in spite of recommendations from international panels, and in spite of efforts on a collective basis to get people to the table and recognize that it was part of our long-term strategy for full economic recovery, to get the consensus from producer to feed industries, to packers, to processors, to renderers, unanimity would never be found as to what needed to be done.

So efforts were put out to move this forward, with the consensus we see demonstrated around the table today. That did take time. As I indicated in my earlier comments, the reality was to do this in a way that would be environmentally sustainable, that would be effective at the end of the day, and not just be a regulation on paper that nobody respected. To give false confidence to consumers and false confidence to international markets is not the way we operate in Canada.

As a regulatory- and science-based agency, I think every effort has been expended—and I'm very proud of the efforts that have led us to where we are—towards implementation. There are challenges that remain, which have been well identified, but I sense no lack of commitment by anybody not to meet July 12. The commitment is there and it will be met.

The Chair: Time is up, unfortunately.

Mr. Anderson for five minutes, please.

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

I have a couple of comments to follow up on things that had been asked before. Mr. Easter asked a question about jurisdictions. I want to know what this is going to look like when we're done.

There would be a national standard that is applied provincially, and the provinces apparently have the funding control; regulatory controls would be under the federal government. Are we going to have different structures in each province? Are we going to have a national standard? What's it going to look like?

Dr. Brian Evans: If I could, very briefly, honourable member, at the end of the day we will have equivalent measures across the country. As I indicated, the preparation of this particular regulation was based on taking into account flexibilities that would exist based on existing infrastructure, so that no province was placed at a disadvantage over another and so that they could find those innovative solutions within their infrastructure to achieve the outcome that we were all looking for, in terms of managing the removal of the risk materials from animal feed.

So will there be a common look and feel in every province across the country in what's being done? Obviously not. There will be new technologies that may be appropriate and more easily adaptable in certain jurisdictions than in others. Some will opt for composting and reduction. Others will opt for doing other things within their programming, based both on the infrastructure of the industry itself and on the provincial infrastructures that manage the environmental side of it.

At the end of the day, I expect what we will see, in all fairness, honourable member, is that as some of these innovative solutions come to play, they will be seen as best practices. So if everybody is open to them, we will probably see a greater alignment over time. But again, the program was never designed to be prescriptive, so that everybody had to do the exact same thing. What it did provide was if everybody took appropriate measures, we would come to the same outcome, which was absolutely imperative.

• (1715)

Mr. David Anderson: I have a concern as well about the small abattoirs. I was on the committee in 2003 prior to BSE, and I remember having a couple of sessions when we were talking about the fact that the small abattoirs were going to be pressured by some new regulations. BSE basically set that aside for a while. In the last year B.C. has moved in some ways to make it more difficult for the smaller abattoirs to continue to function.

I am just concerned. I'm glad that some of the provinces seem to be reacting to that, but I'm concerned that this is going to be the final straw for some of these folks. The regulations have changed. There seemed to be a movement to force them to a standard that some of them couldn't have reached. BSE put that off. If anybody has any other comments on that, I'd be interested in them.

Dr. Brian Evans: I'll just make an opening statement and certainly allow others around the table in the provincial jurisdictions who have provincial abattoirs outside a federal establishment registration....

Certainly, from a federal perspective, one of the initiatives that we continue to invest a lot of time in at the federal-provincial-territorial level is a commitment to meet inspection reform in this country, to try to move us to standards that are not necessarily multi-tiered between federal standards—which have access to interprovincial movement and offshore—and what exists within the provincial jurisdictions for local opportunity.

There is a task force working at the federal-provincial-territorial agricultural level on a meat inspection and forum redesign, a major policy initiative that will bring standards into effect that some may say are less prescriptive than what they have been at the federal level, to take out of standards those issues that had nothing to do with food safety, and focus on the food safety outcome—which is really our mandate in terms of those aspects—and still meet our international commitments with other countries to provide that market access. But it very well—

Mr. David Anderson: Can I ask you a question about that?

Sorry to stop you here, but we talked in the committee as well about having three levels of standards for inspections: provincial ones that would be acceptable, a code for across the country that

wouldn't necessarily meet export standards, and the international standards. Is that what you're talking about?

Dr. Brian Evans: That's exactly what we're working toward at this point, honourable member, yes.

Obviously there are still short-term pressures, but hopefully as those standards become standard, that will provide additional opportunities for some of the smaller abattoir operators in the longer term that they haven't had in the past, so that they become equal players in certain areas that provide different opportunities for them.

Mr. David Anderson: It's important that they survive until that time.

Dr. Brian Evans: Understood.

The Chair: Does anybody else wish to comment on that?

Mr. Schellenberger.

Mr. Stan Schellenberger: I have just a quick comment on the ability of the small abattoirs and even plants our size to compete, given the cost of \$40 to \$60 a head for rendering and land filling. We don't believe these new technologies are long-term solutions. These technologies are proven now, and they can be put into play relatively quickly.

The concern is whether can we compete with our major competitor in this business. In the United States they are not moving in this direction. They do not have these costs. We now have almost one million head of fat cattle moving across the border again. If we don't deal with this as far as cows and mature animals are concerned, a lot of the abattoirs are slaughtering those. With these extra costs, can we compete with our neighbours to the south if they come up here and try to buy these cattle away from us?

Mr. David Anderson: Just on a couple of the other possible solutions, landfilling and composting, are the prions broken down by composting or by landfilling?

• (1720)

Dr. Brian Evans: No, prions are extremely indestructible, and even under certain pressure and temperatures, through rendering processes, they don't get 100% broken down. But again, the environmental standards in terms of deep burial and containment of those issues have been looked at. There has been a lot of research in that area done in Europe, with the experiences they've had there. Thus far, from a BSE perspective, we've not been able to demonstrate environmental contamination in terms of propagation of BSE and its spillover to other species, with extensive work and real-life experience in Europe. But it doesn't mean that we aren't continuing to look at that in terms of the interim solutions, and again, working with the provinces, since they have that environmental responsibility, to make sure that jurisdictionally we're not creating a longer-term problem for ourselves.

The Chair: Your time is up, Mr. Anderson.

I want to follow up, because Mr. Horner mentioned taking some of the waste product coming out of the biodiesel plant they are proposing, after it's been through the biodigester, and producing methane, and that this product may be going into organic fertilizer. If that's the case and if it still has the prions in it, then there's no way that would qualify as a fertilizer; it's my understanding that SRM materials aren't allowed as a fertilizer.

Dr. Brian Evans: Under the current circumstance, unless there can be a demonstration of a reduction in the prion activity, you're correct. The legislation is drafted in such a way that it provides the opportunity for further research to be done following these processes, to determine if in fact it does achieve a prion inactivation or deactivation process. So again, the legislation was written on a far-sighted basis to say, if we can look at these technologies and do the assessments to demonstrate whether they do achieve in fact a prion degradation, then it does open up the door for, again, looking at alternate uses of those products. So it is embedded in the legislation, to give us that capacity. But again, it will take time for the industry to work with us to develop the assessment tools on those technologies, to ensure that we're not creating a further environmental issue.

The Chair: Thank you. Good.

Mr. Donner.

Mr. John Donner: Just to be clear, the new technologies we're talking about are not simply composting. They are technologies that deactivate or otherwise take care of the prions. When we're talking about these new technologies we're investing in, it's not simply a composting technology by a different name. So we do need to differentiate the processes.

The Chair: Okay.

Mr. Hubbard.

Hon. Charles Hubbard (Miramichi, Lib.): Thank you, Mr. Chair.

I came in late and probably missed some of this.

In the economics of it, it seems that for every producer, when he ships his animal to market, there is a liability because somewhere along the line there will be environmental costs to the producer. We've never been able to get much recognition of the fact that maybe every animal should be tested, or every carcass tested, for BSE after slaughter. It would have cost about \$20 or \$25 an animal. We've pursued this business about the big worry we have, and the Americans apparently now will have about \$100 an animal advantage to our Canadian producers.

It's a bit of a mystery, Mr. Chair, why we pursued this route.

But the other thing that bothers me is this. Are we inventing the wheel? What do the Europeans do? What do the British do with their...? What do the Australians do? We know the Americans are apparently going to do nothing. So the economic question, in the long run, is if I were producing cattle, which I am, I'd rather ship them into Maine to be slaughtered than to send them up to Quebec because the animal will be worth more money at an American slaughterhouse than it would in a Canadian one.

So we have a really major problem, Mr. Chair, and I don't know what the solution is. But I can't help but be a bit frustrated, because the department consistently insisted that the testing of carcasses was never a door to be opened, yet the CFIA are saying now we have at least an \$80 million problem for the federal government, probably a bigger problem for the provincial governments, and that's the road we're on. Will this road last forever, or is it something for the next five years?

Maybe, Dr. Evans, you or someone could try to answer some of my frustrations with the road we've followed. It's like Frost—the road you take.

Dr. Brian Evans: Thank you. That's quite the analogy.

I'll address three very quick points, I guess, recognizing the time and the interests of the parties at the table.

On the first issue, of whether this will go on in perpetuity, I would just bring it to the attention of the committee that very early on we committed ourselves to learning from every other country that had gone through BSE. We wanted to figure out what they were doing that would be helpful to Canada, to get us to where we needed to be as quickly as possible.

In that regard, I think it's important for the committee to realize that, globally, as far as BSE management is concerned, the situation in the early nineties was this: in excess of 30,000 animals were found per year. And last year, although not all countries have finished their reporting, on a global basis less than 260 cases of BSE were found. So for anyone to say that the measures we're implementing will not achieve....

The timeframes can differ, depending on the intensity of your measures, but to say that we're not going to get this disease under control, either in Canada or internationally, is certainly not accurate. That five-year, ten-year projection....

All of our legislative efforts, all of our surveillance programming, all of our feed issues have always been associated with an automatic three-year review in terms of where we are, what we have achieved, and what we still have to do. That commitment remains in everything we're doing.

On the testing of all animals at slaughter, again, that has been looked at. I think we've been on record, with the packing houses themselves and those who saw that certainly as an advantage to getting into certain markets, that we were not obstructive to that process. If industry wanted to undertake to do testing for market purposes...although not for food safety purposes, because testing is not a food safety measure. No test of an animal can be deemed to be absolute in its entirety. So we would not divest ourselves of doing the SRM removal—from a human safety perspective, because from a public health perspective, that's the measure that guarantees you food safety—on all animals. The animal might never even have been exposed to BSE, but that way you're not potentially missing a single animal, whereas in testing, again, there can be human error. No test method can be 100%.

But we always had it on the table, with some of the new packing houses in particular who saw Asia as a potential market, that we would work with them; that we would define the testing standards that would have to be met; that we would make sure that the country they would be exporting to, if that was a corollary of their opportunity to access that market, was in agreement to industry doing that testing as a way of getting into that market. But we never wanted to confuse consumers into thinking that the testing of an animal guaranteed BSE safety. That was a mistake that was made in other jurisdictions. It resulted in further consumer confidence being lost in international market push-back. We have seen in Japan the moving away from testing of all animals at slaughter to a subgroup. Europe continues to look at those issues as well.

Again, I think testing is a tool. It's important for surveillance. It's important that we do testing to demonstrate how effective our measures have been. But it's not a panacea, and it comes with its issues as well.

• (1725)

Hon. Charles Hubbard: Thank you.

The Chair: Anybody else?

Mr. Steckle is going to finish off Mr. Hubbard's round.

Mr. Paul Steckle: I have a question that basically refers back to something you said early on, Mr. Brooks. You mentioned that the Americans believe—or there is that view—that Americans have a lesser risk to BSE than do Canadians. Is that risk of BSE real, or is it more that there's less of an admission, perhaps, that they have BSE in the United States?

I mean, Canada has been very transparent and honest. I commend all parties for the way we've handled our situation. But we have never been rewarded for what we've done. The Americans are not going down the road we're going down. We're going far out on a limb, as rightfully we should, but they're not following us. And yet they claim to have less than we do. I do not believe it, for one.

What is your position on that issue?

Mr. Harvey Brooks: I should really defer that question to the federal experts on this, because that's their jurisdiction. But I certainly believe we are on par with the Americans—

Hon. Wayne Easter: Or we're better; absolutely better.

Mr. Harvey Brooks: —in terms of our systems. I do believe we have taken steps far in excess of what they've been prepared to do to date.

Mr. Paul Steckle: Perhaps you haven't gotten my—

The Chair: You're out of time.

Mr. Harvey Brooks: This is not a food safety issue we're talking about here today, though. I'd just like to reiterate that.

The Chair: Dr. Evans.

Dr. Brian Evans: Again, I'm sure most of the members around the table are aware of the reports in Dow Jones and others yesterday

on what the OIE has pronounced on a preliminary basis, leading to adoption in May, with further steps to follow. The international panel of the most astute subject matter experts on BSE evaluation in fact did recommend that both Canada and the United States should be categorized as controlled risk countries, and that in effect there is no differentiation in status.

I believe the international markets have recognized that there are strengths in the Canadian circumstance that play well for Canada—our traceability systems, our investigative thoroughness, our investments in control, our transparency, our surveillance programming. These have all been given high kudos. The quality of our laboratory work and the competency of what we've done I believe form the foundation of why we're in the position we are with that, and I believe the international community will reward us accordingly.

• (1730)

The Chair: Mr. Anderson, you said you had a clarification—

Mr. David Anderson: I have just one more short question: do we have a plan? If we find our industry is not competitive with the United States, do we have a plan in place for provincial governments? Does the federal government have a plan to deal with that situation?

Ms. Susie Miller: The federal government has a value-chain round table that includes all members of the beef value chain, from the feed industry right through to the wholesalers and retailers. That value chain is actually industry's opportunity to talk to themselves. Provinces participate as well. They are undertaking a competitiveness council, as it were, to take a look at all of the competitiveness issues facing the beef industry. One of your witnesses from several weeks ago on the SRM issue, Dennis Laycraft, is chair of that group.

The Chair: I want to thank all of our witnesses for appearing today. The testimony was definitely worthwhile. I think we had a very good discussion.

I just want to draw to everybody's attention that we have an MLA from Alberta who was watching the hearings today, Mr. Len Mitzel. Welcome to our committee meeting.

Hon. Wayne Easter: Chair, we're supposed to make sure...we want the breakdown they offered of the \$80 million.

The Chair: Yes, definitely. Ms. Miller, you did mention that you have that in writing, and we do want to make sure it is tabled. If you can turn it in to the clerk at your earliest possible convenience, we'd really appreciate it.

I am a cattle producer myself, and with all this dead animal removal and cleanup out in the countryside, the coyotes out our way are a lot thinner. I'm sure Dr. Preston notices that too, since he's a cattle producer as well.

Thank you all very much.

We're going to adjourn and go to votes.

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