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# Standing Committee on Agriculture and Agri- Food

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**Chair**

**Mr. James Bezan**

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## Standing Committee on Agriculture and Agri-Food

Tuesday, March 27, 2007

•(1535)

[English]

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

We're going to continue on with our study today on business risk management and how it ties in with the greater issue of the APF hearings and our study that we're doing as a committee.

Today we're going to welcome to the table Mr. William Van Tassel, from the Federation of Quebec Producers of Cash Crops; from the Ontario-Quebec Grain Farmers' Coalition, we have Mr. Peter Tuinema; from the Grain Growers of Canada, we have Mr. Ross Ravelli and Mr. Richard Phillips; from the Canadian Seed Growers Association, we have Mr. Barry Reisner; from the Canadian Soybean Council, we have Mr. Jim Gowland; and from the Ontario Soybean Growers, we have Mr. Arden Schneckenburger. Welcome.

I'm glad to see you're all here, taking time out of your busy schedules. I know you're all itching to get out into the fields. It's so warm out that it's starting to feel like spring and time to start planting, but we're glad to have you all here to make these presentations.

With that, we'll open it up to you first, Mr. Van Tassel, for your presentation.

[Translation]

**Mr. William Van Tassel (Vice-President, Ontario-Quebec Grain Farmers' Coalition):** Good afternoon. I will make half of the presentation in French, and Mr. Tuinema, the President of the Coalition, will make the other half in English.

Thank you for giving me the opportunity to tell the committee about this issue.

The Ontario-Quebec Grain Farmers' Coalition represents more than 41,000 grain and oilseed farmers in Ontario and Quebec. In 2005, 6,000 Ontario grain and oilseed farming families drew a household income of less than \$25,000, according to Statistics Canada. Grain and oilseed producers need the predictability of an income-support program that is paid out when prices fall below an agreed-upon floor price per bushel. More than 1,250 Ontario farmers have left their family farms because they were unable to cope with the prospect of declining world prices. We do not have the statistics for the number of Quebec farmers who have put an end to their activities.

Unfair international subsidies mean that Canadian grain and oilseed producers face a consistently declining income. They need an

income-support program that is triggered only when prices fall below an agreed-upon floor price per bushel. This would ensure Canadian G & O family farmers can remain viable and competitive until WTO subsidy issues are settled.

CAIS is simplistic. It does not meet the diverse needs of Canadian farmers. Canadian farmers produce more than 200 different commodities across 10 provinces. Saskatchewan farmers can grow up to 15 different field crops. Ontario and Quebec farmers, because their climate is different, can grow only three major field crops: corn, wheat and soybeans. They also grow some barley and some oats. This shows how diverse and large a country Canada is, and why it is necessary to have different types of programs.

CAIS is an income stabilization program that penalizes grain and oilseed producers. It benefits price-cyclical agricultural sectors, but grain producers need an income-support program to provide income predictability in spite of persistent income pressures due to unfair international subsidies. In recent years, or at least, since 1995, grain prices, even though they increased in 2006, have been steadily dropping. There were peaks and valleys, and that is why CAIS did not work.

CAIS is based on production margins, which penalizes grain and oilseed producers, because they face consecutive years of low income and are thus ineligible to trigger payments under the CAIS program.

I will now turn to the President of the Coalition, Mr. Tuinema, who will finish the presentation.

•(1540)

[English]

**Mr. Peter Tuinema (President, Ontario-Quebec Grain Farmers' Coalition):** Thanks, William.

I'm going to talk a little bit about some of the solutions we're proposing. A national income support program with regional flexibility will provide grains and oilseeds producers with long-term income stability and predictability. Companion programming will provide a long-term bankable solution for farmers, shared costs and risks by government and farmers, and farmers will be paid only when the average world price falls below a target price.

The next slide shows what happens in the CAIS program and why it doesn't work for producers. These numbers are Ontario numbers from 1999 to 2006. It shows that most farms, 97% of the farms, had declining margins in that timeframe. These are grains and oilseeds producers, and CAIS is based on production margins. When margins are declining, eventually producers can't get payout from the CAIS program, so we're proposing a different solution. We're proposing companion programs. These companion programs need to be designed with input from farmers, they need to have regional flexibility to meet unique regional needs of local farmers, and regional focuses will avert WTO challenges.

The benefits of a companion program: it eliminates the waste and ad hoc distribution of agricultural funds, and agricultural funds will be targeted to reach farmers who need income support. In Ontario, this means a risk management program for grains and oilseeds. In Quebec, this would mean support for their current ASRA program.

Some of the features of the program are as follows. It's an insurance-based model. Risk management programs would be funded by farmer premiums in both levels of government. Producers usually supply one-third of the total funding; federal and provincial governments would invest the remaining two-thirds based on a 60-40 formula. Funds would only be distributed when needed rather than on an ad hoc basis.

One of the benefits is that it provides a long-term solution: it offers predictability. Canadians depend on us for reliable, safe food. We are a key component of the Canadian economy. It will slow the flight of farm families off the farm and will continue contributing to the economic prosperity of rural communities.

On March 19 there was a budget introduced, and it was a step in the right direction for producers. It was \$600 million to a contributory-style savings account. This is a change to the top tier of CAIS. This is still a stabilization program and not necessarily an income support program. The other \$400 million would be based on cost of production support. This is more of an income support program that would help producers in the plight they're in, but it needs to be delivered in the proper program to be effective. There are also incentives for renewable fuel and also changes to the capital gains tax in that budget. But these are more long-term solutions along with, say, changes to the WTO. What producers need now, though, is an income support program.

There's certainly national support for the program. There is the Canadian Federation of Agriculture: "The CFA is committed to the principle of federally/provincially funded Companion Programs that offer regional flexibility to fill the gaps not addressed by CAIS and other national business risk management programs."

It also has support from the Agricultural Producers Association of Saskatchewan: "Companion programs are tools that should be used to level the playing field in Canada with respect to regional issues without creating regional disadvantages". That's from Ken McBride.

Also, from the UPA in Quebec, there was the statement that: "In order to offset the impact of the Farm Bill, the Federal government absolutely has to make funds available to finance national companion programs that can be used to meet regional needs." That's from Laurent Pellerin, their president.

The Ontario-Quebec Grain Farmers Coalition looks forward to working with the government to develop innovative support programs that meet the diverse needs of Canadian farmers.

Thank you.

● (1545)

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

We'll move right along to the Grain Growers of Canada.

Ross, are you going to lead off?

**Mr. Ross Ravelli (President, Grain Growers of Canada):** Thank you very much.

Good afternoon, Mr. Chairman, members of the House of Commons Standing Committee on Agriculture and Agri-Food, and fellow guests. Thank you for the opportunity to speak to you on business risk management.

My name, as stated, is Ross Ravelli. I'm the president of the Grain Growers of Canada. I'm a third-generation grains and oilseeds producer in Dawson Creek, British Columbia. Sitting with me today is Richard Phillips, our executive director, based in Ottawa.

The Grain Growers of Canada is an umbrella organization representing many of Canada's grains and oilseeds producers on national policy issues. My farming colleagues from across Canada may differ in terms of the size of their farms, the variety of crops grown, and farming practices in general, but we all face many common challenges. Two of these challenges have been, first, several years of declining income due to international subsidies, which lowers the price for crops, and secondly, rising input costs. Low prices and high costs translate into, at best, very thin margins.

I think everyone at this table would agree that farming is a business and it needs to be treated like a business. As growers, we need to have the variety of risk management tools available to us. We do have some of the necessary tools; however, there are still some elements of risk that are out of our control. We face production risks such as weather, disease, and pests. These types of risk are partially covered off through our current crop insurance programs, which have been good programs, but it seems there is a trend toward higher premiums and lower coverage levels, and that issue has to be looked at.

Farmers have adapted to the weather risks by growing shorter-season crops and crops with drought and disease resistance more suitable to their regions. We quickly innovate with new farming techniques such as minimum and zero tillage.

We also face significant price risks. Commodity prices, especially in the grains and oilseeds sector, are negatively affected by foreign government policies on market access and subsidies. These foreign government actions are a risk that we as farmers cannot manage on our own.

When facing these foreign subsidies, where possible, we have switched to crops where the market is more rational and functional, in the hopes of increasing market revenue. For example, we have seen significant increases in both canola and special crop acreage over the last few years.

Farmers are the first line of defence in addressing all these problems, and we must do our best to adapt to whatever the weather and distorted markets throw our way.

Given the importance and significance of agriculture to this country, farmers have not faced these challenges alone. Over time the agricultural value chain—governments, farmers, and private industry—have worked together to try to mitigate some of these risks, and with varying degrees of success.

The reality for many of us is that the private sector has led the way on research, innovation, and development of new varieties of crops, value-adding, crop protection products, and marketing tools. Herbicide-resistant crops, forward pricing contracts on both crops and cropping inputs, development of reduced tillage equipment are but a few of the positive contributions the private sector has provided to us. This creativity and innovation are key to our future success.

Governments have played an important role and have had many successes as well. The production insurance, which I mentioned earlier, and the cash advance program, which I'm sure you're all aware of, are two good examples.

The recently announced renewable fuels strategy, along with other key components just announced in the 2007 budget, will not make us world leaders on this front, but they will ensure we have a Canadian renewable fuels industry.

However, we have had a number of government programs with mixed results. I'm sure you're all aware of CAIS, NISA, GRIP, and the Western Grain Stabilization Act, to name a few.

It is critical that farmers, through their farm organizations, are involved as early as possible in designing new programs. Despite the recent APF-2 consultations, the Grain Growers of Canada still feel there is an urgent need for a more focused look at the needs of the grains and oilseeds sector.

The Grain Growers of Canada have forwarded this idea to Minister Strahl, and as yet we have had no firm commitment to engage in this process. I hope this committee will see the need and validity of this approach and give us your support in this initiative.

At this time, the Grain Growers of Canada would like to thank the government for the recent announcement of nearly \$1 billion to assist Canadian farmers. The \$600 million in federal funding to start

new producers' savings accounts is good news. We know from past experience that NISA was a popular program and well understood; however, we must work on providing farmers with the needed program flexibility to access and use this fund as they see best in their operations, and then live with their decisions.

● (1550)

The \$400 million payment to help with rising production costs announced last week, and the future commitment of \$100 million over each of the next five years are certainly welcome.

I would now like to share some of the business risk management design features and principles that the Grain Growers of Canada would like to see incorporated in any new program.

A program must be production neutral and not mask market signals. Producers should be able to make their own decisions about what is best for their farms based on agronomics, market signals, and risk management tools available to them, whether those tools are available from government or private industry.

A program must be predictable and bankable. Without a doubt, the biggest criticism of CAIS has been the inability of producers to know with any certainty whether or not the program is going to trigger, and if it does, when they will get the money.

We recognize that provincial governments will always need regional programs. However, we feel it's very important that federal dollars are used in a way that ensures equitable treatment of farmers across commodities and across the country. It is important that federal programs are designed to be national in scope and in a manner that minimizes the risk of countervail. Our growers rely heavily on export markets, and they will bear the cost of any retaliatory trade measures by foreign countries.

We support the margin-based principle. However, program design must be more flexible to take into account the issue of commodities with long-term declining margins due to negative effects on prices because of the actions of foreign governments.

Any business risk management program should have positive linkages that encourage participation in other programs, as opposed to negative linkages that reduce the flexibility of farmers to properly manage their individual risks.

Beyond its role in providing sound business risk management programs, there are a number of other key responsibilities for the federal government.

Rather than simply letting farmers rely on government support through its programming, the government must also actively work to reduce our need for that programming. As farmers, we want to earn our living as much as possible from the marketplace, not from the government. The government does not owe us a living, but it does owe us a policy environment that gives us the opportunity to succeed.

Therefore, we call on the government to first actively negotiate at the WTO, and through bilaterals where necessary, to ensure that Canadian grains and oilseed producers and processors have access to markets that are not inhibited by subsidies, tariffs, or non-tariff barriers.

Second, move ahead with the smart regulations initiative to not only reduce the burden of regulation in our industry but also speed up the timelines in which Canadian farmers can access new and innovative products.

Third, provide the necessary incentives for research and investment in agriculture. This is critical to ensure our growers continue to be competitive in an international market for the long term.

Fourth, our government must show leadership in dealing with our transportation problems in western Canada.

Finally, decisions affecting the new varieties we grow and crop production products we need to produce them must continue to be based on sound science. Wherever possible, we need to work at harmonizing our rules with our major customers and competitors. Any other process will lead to both lengthy delays and lack of access to new technologies, which cost the farmers money. Again, this leads to more cost to the government in business risk management.

In summary, we have presented you with our thoughts on both business risk management tools that we feel are needed for the grains and oilseeds sector, but also some concrete steps this government could take to minimize the need for farmers to rely on those tools and ultimately reduce the costs to Canadian taxpayers. Yes, we need appropriate risk management tools, but we need to reduce and manage that risk as well. The fact is that the best risk management programs are the ones farmers can manage effectively on their individual farms.

Thank you. I look forward to both your questions and your comments.

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

Mr. Reisner, please.

**Mr. Barry Reisner (Past-President, Canadian Seed Growers Association):** Thank you very much, Mr. Chairman.

First of all, I'd like to say it's my pleasure to be here to address the committee today.

I'd like to introduce myself. I'm a fourth-generation farmer from Limerick, Saskatchewan. The year 2007 will be the 100th crop on our farm by our family, so we have deep roots there. We currently are farming 5,000 acres, which used to be considered a large farm. At the present time it's probably somewhere near an average-sized

farm in our area of southern Saskatchewan. We grow and process and retail pedigreed seed to retail and wholesale customers.

I guess I should preface my remarks by saying that I'll be speaking from a western perspective. I have been the president of the Canadian Seed Growers Association the past couple of years, so I've seen agriculture across the country, but I can't speak for it today. I also can't speak for the animal industry. I really can only speak for the grains and oilseeds industry, as I know it best.

About the CSGA, we have 4,000 members in nine provinces across this country. We have about 1.2 million acres under pedigreed production. We have been promoting quality seed and genetic improvement for 102 years across Canada. It was needed 102 years ago, and in our mind it's needed even more now.

I want to address this a bit differently than the previous speakers did. I recognize that this is the agriculture committee, but I think we need to recognize that others in government and citizens of this country may ask why the government is responsible for business risk management. I feel government *is* responsible for business risk management. The government is responsible for agriculture policy in this country, and I think that's a big reason why we need business risk management, because of the long-term failure of our agriculture policies, the failure of our policies to look far enough ahead and to create a positive plan for agriculture in Canada.

Crop production does vary widely. Particularly in the west, we have extreme weather, and that causes risk. We need to have some ways of managing those risks, particularly now that costs are so high. We're in a cash economy in agriculture, and costs are high, so we need to be able to manage that risk from the weather. We also have market-based fluctuations, price risk. Those are to a large extent almost totally out of growers' control, and we need to manage those risks.

Also in the long term, particularly in the last 10 or 15 years or so, individual farmers really cannot compete with foreign subsidies and tariffs. That is something that's totally outside of our control. As producers, we look to our government for support and direction in addressing that and for direction and help in the WTO process, as well as in bilateral agreements. Those are things beyond individual producers' ability to influence, so again that's the government's responsibility. If those things don't produce desired results, then it falls on government to accept the responsibility to assist in business risk management tools.

Again, as I said, in my view I think we've had a very piecemeal and outdated national agriculture policy—indeed, if we can even call it an agriculture policy. It seems that our policy is the same as it has been for the last 100 years: that we're good at doing what we do, so we'll do it, and the world will beat a path to our door. Unfortunately that doesn't work very well anymore, and it's going to work less well in the future. So we need some significant work done in that area.

It's a very competitive international marketplace. A lot of our competition in the international marketplace has been far more proactive than we have. The U.S.A. has a policy, and has had a policy for a large number of years, of having low-priced grains and oilseeds in their country. That's done—not by accident, it's planned, in my view—to encourage value-added production and processing. They are sticking to that plan. They're going about it a different way now with the biofuels industry, but that has been their plan.

The EU has a policy to ensure that they never again have food shortages in those countries. For anybody with a historical view, you can really understand why that would be so important to them. Their view is also to maintain traditional family farms, because society views that as important.

● (1555)

Another competitive international marketplace that we face is emerging competition from new exporting countries. A lot of those countries have lower costs of production than we do, and they have efficiencies in transportation that we don't have. I think we have to be realistic and recognize what our strengths are and what our weaknesses are.

Getting to business, I'll discuss risk management. What components do we have right now? Right now we have crop insurance as a business risk management tool. We have CAIS and we have ad hoc government programs. That's what we have, and we can talk about those and other things.

In terms of the problems we have with the current system, crop insurance often does not cover the costs of production, so that is a problem. It's a pretty good system. I think most farmers appreciate it and use it, but at times of low commodity prices, it does not cover your costs of production. It doesn't make sense to insure your house for less than what it costs you to build it, but that's what farmers are forced to do with crop insurance if market prices are low.

As for the CAIS program, the process is complicated. It's expensive, it's unpredictable, and it's unbankable. I don't mean to dump on it totally; it has some benefits, but those are the problems, and I think you've heard them significantly before. It's also slow to respond to low net farm income. This is especially true for farmers with fiscal year-ends from January to July. If you have a year-end from January to July, you basically are waiting another year before you can file your CAIS form, so you're waiting another year. I know of farmers who have been forced off the farm; a year later, they get their CAIS coverage cheque, and it's a significant cheque. That's an unfortunate situation, and it shouldn't really happen that way.

Another problem with CAIS is that it really is designed to stabilize farmers' incomes. Stabilizing incomes is a good idea in normal times with normal fluctuations in price and production; stabilization does not work well in a long-term trend to lower net farm incomes, and

that trend is contributed to by subsidization by our competitors as well as by our higher costs of production. It was really exacerbated with removal of the Crow freight rates. That has taken a lot of net income every year from farmers in western Canada.

Seed growers have unique needs. I should comment on that. We have some unique needs distinct from those of commercial farmers.

We have significantly higher costs of production. Our input costs, particularly on acquisition of stock seed and breeder seed and various things that we use in our production methods, are significantly higher than farmers' costs are. That's another big risk for us. We also have significantly more marketing risks than farmers do. We have quality risks. We're concerned about germination and disease levels, things that commercial grain farmers aren't nearly as concerned about. We also have varietal risk in the marketplace: if we produce a pedigreed seed crop and there's no market for it because the market doesn't want the variety we have, that's a bigger risk for us. As well, there is crop kind risk: if the market changes to another crop kind and what we have is not in demand, well, that's just our problem at the time.

In terms of future direction, I think crop insurance is a good program. Farmers depend on it; it's good for what it's designed to do. In normal times, with reasonable costs for commodities, crop insurance can be effective in covering production risks. There are some adjustments made annually to crop insurance, and I think that program is valuable. It needs to be continually adjusted.

We need to simplify and improve the responsiveness of CAIS. It's good in the fact that it does recognize an individual farm's variability and profitability, so it does reward individual farms and gives them higher coverage if they can show that historically they have earned that coverage. I think that's the good part about CAIS.

● (1600)

I think the implementation of producer savings accounts or a new version of NISA will be very popular with farmers. It addresses the need to have it within their control. They know what they have to help them out when they come into financial problems.

In the longer term we really need to look at our agriculture policy, to get away from dealing with the symptoms to dealing with the problem. We need to be honest, as a country, and look at our strengths and weaknesses and build on our strengths. Let's put our producers in a position where they can be profitable on their own.

Our farmers don't want to be dependent on government. They've been in that situation for a significant number of years, and they don't want to be there. They want to get off the dole. They want to profitable and enterprising and to run profitable businesses. But they need some direction, as I said before. They need some help from government in setting policy to allow them to do that.

As I said, we must focus on our strengths. One of those strengths is innovation. Farmers in this country are very eager to adopt innovation. They've proven that in the past. We need to allow them more opportunities.

One of the problems is that there are impediments to innovation in this country. Through my work with the CSGA, I've become aware of many of those impediments. One thing government can do through the regulatory system is to try to ensure that those impediments are not unreasonable. They were put in place for reasons, but let's ensure that they're not overly delaying innovation.

Thank you very much.

• (1605)

**The Chair:** Thank you.

Mr. Gowland, are you two doing the presentation together?

**Mr. Jim Gowland (Chair, Canadian Soybean Council):** Yes, we are. Mr. Schneckenburger and I will be splitting the presentation.

**The Chair:** Okay, good.

**Mr. Jim Gowland:** I am the chairman of the Canadian Soybean Council. It is a fairly new organization in the last year and a half. It's a formal relationship between the Manitoba Pulse Growers Association, the Ontario Soybean Growers and the Fédération des producteurs de cultures commerciales du Québec.

Our organization represents approximately three million acres of production in Canada and approximately \$1 billion in farm gate value. We represent about 25,000 growers.

The Canadian Soybean Council is an organization to better represent soybean producers at the national level. We have partnerships with the Guelph Food Technology Centre, the Canadian International Grains Institute, Soy 20/20, Soyfoods Canada, and the Canadian Soybean Exporters Association, just to name a few.

Since our beginning, the Soybean Council's key area of focus has included market development. Our initial focus has been on new export market development, but we've also moved forward with our traditional role on the domestic side of things as well: research and innovation, through Ag Canada-type projects and partnerships; involvement in stakeholder communications, with the National Oilseeds Roundtable; and also in the area of advocacy, with all of the APF-2 consultations.

I'll turn it over to Mr. Schneckenburger.

**Mr. Arden Schneckenburger (Second Vice-Chair, Ontario Soybean Growers):** Why do we believe safety nets are needed? Safety nets provide producers with stability from the highly variable commodity markets that we've been witnessing over a number of past years, especially with a commodity like soybeans, for which the market has been declining steadily. Since last year, prices have improved slightly.

Globally, farmers have access to different sets of tools to manage risk associated with production. We're not asking for anything new; every country has them. Canadian producers need a set of tools similar to those held by American producers in order to help them compete. That's especially true in our soybean industry, where we have NAFTA and WTO rules. We have an open border with the U.S., and our prices were based on a declining U.S. price in the past. That price wasn't what the producers in the U.S. got; it was their export price. The American producers were subsidized on top of that, and we as an industry have had to compete against that, farmer to farmer.

Some provinces have very good regional programs that have worked for their producers. In Quebec they have ASRA. In Alberta they have the spring price endorsement program.

On past and current safety nets for Ontario, prior to 2003 each province negotiated different programs with the federal government to meet the needs of its farmers. In Ontario we had the market revenue insurance program, net income stabilization assistance, and crop insurance. It's interesting to see that there's a proposal to bring back NISA, but that's only part of the solution for the overall farm part.

After 2003, federal policy changed to two national safety programs: CAIS and production insurance. As stated earlier, CAIS does not work for a program such as our soybeans, corn, and wheat in Ontario. Specifically for soybeans here, the production insurance part of our crop insurance program works reasonably well.

In terms of current issues in safety nets, CAIS is not working for Canadian growers. This is mainly due to timeliness of payments based on income tax. This can be up to a year after the hurt is registered, and we're then still waiting for payments.

CAIS is not commodity specific. We need flexibility in our programs so that we can mitigate risk.

CAIS has the offsetting of losses in other segments of a farm's operations. If farmers in Ontario, Quebec, or Manitoba have attempted to diversify, they are punished because of whole-farm income.

There are long-term declining reference margins. Another problem with it is the difficulty in predicting a payment. As a matter of fact, there's no way anybody can predict a payment in this program.

What programs have worked for us? Basically, the commodity-specific types of programs have. Prior to 2003, Ontario had market revenue program production insurance. It worked well because it was regionally specific. It accounted for differences in crops and markets. The market for our soybean crops tended to work north and south. We're not east-west, and we're different from canola. We're linked here with the U.S. production.

Soybeans in Canada are export neutral. We don't import and we don't export. Our price is basically the U.S. export price, as I stated earlier, and the U.S. farmers get subsidies. We have to be treated equally in order for our industry to compete in the long term. We need the commodity-specific programs so that they provide our producers with flexibility.

Safety nets are a bridge for producers as the market develops further. A prime example that we're seeing right now is the ethanol industry in the United States and the positive impact it's having on the market. There are many opportunities in market development that can help our industry in the future.

I'll turn it over to Jim.

• (1610)

**Mr. Jim Gowland:** We see a major linkage between business risk management programs and market development. Certainly market development and safety nets work together to foster a strong and profitable Canadian soybean industry. Those initiatives help build a long-term profitable industry. There's a lot of new product development, new food, and industrial uses, and domestic and export market development. The safety nets are the backstop there that provide that market stability until potential market development can be realized.

Our member organizations—Ontario Soybean Growers, the Quebec growers, and Manitoba Pulse—have been very active in market development initiatives such as developing relationships with potential buyers in Asia, for soy foods, biodiesel, bioplastics, and industrial linkage. Those safety nets provides very stable supplies for our processors, and with dramatic changes in prices we also see those large shifts in supplies.

It's critical to point out that soybeans are a key feedstock in the bioeconomy. Certainly there are a lot of us who have a vested interest in that, through government and grower organizations. Renewable fuels and other opportunities are only a part of the longer-term solution. We see that there is no silver bullet to fix the whole problem. There are many different opportunities that we'd have to pursue to move that on. So we see that a linkage to domestic production is very critical. Any agrifood products branded as Canadian should be produced from Canadian-grown feedstocks. We see regional solutions that are required for all pillars of the APF, especially BRM. Eastern Canada grows soybeans for agronomic reasons, and needs a program that is regional in nature, just as the western provinces need regional flexibility for some of the crops that they grow.

We also see the connection between trade and safety nets as well. As we pursue trade efforts, we need those safety nets as a bridge. Trade is critical for a long-term soybean industry in Canada. The Canadian Soybean Council supports freer, fairer, and open international trade. We're not in favour of unilaterally reducing Canadian business risk management programs prior to other nations' doing so. We certainly see that utilizing business risk management is very critical to complement all of the other APF pillars that the government has put forward. We see many opportunities within those pillars to move our industry forward. The soybean industry has been very innovative over the years, and we continue to look at

innovation as our means of moving forward, while having that backstop of business risk management programs in place.

Again, we reinforce the need to have business risk management programs that are commodity specific, have regional flexibility, and are bankable and predictable.

Thank you.

• (1615)

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

I want to remind the committee that we do have votes tonight at 5:30. I believe the bells will start ringing at 5:15.

We will start off the first round. You have seven minutes, Mr. Steckle.

**Mr. Paul Steckle (Huron—Bruce, Lib.):** Thank you, gentlemen. We have met around this table many times, some of you more often than others. But some of us at the table have been here for a long time, addressing this same question. Is it a lack of commitment? Is it lack of will to understand the problem? What is our problem? I guess that's a question I put to myself as well as to you, but obviously we have some serious problems, moving forward.

A number of months ago, probably 20 or 22 months ago, the Ontario grain and oilseeds people, along with Quebec farmers, put together a proposal on business risk management, a model. I don't know how widely that was circulated throughout Canada, but it was a model based on units and where farmers had the engagement of a tripartite arrangement. For some reason, that made a lot of sense to me, because I don't think we can have any kind of program where there isn't a three-way partnership. I don't think farmers can expect government to be there on every front and be there to bail them out of a problem.

But the greater problem, as I've come to understand as I'm reaching the twilight days of my career in this venue, is that we have to make that commitment that food is a security matter to a country. I think someone—maybe it was you, Barry—referred to Britain and the history in Europe. If we look at what Europe's commitment to food is, it is to them a security matter. It's a sovereignty matter to them.

This is not a partisan matter; this is a matter of a government making a commitment to food security for its people. Once they make that commitment, they will find the wherewithal and the will to do it, and I think we're lacking that.

I fail to see how the APF consultations are going to achieve any great end, because we're going out with bureaucratic people, people from departments. They're going to listen to certain select people, and I think we're falling far short of the mark. We went across this country many times and we're about to begin to do that again. We may see you again sometime. But I just fail to see how we're going to, at the end of the day....

Can we not, once and for all, come together and find a solution? CAIS—is it going to be there? Do we want to have it? We have the sort of reverting back to the old NISA program, but when farmers don't have money, how are they going to match those dollars?

We've come out of four years of bad pricing, and there's no money. How much of the \$1.5 billion that was promised in the 2006-07 year has been delivered? How much money is still there in contingency, sitting there from the years 2003, 2004, and 2005? We don't know that. I think farmers have a right to know what's there for them and what's still coming to them. But we don't know that, so we're always in limbo. We don't know whether we're working with last year's money, or this year's money, or next year's money.

So I'm lost and probably more bewildered in terms of our direction, but I'd like to have you tell me this. Do we have in the industry the will to go forward collectively? Could this be possible? Can we find the grains and oilseeds, the crop people, as well as the livestock people sitting down and drumming out a problem that you could deliver back to government, if government were to make the commitment that we're willing to sit down and finally put together something and put it to rest?

We tried that about seven or eight years ago, and we ended up with CAIS. We tried to be all things to all people, and it didn't work. Now we're trying to reinvent it. Somehow we've made some improvements, but I think it's a little late.

**The Chair:** I'd ask that when you respond, you respond briefly, because there are only three minutes left in this round.

Who wants to go first? Peter.

**Mr. Peter Tuinema:** You ask what the problem is. I think we need to get away from "one size fits all".

You talked about the dollars going out. Some of the previous speakers talked about, really, our having had three programs. We've had CAIS, production insurance, and ad hoc programs. I think enough dollars have been spent. I think they need to be better targeted.

I think you're on the right track. You need to be talking to producers, not trying to design a "one size fits all" but talking to producers and seeing.... There may be four or five different sizes. But it needs to have flexibility.

•(1620)

**The Chair:** Mr. Gowland.

**Mr. Jim Gowland:** I think we would acknowledge the same line of thinking as Peter is putting forth here. There are a lot of dollars expended by the government to move a program forward. Certainly with the CAIS program there have been a lot of dollars, but it just hasn't been targeted to those who need it and are hurting. Certainly the way we look at it from the soybean industry, if there was that regional flexibility to address that, that's what we need.

**The Chair:** Mr. Schneckenburger.

**Mr. Arden Schneckenburger:** Also, we have to address the target where the hurt really is, as Jim was saying. If it's in declining prices because of subsidies from foreign trading partners, especially in our soybeans case with the U.S., those kinds of things have to be directly taken in. CAIS doesn't fit all, and that's why a regional

program, commodity specific, is important to address some of those issues of commodities such as soybeans, corn, and wheat.

**Mr. Paul Steckle:** Mr. Van Tassel wanted to get in.

**The Chair:** I'm sorry. Yes.

**Mr. William Van Tassel:** I have just one quick answer.

Minister Strahl said it pretty well when he came to the annual meeting of UPA in December.

In Canada, the programs are whole-farm based, and in the United States they are commodity specific, especially for grains and oilseeds, which is the base of agriculture. When their prices are lowest, this indirectly subsidizes the rest of agriculture. So that is probably the whole problem for grains and oilseeds, at least.

Also, when there is an ad hoc payment it goes in ENS, eligible net sales, which goes to where the prices are higher. Where you have eligibility net sales, the higher it is, the more you get. When the prices of grain are low, then it doesn't really target very well.

As the others were saying, it's the target. If it were better targeted, it would be a better answer.

**The Chair:** You have less than 30 seconds.

**Mr. Paul Steckle:** I think to some degree we've recognized the differences in the area, because we've recognized the ASRA program in Quebec as uniquely different from other provinces. So we've treated Quebec—not in terms of dollars; the dollars were handled differently in Quebec than in other provinces, but the dollars were the same. So I think we have already recognized that.

To me, there has to come a point where we say, listen, we're going to sit down and work this thing out, and we're going to come together—grains and oilseeds, the various commodities across this country, from province to province to province. I think we have to do that and say, listen, we stand together and this is what we want. Then the government needs to make that commitment, that we will stand with our food industry in this country, the primary producers, and say, we'll support you, whatever that is. We'll find a way to do that.

**The Chair:** Mr. Ravelli, a quick response.

**Mr. Ross Ravelli:** I think we should agree to have the consultation. I think the first step is to find out what common things we have and move those things. We have some very big issues, whether it's the transportation regulations that we could move on with speed, smart regulations. We should do that and engage in a bigger conversation.

I'm not saying we'll ever agree on X, Y, and Z, but if we can get A, B, and C done, our industry will be much better for it. Whatever that avenue is, I'm not sure, but we're surely committed to having that discussion, and this is a good part of it.

[Translation]

**The Chair:** Mr. Bellavance.

**Mr. André Bellavance (Richmond—Arthabaska, BQ):** Thank you for your presentation, gentlemen. My first question is to the Ontario-Quebec Grain Farmers' Coalition. After the budget, you issued a press release stating that you were happy to see that the government had finally met the agricultural sector's demand to change the CAIS, the Canadian Agricultural Income Stabilization Program, by instituting a contributory accounts type of component.

However, in the same news release, you also say that the budget had unfortunately not provided any funding for companion programs that you feel are necessary for the successful operation of provincial agricultural programs. In Quebec, a companion program would provide financial support for FISI, the Farm Income Stabilization Insurance Program. In order to properly understand the usefulness of the companion program, I would say that one of its very important objectives is to counter the prolonged drop in the margins that is caused by the huge American subsidies. Would you please explain how this program works and what type of distribution you would favour? How can we provide a fair and sufficient distribution in these programs so that we might counter sustained decreases in the margins?

**Mr. William Van Tassel:** Thank you, Mr. Bellavance. The method will take into account the fact that it is a Canadian program. With respect to the calculation, for grains, Agriculture Canada has already undertaken a study to assess the losses due to American subsidies. The study was done in 2000, and the losses were said to be \$1.2 billion. It is probably higher now. It is relatively easy to know what amount would apply to Canadian grain. The calculation was based on the damage caused to each type of crop. Sometimes, the result is different. There is a way to go about determining these figures.

Why do we need a flexible companion program? The needs are different throughout Canada. Quebec and Ontario farmers live very close to the American border. Our products are similar to the ones that are subsidized by the Americans, so we are strongly affected by the corn, soy and wheat subsidies. That is why we are trying to find some way to solve our problem by emphasizing the areas where the problem really exists in order to save the government as much money as possible. With our program, producers must invest a certain amount of money. When they pay a premium, they become more accountable.

• (1625)

**Mr. André Bellavance:** The problem that we see—and that is one of the priorities that you raised in your presentation—involves flexibility, as you just mentioned: regional flexibility, flexibility within each sector. When we ask the Minister of Agriculture for that type of flexibility, we are always told that it can't be done. In fact, the last time I mentioned it to him, he said that there were programs, but that they could not be defined according to a sector or a segment of the industry. He said that special funds had been used, for example, the one that they announced following the discovery of the golden nematode problem in Saint-Amable. Do you think that this is an acceptable response? Do you think that this type of fund can make up for the fact that we cannot have flexible programs, according to the minister?

**Mr. William Van Tassel:** In the opinion of the Quebec and Ontario grain producers, when special funds are allocated but

without any specific details, there seems to be a lot of money available, but the results are far from satisfactory. If demand continues, then it means that there is a problem. That is why we feel, as I said earlier, that there must be more money made available for the costs. I agree that there appears to be enough money allocated for the time being, but when it is spread too thin, it does not produce the desired effect.

**Mr. André Bellavance:** What can we tell the minister in order to convince him that the flexible programs are perfectly adequate?

**Mr. William Van Tassel:** This is the third time that I have come before the Standing Committee on Agriculture. That's because I think we need to continue to promote our message.

**Mr. André Bellavance:** I would like to discuss a topic that you raised a little later in your presentation. You said that a regional vocation can avoid the necessity of WTO recourses. I would like you to expand on that. We know that the CAIS program as currently configured avoids those problems but I would like you to provide me with some further details.

**Mr. William Van Tassel:** Obviously CAIS normally falls under the green box. I'll tell you more about the FISI because this is a program that is used in Quebec. Given that this is a provincial program, not a national program, it is examined less frequently. It does not deal with grain exports. The Americans did examine it at one point but they did not find a reason to request countervailing duties. They examined it a few times but I assume they never found any grounds to continue because it is a provincial program.

**Mr. André Bellavance:** Fine.

[English]

**The Chair:** Thank you.

*Monsieur Gourde, sept minutes, s'il vous plaît.*

[Translation]

**Mr. Jacques Gourde (Lotbinière—Chutes-de-la-Chaudière, CPC):** Mr. Chairman, I would like to ask Mr. Van Tassel a question. Do regional programs refer to a whole province or to several parts of one province?

**Mr. William Van Tassel:** Normally regional programs refer to a province. That is how we view it.

**Mr. Jacques Gourde:** Fine. Therefore, in Canada there could be 10 different regional programs.

**Mr. William Van Tassel:** Yes. That is our position. We spoke of other provinces. Quebec is looking at this. Ontario has the RMP, the Risk Management Program and the west may have something else. The idea is to find the best method for their agricultural sector.

• (1630)

**Mr. Jacques Gourde:** My next question is for all of you. Is there consensus between the provinces on these regional programs? Are the programs similar or will each province have to negotiate its own regional program with the federal government?

[English]

**Mr. Ross Ravelli:** I guess I have a little problem with getting too flexible in our programs, because I think this is a national government. A national government has to set, like a foundation, the basic walls that everybody gets. To make the house stand and be even, it has to be equal. My concern is that the issue of flexibility will make one wall higher than the other.

As the Grain Growers of Canada, the concern we have when we discuss it is that it will allow provinces that wish to put more in to take federal dollars to make the wall higher. We want to make sure the federal government makes the wall level, and we have some concerns.

Every province is a little different, and some have money. Alberta has money, and they have shown a willingness to put money into programs. Coming from B.C., I can say we do not have that willingness. What we get from you is what we're going to get.

**Mr. Barry Reisner:** On the other side of Alberta, we have the same concerns, and we have had for a number of years.

I don't think it makes us better as a country, I think it makes us worse. If agriculture is a national mandate, then I would prefer to see the programs national. It tends to keep the barriers and the boundaries at our borders with other countries rather than within. We need fewer obstacles within our country. We should be tearing down some of the ones we have now, not putting up more.

**Mr. Arden Schneckenburger:** I believe it should be a national type of program, with moneys available to the different parts of the country that have different crops, different commodities, different sectors. As stated earlier in the presentation, there are over 200 different crops, but only certain ones in certain areas in each province may be in trouble or something.

So as long as there's a program available for all provinces to address and use, a national program with regional flexibility to implement, then I think that would be key.

**Mr. Peter Tuinema:** We have national programs now, CAIS and production insurance, and a whole lot of ad hoc programs to address some of the shortcomings of those programs. To me, if a national program is not necessarily working, you need something. And you already have some provinces, whether they have money or not, designing regional solutions. So I don't necessarily think that national programs that are similar are ever going to address some of the needs.

Are the provinces going to be able to agree on this? At the producer level they'd probably be able to figure out what's needed in a province and try to address that. As for whether the provinces are willing to step up and fund their share, that's probably a challenge in some provinces.

**The Chair:** Mr. Gourde.

[Translation]

**Mr. Jacques Gourde:** What are the points that the provinces have in common and that could be used as solid foundations for these regional programs? Surely the provinces deal with similar situations. Obviously there are differences amongst the provinces but which points could be used as a basis for these regional programs? We could perhaps then find solutions to the provinces' differences.

**Mr. William Van Tassel:** I'm going to talk about grains because I'm a grain producer and I work for a grain producers' coalition. I think that grain producers throughout Canada have been affected by foreign subsidies and the American Farm Bill. I think we have to look at that first, then consider flexibility, and finally, find solutions for everyone. We do not all produce the same crops but we are dealing with a common problem. We have to deal with that problem.

[English]

**Mr. Arden Schneckenburger:** There are a number of things. Right now agriculture is basically a 60-40 split between the feds and the provinces. Both are responsible for it. So as long as the federal money is evenly distributed to everyone, flexibility within provinces should be had.

An example of that would be crop insurance. I believe all provinces have crop insurance. It's different in each province, and yet it's still a common program, national in scope.

•(1635)

**The Chair:** We'll go to Mr. Reisner first, and then we'll go over to you, Ross.

**Mr. Barry Reisner:** Thank you.

I don't think we need more programs, I think we just need more money. More programs just make more complications and more papers to fill out. Farmers don't want that. We have the production insurance, crop insurance, and the purpose is to cover environmental risks for production. CAIS is mostly to cover price. If we have a producer account, it will give some flexibility.

To my mind, those are enough—if they're properly funded. It all comes down to money, just money. If there's not enough money, put more money into those programs or change them so that they're more effective. I think that's really all that the producers need.

**The Chair:** Mr. Ravelli.

**Mr. Ross Ravelli:** Thank you.

I think you've heard that production insurance is something that's pretty common, and I would say a reference margin-based program we could probably agree to. It may have limitations, but we could agree to that as a start.

I think the other common thing we heard today is trade injury, trade injury compensation. We all think that is what's holding the market down. Really, that causes a lot of these programs not to be as effective, not to give our cost of production.... I don't like that word, "cost" of production; I don't want to have a cost of production.

In terms of getting the programs to be more relevant to our farming operations, if there were some way of finding out what the figure was, of having that instilled into all crops so that it wasn't distorting the market, that would be a huge step. Let the market decide. With that compensation in there, if we can't grow wheat or canola in Canada any more, so be it. Let the market tell us. We have to get the market signals. I don't think we're getting them clearly now.

[Translation]

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

[English]

Mr. Atamanenko, you get to finish off the last round. You have seven minutes.

**Mr. Alex Atamanenko (British Columbia Southern Interior, NDP):** Thank you very much. I'll try to be brief, if I can.

Thanks for being here.

Mr. Ravelli, I have a question for you. You talked about certain solutions: new markets with WTO, more involvement of the private sector, smart regulations, research investments, looking at transportation, and new varieties. We talked a bit about a vision—Paul was mentioning that—the vision of food security for our country.

Do you share the vision that we should be supporting the small or medium-sized family farm and the rural way of life for food security? The reason I'm asking is because many of the things you mentioned can maybe be geared more to large operations and industry. Do we support this and let the small enterprise fall by the wayside, or can you see the small farm being supported?

That's my first question.

**Mr. Ross Ravelli:** That's a very good question and a very large question that we're trying to deal with. How do we determine what the industry is, and from our side in the grains and oilseed industry, where we are? We're an export country. We export 80% of our stuff. Who's producing that grain?

We're trying to tailor programs to that sector—the bigger sector, the more productive sector. But still, Canada is a large area. We have to have the social aspect of the rural economy, absolutely. There has to be a marriage of those. Somehow we have to find that balance.

I think agricultural policy in Canada has been balanced too far towards the small-way-of-life type of farmer, which is good, but our industry has moved. We're exporting. We give a lot of money to Canada's gross domestic product from selling, so we have to have programs move and have more swing that way, I think.

**Mr. Alex Atamanenko:** Maybe I'll move on, and we'll come back to this. I'd like to see what Quebec and Ontario have to say about this.

You talk about an income support program. It seems very simple and logical. From the way you've described it very briefly, it seems that it could be implemented more easily than what we've had in the past, that it could answer the idea of food security for our nation. It sounds almost as if it's sort of a minimum-income type of program to guarantee the survival of farms.

If that in fact is the case, have you costed it out? Would the current figure of \$1 billion, plus \$500,000 over the next five years, be a start?

You mentioned one-third and two-thirds—one-third producer, two-thirds then divided up between the federal and provincial governments. Is there a minimum level? Could you explain that? Maybe somebody else could comment on that too.

• (1640)

**Mr. Peter Tuinema:** The amount would vary from year to year, depending on what the prices are. There would be spikes in payments, and in some years there would be practically no payment.

Also, I said earlier, or someone else brought it up, we really have three programs running: CAIS, production insurance, and ad hoc dollars. And there are considerable ad hoc dollars, probably almost \$1 billion a year for the last four years. That's considerable.

What we're wanting to have, instead of ad-hoc programs, are predictable programs. If CAIS isn't going to address the need, then design programs that are going to address the need and pay producers. Then you shouldn't get into these ad hoc payment situations. So it really shouldn't cost any more than it does right now.

**Mr. Alex Atamanenko:** Would it be based, for example, on the revenue from last year's crops and based on income tax?

**Mr. Peter Tuinema:** Do you mean income support programs?

**Mr. Alex Atamanenko:** Yes.

**Mr. Peter Tuinema:** In the case of ASRA, in Quebec, or the proposed program, it's a target price. If the price of that year falls below the target price, the producer is paid the difference between the two.

**Mr. Alex Atamanenko:** It's coughed up.

**Mr. Peter Tuinema:** The producer year after year pays a premium for that, and that's where the one-third cost from the producer would come in. That's generally the way the program in Quebec is set up.

**Mr. Alex Atamanenko:** Does anybody else have any comments on that?

**Mr. Jim Gowland:** The programs we've had up until 2003 in Ontario, as an example, and there are other provinces too, work fairly well. If the NISA program had been allowed to carry on, I think with the income problem we saw here in the last two or three years, it probably would have been a model. NISA would have shown how it exactly works. Bringing that back in as a top layer of CAIS kind of identifies that maybe that still is a good opportunity.

I think we have to build on some of those things we've had before and try to grow them and come out with that bankability, the predictability of a program.

**Mr. Alex Atamanenko:** This will probably be my.... Oh, sorry, go ahead.

**Mr. Arden Schneckeburger:** We need to have programs that don't give us a minimum living income. We need a program that will let us be competitive with our American counterparts, who as we know can get sizable ones in some cases. We need to have an income for farmers in order to take part in the other pillars of the APF, be it innovation, science, technology, or all these other things. As to a minimum, no, we need to have something where the industry can move forward.

**Mr. Alex Atamanenko:** Can I move on to transportation?

You mentioned problems, and I think everybody around this table agrees that we have problems, especially in western Canada. Do you see the solution to be us getting tough with CN and CP? That's one thing.

Do you see more of a need for the preservation of secondary and tertiary lines to allow small facilities and small communities to move grain? Should there be more emphasis on rail, with an improvement to the major lines? What feedback are you getting from people?

**Mr. Ross Ravelli:** Certainly the issue we touch on and which touches all this is competition, and we need accountability.

Right now the railways have no accountability except to themselves. Proposals have been put forward that there has to be some kind of ombudsman or some kind of facilitation between the shippers and the people at CN and CP. There is nothing, and nobody can take them to task. If we could enter into some process that would allow it to happen, with an arbitrator of some form, it would be a big step forward.

**Mr. Richard Phillips (Executive Director, Grain Growers of Canada):** It would apply if they're small shippers on the smaller lines or larger shippers on the large lines. I think the problem is universal across all shippers. The railways can't be held accountable.

**Mr. Barry Reisner:** It's maybe an area where government can have a role.

Shipping in western Canada has been a significant problem forever. We've seen that it's been worse than usual this winter. Part of it's weather-related, but we also had disruptions because of labour this winter.

We're trying to diversify into smaller processing facilities to increase profitability and get away from commodity crops. The smaller shippers are having an even worse problem than the major shippers. It's not always about cost. It's about reputation, reliability, and how we are seen in the world, as far as being reliable suppliers of products.

We can look at the U.S. system, which is a commercial system, and it's probably worse than ours in some ways. We have a lower price system, and it's a regulated system, but it doesn't work very well either. We have to overcome that, or we're going to have serious problems as far into the future as we can look.

We can't do it as farmers. It's something that has to somehow be done through regulation, coercion, or persuasion. We need some kind of way to work with the railways in particular to get the system working better, because they do most of the transportation of grains.

• (1645)

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

Mr. Easter, you can kick off the second round for five minutes, please.

**Hon. Wayne Easter (Malpeque, Lib.):** Thank you, folks, for your presentations.

I'd love to get into the railway business, but I don't think we have time.

Am I basically hearing that everybody's in agreement on a national program, a national program that would allow companion programs under certain criteria at the provincial level, as long as there weren't WTO problems, for lack of a better word? I think that's basically what I'm hearing.

Secondly, in terms of our national programs, somebody said it all comes down to money. I believe it was you, Barry. But in terms of our national programs, do we have to support levels on a commodity basis that's equivalent to the United States in order for our industry to move ahead?

There is a problem in terms of our entire farm program. There's no question about it. You are punished for diversification. To give you an example, one guy could be in hogs and potatoes, and he could have neighbours on either side of him singly in those commodities. They'd get payments and he wouldn't, because he's subsidizing himself. It doesn't really seem fair.

I guess the question is this. Do the support levels have to be relatively equivalent to the United States on a commodity basis?

Thirdly, when you're answering, to tie into that, should crop insurance be made mandatory? If you're going to participate in these safety net programs, should it be made mandatory or not?

**The Chair:** Mr. Ravelli.

**Mr. Ross Ravelli:** I think the only question I can answer is your last one. I don't think it should, Wayne. That's the negative time I was talking about before—negative linkages.

I would say that if crop insurance were a really good program, then you might allow that to happen. But everybody is an individual on their farm. They know their cost structure and they know their risk as well. There are lots of people who have farms of certain sizes whose risk for production losses for crop insurance are minimal. It's a disaster program they're looking for. Maybe they can self-insure.

I like flexibility; I don't like making it mandatory.

One of the problems with crop insurance, and I'll throw this out for you, is that it hasn't kept track.... Well, first of all, there are two components to crop insurance: price and yield. We know the price side is influenced by international trade. The price we have on the crop insurance is depressed—around 25%, the last time we heard. That price should be higher. On the production side, it has never kept up with the production of the last five years. There's been an explosion of seed technology, of new products, and our yields have gone up exponentially. Mine personally went from 24 bushels of canola average under crop insurance to 34, and this is still with a ten-year average. If we went to five years, I'm pretty sure my crop insurance would be on 45 bushels.

How do we get the crop insurance to really reflect where we are today, whatever that number of years is? How do we do it? If we could, then I'd look at a crop insurance program more in the vein of your question as being maybe possible, but not as it sits now.

**Hon. Wayne Easter:** I'd like some answers from others as well.

The other way to go, because of the complexity of the industry, is to ask whether you target a different kind of program for guys like you, Ross, who want to pay attention to the market signals—a different kind of national program for that component of the industry from the one for a lifestyle farm, for lack of a better description.

• (1650)

**The Chair:** We have less than a minute.

**Mr. Ross Ravelli:** It's a trade-off, Wayne. It's a tough one to me. That's something that you, as the government, have to do all the time. What to do is a real quandary. Do you save people on the farm—that's a number of people—or do you try to put more towards an industry, which is what we are? We're an export grain industry.

How do you do that? How do you have that marriage so that we don't depopulate all of rural Canada but still allow commercial growers to be efficient and avail themselves of programs that you have? Why should either section be disproportionately advantaged because of their situation? That's the quandary.

**The Chair:** Does anybody else want to comment on this?

Mr. Tuinema.

**Mr. Peter Tuinema:** You talked about the U.S. level of support. We'd like to have that. Generally that would help. We want to be careful nationally about whether we go down the road of that type of program. It could expose us to trade challenges or countervail challenges, so we have to be careful on that.

Crop insurance, or compliance, or having both.... That's what we proposed in Ontario, because what happens when we go to government is that they ask whether all the risks are covered, and whether producers are covering all the risks. What they don't want to get into is a place where people are choosing, then all of a sudden get to a point where there's a disaster and producers aren't covered and then they have to go back and get ad hoc relief. That's why in Ontario we were looking at having cross-compliance between our proposed program and crop insurance.

As for the lifestyle as distinct from business-type farming, the ASRA program has lower levels. There are such components in

some of our programs, where there are criteria of size before you actually get into the programs.

**The Chair:** Thank you.

Mr. Devolin, you have five minutes, please.

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

One of the treats of going seventh in the question round is I that wrote my question down while you were speaking. It is: how do we balance the desire for flexibility for the provinces with the desire for equal treatment across the country? But I think we've beaten that one pretty hard already.

Basically, “Barry, more money” was a comment you made. You sound more like Barry's wife than Barry.

**Voices:** Oh, oh!

**Mr. Barry Devolin:** How much more money? To me, this is the \$64 billion question. Is it \$1 billion, \$2 billion, \$3 billion, \$4 billion...? You say we don't need new programs, but more money. Give me an order of magnitude.

**Mr. Barry Reisner:** As far as an order of magnitude is concerned, Barry, I can't tell you how much more money is required. What I can say is that we have the programs there that will deliver to farmers if there are other factors like trade injury. As Ross said, if trade injury throws your production insurance values off, then maybe there should be a trade injury adjustment to them, or maybe there should be a trade injury adjustment to the CAIS program. It's probably better on CAIS because it wouldn't distort production practices and it would be more practical to do it that way.

Trade injury, for example, could be targeted through an existing program, but as an adjustment to an existing program. If you look at Alberta, they have done that through CAIS. They have targeted additional resources through their CAIS program, in recognition of higher input costs and a couple of other things that they've done. They see that as a possibility.

You don't have to go through all the time and trouble of developing a new program that is never going to be perfect, as we said before. CAIS was supposed to be perfect, but they made it too complicated. It's really not any more perfect than any other programs we've had, but it costs you probably a thousand dollars more as a farmer to get an accountant to fill it out.

•(1655)

**Mr. Barry Devolin:** The reason I'm asking is that the agriculture minister made his announcement of a billion dollars back on March 9—the two components were the \$600 million and the \$400 million. A couple of days after that, I had a meeting with my local farm council, whose members I talk to on a regular basis. What I heard was that a billion dollars sounds like a lot, but when you slice it up into this many slices, it doesn't really leave very much. I came back at them with the same question.

If the federal government was putting \$1 billion or \$1.5 billion on the table and the provinces were coming up with 40%, that would be \$2.5 billion. I don't know whether we're adjusting that number, or whether people are suggesting that it has to be doubled or tripled.

I don't know if anyone else wants to comment, but I'd like to get your views on whether you think the federal expenditure for agriculture is in the right realm or whether it needs to be dramatically increased.

**Mr. Jim Gowland:** I think we have to look at it and see what's relevant to the investment that we're making, from producers right through to government, and industry as well. As growers, we're spending huge dollars to be innovative, to compete. Industry puts huge dollars in there. Our governments have been putting in huge dollars these last number of years in order to be innovative.

Without that recognition and making it relative to that investment, those are dollars that some other feedstock is going to take over if we don't have a bit of a backstop there to protect that feedstock from going in there when prices do slide. We have to assess and look at all the dollars we're investing and at the spin-off of industry. We have to evaluate those types of things. There's no doubt about it. It needs to be relative and have that backstop there, with enough dollars to protect the investment that all of us are putting into the innovation of our industry.

**The Chair:** Mr. Van Tassel.

**Mr. William Van Tassel:** I would like to answer that by saying that when the money is not targeted, you can put in \$1 billion, \$2 billion, or \$3 billion, but the effect won't be there. In a huge country like Canada, the effect won't be there. But if you target where the damage is, you probably have enough already or it probably won't take very much more. If you target the hurt, then we'll be able to put a figure to it, and the figure is probably what's being spent already.

That's why we're pushing forward our program. It's more targeted to where the hurt is, and it will cost less. It also makes the farmer responsible.

**The Chair:** Mr. Reisner, you have time for a very quick comment.

**Mr. Barry Reisner:** I'd like to go at this a little differently. I'm hoping I'm right in saying that good times are coming to farms across the country. I think I'm right. I'm not sure how long they're going last, but I hope they last a while.

If that indeed happens, I would encourage you to not stop investing in agriculture. If that happens, that's not the time to stop investing; it's the time to stop putting band-aids on and to start investing for the future. Don't say the problem is gone, it's over, and we're not going to have the income problems again. They will come

back again, I'm sorry to say. I'm sure they will; I hope it's in a long time before they do, but let's try to put ourselves in a better position.

Let's not forget what has happened in the last five or ten years. Let's work in a proactive way to put ourselves in a better position. It's better for budgeting that way, from the federal perspective. Let's put the pieces in place so that we don't run into this problem again.

**The Chair:** Thank you.

Monsieur Gaudet.

[*Translation*]

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

The current government tells us that since it has been in power, it has provided \$4.5 billion to the agricultural sector. On the other hand, you all seem unhappy. Can you tell us where the money went?

I have seen no changes in agriculture since I was elected in Ottawa, in December 2003; there are still problems. We're talking about the American Farm Bill. Why is it that we are not in a position to confront the United States, which is subsidizing its agricultural sector, just like the European Union? In Canada we are not able to subsidize. Why?

I would like someone to give me some answers concerning this problem. You have to define this. If you're saying that the United States and the European Union subsidize agriculture, why is it that Canada cannot subsidize it?

I would like to hear your comments because I am concerned about this.

[*English*]

**The Chair:** Mr. Van Tassel.

[*Translation*]

**Mr. William Van Tassel:** The reason lies in the concept underlying Canada's programs. We use a whole program and a margin of reference. Therefore, when the price that the producer gets goes down, the margin of reference goes down and the program is no longer effective. That is CAIS. Because grain prices were kept down since the last and the previous Farm Bill, the margin of reference went down and the program was no longer effective.

The concept underlying our programs is very different from that of the United States.

•(1700)

**Mr. Roger Gaudet:** Why is it that agriculture is working so well in the United States?

**Mr. William Van Tassel:** The United States subsidizes the basis of agriculture, that is, grains. Because they keep grain prices down, animal production costs are not as high.

**Mr. Roger Gaudet:** Could Canada do the same or not?

I'm asking you the question because you are agricultural producers.

**M. William Van Tassel:** We are asking for a program that takes this issue into account.

We're asking for a supplementary program that could solve this problem.

**Mr. Roger Gaudet:** If I have understood correctly, money is provided but the long-term problem remains. Short-term solutions have been found but in one year you'll have to start all over again.

I would like to hear from the others. I'm worried to see agriculture working so well in the United States but not here.

[English]

**The Chair:** Mr. Reisner.

**Mr. Barry Reisner:** Yes, I'd like to comment on that. To me the difference is the American system is proactive: they plan how they're going to support their farmers years in advance. The Canadian program has been reactive: we hope we don't have to support our farmers. Over the past number of years, it's always been that we've had to, so farmers don't know here. In the U.S., farmers know and they willingly plan to spend billions of dollars every year for the next five years, as long as their farm bill goes out. We budget year by year and we hope we don't have to spend anything next year on agricultural injury—that's the difference.

**The Chair:** Mr. Ravelli.

**Mr. Ross Ravelli:** I want to give everybody here a big credit for what you've done as a government. You've moved us into the biofuels industry. That is a significant change in Canadian agriculture. We see it today. Prices are rising over what they were just last fall. We're now buying into it. You put programs in place to let us participate; that is a very large change in Canadian agriculture. It has lifted up prices like this.

Some of the things we're talking about are going to fall by the wayside in the next two years. We have to have that type of initiative that catches up. We're still catching up with the world. Europe did it, the States did it through subsidy. It might be the only good subsidy the Americans ever had was getting the biofuels, the ethanol going, and we're going to ride that wave.

So I think you should all... I thank you for it. You've all got together and agreed to it and done it. In two years I hope I come back here and we'll be having a totally different conversation.

**The Chair:** Anybody else?

Mr. Schneckenburger.

**Mr. Arden Schneckenburger:** Yes, I agree with the last statement. Also, you have to remember, farmers have been trying to work with the government for a number of years. Previous governments have been trying to fix WTO for our industry for the last 15 years, and they're still working at that. Meanwhile, the U.S. and the EU still subsidize their farmers heavily.

Now we have the new APF pillars and the bioeconomy, both of which the soybean industry agrees are excellent initiatives, but we need that transition. We need to keep our farmers viable from now

till these things come to fruition. Bioeconomy is only maybe a short-term fix, maybe a long-term fix. The other initiatives, the innovation, etc., under the APF will take a number of years to get to. There's nothing that will help us today that you can bring to your announcement. We need flexible programs to keep us viable till something works for our industry.

[Translation]

**The Chair:** Thank you very much.

[English]

Mr. Miller, five minutes, please.

**Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC):** Thank you, Mr. Chairman.

Thanks, gentlemen, for coming today.

Mr. Ravelli, I'd like to go back to a couple of comments you made.

For years in the farming community, I know in my area and I think across the country in general, and certainly by governments, the comments have been made and a lot of work has been done in trying to save the family farm to a degree. It's a good way of life, and that kind of thing, and a good place to raise our children. But some of your comments that I heard basically fly totally in the wind to that. You basically made the statement—I can't remember the exact words—that you just represent large farmers and basically that's the way it should go. Do you not have any small farmers who you represent? Maybe you could clarify those remarks a bit.

● (1705)

**Mr. Ross Ravelli:** Yes, thank you. I didn't mean to give that impression.

I was using the word “commercial” and I shouldn't use the word “commercial”. I should say “business”, because there are small farms that are very good business people that do very well on a small scale. That's really what I'm trying to say, that it doesn't matter how big or small you are, if you're a business looking at agriculture for your livelihood, it's different from somebody who is there for just the other values, rural values.

No, we have quite a few small farmers involved in our organization, so I didn't mean to give that impression. Certainly they're a vibrant part of Canada and that's who farmers are. I live in rural British Columbia.

I just think that it's the weighting. We have to understand in a lot of government policies we may use that "save every farm", that older attitude, and not look to where the industry has moved. And that's really what I want, just the refocusing. I think there's a role for everybody in the business model, but I think policies have been too directed at saving everything and everybody and I think that's been to the detriment of everybody.

**Mr. Larry Miller:** Okay, point taken.

And you made the comment about people out there who are just there for the way of life. In Ontario we call them "hobby farmers", and they're not really farmers. And I'm in no way....

**Mr. Ross Ravelli:** Yes.

**Mr. Larry Miller:** It's great to have them living there, but they're not farmers. Farmers are businessmen today. I think you agree with that.

It may have been you or maybe Mr. Phillips who talked about the way some of the provinces choose to fund agriculture. Quebec and Alberta are well known for doing that, to their credit. The bad part about that.... And I don't mean bad in a factitious way, but it creates problems on a national level, because I farm in Ontario and it's traditionally been one of the worst of all the provinces for sticking up for agriculture.

Are you really suggesting that when it comes to Alberta and Quebec, the federal government should treat the farmers in those provinces differently if those provinces fund them? Was there anybody here who...? I forget exactly who it was who spoke to that.

**Mr. Ross Ravelli:** The point was that the national government should set a foundation for everybody and it should be equitable across the province, producers.... It's right in my text. And we say that the provinces should be able to do whatever they like in the flexibility for companion programs within their province.

But that's the provinces deciding to do that on their own, not the federal government stepping in and adding on top of that foundation, to add to the provinces. Do you know what I mean—the 60-40 split? Adding that to another level I don't think is fair.

**Mr. Larry Miller:** I'll use Alberta and the beef sector as an example. The province funds the beef farmers and what have you in Alberta, and when the rest of the country is being looked after through the federal government, should they bypass Alberta farmers when it comes to the beef market there?

**Mr. Ross Ravelli:** I hope not.

**Mr. Larry Miller:** Well, you can't have it both ways. I guess I'm—

**Mr. Ross Ravelli:** The provinces have always got the option to do whatever they want, and I'm good with that. Go ahead and do—

**Mr. Larry Miller:** But that distorts the market then, and it doesn't matter what sector it's in.

**Mr. Ross Ravelli:** If it distorts the market, you have to look at that, yes—

**Mr. Larry Miller:** There's no doubt about it.

**Mr. Ross Ravelli:** —in that case.

Richard?

**Mr. Richard Phillips:** Our farmers in Saskatchewan...and I'm sure Barry knows what the pressure is like.

We'll talk about the livestock industry in Alberta, where there is money going in and there are certainly more incentives on the provincial side. I think when that's happening, what we're talking about here is having the national program with the dollars being fair to everybody. And if one province wants to put in more money, then as producers I think we also have some responsibility to go and lobby our provincial government to also work harder in Saskatchewan so that we don't see a drain of assets and resources going across to Alberta.

Those are some of the challenges we face in Saskatchewan with the government there.

**Mr. Larry Miller:** Okay.

**The Chair:** I'm sorry, Mr. Miller, your time is up.

Mr. Hubbard is next.

**Hon. Charles Hubbard (Miramichi, Lib.):** Thank you, Mr. Chair. We're very near the end, and I'll try to be brief.

As members, we probably continue to be confused. Every Minister of Agriculture makes great announcements, and farmers smile and give out press releases about how well it is going; yet when it gets down to committee, we get nearly every sector coming here to say it's not enough money, we've had a bad year, and we need more money.

Barry's line of questioning dealt with the money and how much money is needed. I know, Mr. Chair, we don't have time today to get an answer, but if each of these sectors could give a report to the clerk about how much money they felt they got as a sector—we'll say in the year 2004-05—and how much they would need in 2008, it might be able to put some value in terms of what.... You know, we have hog producers, we have agriculture in all different levels of success. What concerns me is that when we hear such pessimistic reports, where is your future? Who would want to get into your industry? What are your farms going to be worth if this continues?

Ross, I know you talk about how ethanol is going to be a big factor. I don't necessarily agree that the American farmers are doing all that well in the last decade. There's been a lot of trouble at the farm level in the States as well.

If you were a fisherman, fishermen wouldn't come to us complaining about too many fish, too few fish, or fish not being worth enough. Fishermen come to parliamentary committees talking about infrastructure they need in order to make their fishery work. Farmers don't tend to do that, but I know someone has alluded here to railways. You've alluded to highways; you've probably alluded to storage facilities and all these other things that the government could have in terms of infrastructure. But to put it right back at the farm level creates problems for us in terms of the WTO.

Probably all of you want to answer, but I promised my colleague here at least a minute. Maybe you could give a very quick reply. Where are we going to go? Why are we smiling as if it were a month ago, on March 6—less than a month ago—when the announcement was made of so much money? Is the money really there?

People talk about old money, new money, money that might have been spent sometime before, but is it getting to you? Could you give us a report in terms of your sector? How many acres do you do? Would you want \$25 an acre? Do you want 50¢ a bushel? What would governments have to do in order to meet the requirements for you to be a successful farming activity?

• (1710)

**The Chair:** We have three minutes.

**Hon. Charles Hubbard:** We have three minutes now? I need a minute here for—

**The Chair:** We'll do very quick responses, please, and then we'll let Mr. Boshcoff finish the five-minute round.

Go ahead, Mr. Van Tassel.

**Mr. William Van Tassel:** What you see now in Canada is that the farm debt is at the level of the farm crisis in the beginning of the eighties in the United States, so we're having a real crisis.

The money sent out is not targeted. What we're pushing for is having something to target better, because probably billions are going to go out. I had money from the \$755 million announced last year. Yes, a certain amount came from my farm, but did it alleviate the problem? My price went down because of the subsidies in the United States. It helped, but it really did not address it 100%. It helped us some. Yes, we got money from the programs, but not the amount where the hurt was.

**The Chair:** Is there anybody else?

Mr. Phillips, go ahead.

**Mr. Richard Phillips:** When you ask how much money is needed, one of the problems for a lot of people in western Canada with the CAIS program is we actually can't predict clearly what the program covers, so it's really hard to know with any clarity what we would need when in many ways we don't know how it really works. That's one of the big challenges, I think, for us out there, in terms of identifying a dollar figure. I think what we'd like to see is programs that work more clearly, that are predictable and bankable. Then when we come back to you to say there's not enough money, we could tell you why and show you the hard numbers.

**The Chair:** Go ahead, Mr. Reisner.

**Mr. Barry Reisner:** Mr. Hubbard, I want to respond to something you said initially about the U.S. not being in such a good position in

the farm sector. I question that. If you said U.S. farmers themselves, that could be true if they're tenants. If that's true, they've done it to themselves. U.S. landowners, I suspect, are doing quite a lot better, because the profitability is capitalized into the land, so I don't think it's quite right to say they're not prospering because of their government's policies.

But I don't want to see us distorting markets. I don't think we should be picking winners and losers. Ross said that before, and I agree. We have to allow the marketplace to sort itself out, but infrastructure—particularly transportation—in this country is a huge problem, and maybe that's something we should be focusing more on. We haven't done much about it in the last ten years.

**The Chair:** Mr. Boshcoff, please.

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

Is the localized, sporadic, unpredictable nature of disaster the reason why the 13 or 14 governments we have in this country haven't been able to come together on how to respond to a disaster? Is it always going to be on an ad hoc basis?

• (1715)

**The Chair:** Mr. Reisner.

**Mr. Barry Reisner:** I sure hope it doesn't always go that way, because that makes it into a political process. For the people involved, that's totally unfair. I meant to address that in my comments. We should have some type of disaster program in place that is in some way bankable or at least predictable for disasters. We have disasters across this country in agriculture almost every year in localized areas. That's really something that's missing as well, and it shouldn't be a political process.

**The Chair:** I'd like to follow up on that, because we didn't really talk about disaster assistance today at all. We've talked about decoupling disaster assistance from the whole farm safety net. We've talked about making sure it's there for specific issues, whether it's trade action or national disaster. Do you have any ideas on how you'd like to see that brought about—if you can do that in less than a minute?

Mr. Gowland.

**Mr. Jim Gowland:** We have a program in place right now—the CAIS program. At that bottom end when the wheels absolutely fall off everything, it's one of those things that helps you through, I guess.

On the systemic erosion of price, you just don't fall into that category. It just keeps eroding. I think it's that upper level. Steps have been taken, of course, with the reintroduction of NISA at the top end, and those other types of things that are commodity-specific in nature. I think those programs would alleviate some of that. Keep CAIS as the bottom end when the wheels fall off.

**The Chair:** The problem with CAIS has always been that it's not very timely. We've already heard that you wait a year, or year and a

half in some cases, before you see any money. In a disaster you need some money flowing tomorrow.

With that, I want to thank all of you for your interventions and presentations today. I very much appreciate them.

We're adjourned.

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