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Mr. James Bezan

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● (0835)

[*English*]

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

We have a very tight agenda today, so we're going to want to get through it as best as possible.

First of all, of course, I want to welcome everybody to Selkirk—Interlake, or as I like to call it, God's country. I hope you all had a great evening in Gimli, one of the jewels of the Interlake, a community I'm very proud of. I live straight west of here and a little bit south, about 30 miles away. It's one of the areas I'm very proud to represent.

We're going to continue with our study on the agriculture policy framework.

Joining us this morning, we have Keith Kuhl from the Canadian Horticultural Council, all the way from Winkler in southern Manitoba. We have the Manitoba Corn Growers, Bob Bartley. Welcome, Bob. From the Manitoba Canola Growers, we have Brian Chorney. And joining us from the Manitoba Pulse Growers, we have Lincoln Wolfe, who is the president, and Tammy Jones, who's the executive director. Welcome to both of you, as well.

We're looking forward to your presentations. I'll remind you that we are on a tight timeframe, so ten minutes or less would be appreciated.

I'm going to kick it off with you, Keith.

Mr. Keith Kuhl (Chairman, Potato Committee, Canadian Horticultural Council): Thank you for the invitation to speak to the committee today on business risk management.

My name is Keith Kuhl, and I'm the president of the Southern Manitoba Potato Co. Ltd., a fourth-generation family farm based in Winkler, Manitoba. We specialize in the production of fresh-pack chipping and seed potatoes. In addition, I'm the elected chair of the potato committee executive of the Ottawa-based Canadian Horticultural Council and the president of the Seed Potato Growers Association of Manitoba.

Manitoba is the second-largest potato-producing province in the country, second only to Wayne Easter's province of P.E.I., of course. And Ivan Noonan would never let me forget that one, Wayne, I assure you.

I'm going to focus on potatoes today. The potato is the most valuable vegetable crop in Canada. The potatoes produced in all ten provinces on over 385,000 acres with farm cash receipts in the 2005 calendar year in excess of $920 million represent approximately 40% of all vegetables and approximately 20% of all farm cash receipts in the horticultural industry.

The Canadian potato industry supports the efforts of the federal and provincial governments under the APF and its commitment to improve risk management. From our perspective, there are four types of risk management we want to look at that our governments need to be involved with, and they are income stabilization, production insurance, phytosanitary compensation, and orderly marketing.

Income stabilization, offered through the CAIS program, has been commented on extensively by many other commodities. The CAIS's main weakness is selecting an Olympic average over a timeframe that may have production margins below the cost of production. This was certainly the situation for potatoes in 2003 and 2004. We understand that work is being undertaken to address these issues, and we look forward to the results.

There are two issues with production insurance that I wish to bring to your attention. First, coverage for seed potatoes varies greatly among provinces, in that no coverage is offered in three provinces, and seed class coverage is offered in only two provinces. In provinces where production insurance is available, there is a wide variation in program structure.

Second, two provinces provide coverage for bacterial ring rot, a regulated, non-quarantined pest that can have serious impact on a grower's operation. It is understandable that the provinces ensure stability in their primary industries through production insurance. However, as a result of crop importance or value in a province, the program varies significantly across the country. This variation in structure and delivery of production insurance among provinces can be just as significant a trade barrier as differences between the Canadian and U.S. agricultural programs.

The potato industry, and indeed all horticulture through the Canadian Horticultural Council, has been a strong advocate of the broad-based development and implementation of production insurance for all horticultural crops in Canada. APF I provided assurance that this would come to be. To date it has not, and I must state that there is an obligation on the part of the Government of Canada to fulfill this commitment.

The Health of Animals Act has many components, including compensation. There are no adequate provisions for plant-health-related losses, and we support the development and implementation of a national plant health strategy that would include phytosanitary compensation. A strategy and program of this nature is a critical component of the comprehensive business risk management program. It must also be noted that while providing a tool to an individual producer, a program of this nature indeed offers protection and risk management to entire commodities and sectors of agriculture.

Currently, there is no compensation dealing with disposal, extraordinary costs not covered by existing programs, and participation cost-renewal programs as available for regulated quarantine tests pursuant to the Plant Protection Act. There is no compensation for regulated non-quarantine pests such as bacterial ring rot unless a grower participates in the production insurance program in one of the two provinces that has BRR as a peril. The financial impact on the seed potato industy across Canada from 1999 to 2005 on the 12,177 acres that were rejected or decertified for BRR was $36.5 million. The average cost per acre was just under $3,000, ranging from a cost of over $36,000 per acre for nuclear stock to a low of $1,851 per acre for foundation.

● (0840)

Re-establishing seed production on a decertified farm can be costly, as growers are not permitted to plant potatoes in the affected area for two years. CFIA is developing a national plant health initiative, and it is our understanding that they are looking to use the compensation model developed for Quebec potato growers affected by the potato cyst nematode.

A potential phytosanitary compensation issue facing the potato industry across Canada today is the U.S. government requirement implemented on March 21 of this year that all seed potatoes shipped from Canada to the U.S. be tested and certified by the CFIA to be not positive for the potato cyst nematode. Since March 15, the Canadian industry submitted over 1,500 samples from the 2006 crop year. To date, no positives have been found. If a positive had been found, the impact would have been an initial restriction on all exports from the province where the positive occurred until a delimitating survey, trace back and trace forward, was conducted. This requirement was imposed during the height of our shipping season to the U.S., where the trade value was $27.4 million.

We believe that production insurance is a personal business decision, whereas phytosanitary compensation is an industry decision that needs federal and provincial participation to ensure equal access and participation across the country. The pests I have referred to are national in scope and the desire of the industry is to eradicate these pests. The weakness of the compensation offered for regulated quarantine pests in the Plant Protection Act is that the compensation is ad hoc and reactive; the production insurance coverage offered for regulated non-quarantine pests in these two provinces focuses on managing the pests. To ensure industry participation, there needs to be an incentive to report the presence of a specific pest and knowledge that a phytosanitary compensation program will provide an adequate safety net to regroup and move forward. That would remove the need to shoot, shovel, and shut up.

Orderly marketing results from the existence of a sound regulatory base that is adequately resourced. There are two levels to orderly marketing: within an industry and to consumers. For the consumer side of orderly marketing, we believe there is a sound regulatory base. However, CFIA and AAFC have increased their focus on food safety over the past 20 years, resulting in the subsequent erosion of resources for phytosanitary and quality services. As consumer demand for niche market products such as organics increases, fraud will become a large issue, considering the past behaviour of a small number of companies in this produce industry. Without an adequate and appropriately resourced public service, we as an industry will bear the brunt of any public backlash when fraud does occur.

Orderly marketing within an industry is not fully understood by federal and provincial governments and is illustrated in a CHC submission to ACAAF focusing on the development of trade standards, a model contract, the parameters of dispute resolution, and the inclusion of seed potatoes in the Fruit and Vegetable Dispute Resolution Corporation's mandate.

I'll just summarize quickly the paragraph there. We've been trying to get seed potatoes included under the DRC, the Dispute Resolution Corporation. The attitude has been that, in order to do that, we have to get Mexico and the U.S. on side. Our belief is that because 80% of the seed potatoes in Canada are moved within Canada, it would be futile to try to create a secondary system to the DRC. We would like to be able to include Canadian seed potatoes within the DRC.

In summary, I would like to review some of the issues that we are facing with funding mechanisms for existing programs and what our industry hopes to achieve in order to ensure health and growth.

The application process is bureaucratic and repetitive. There is little consistency among the programs, such as CAFI and ACAAF. A business plan approach would be preferred by us.

Cash advances are not available within the programs very often when we're looking at funding.

We're looking for greater flexibility in funding allocation once a project has been started, in order to encompass changes within the programs.

A clear and transparent application review process would establish time standards. The review process should be an open dialogue between the submitting organization and the decision-makers to facilitate information flow to improve the decision-making process. The timelines that are submitted with projects for our industry represent the capacity of the industry to undertake projects. The review process does not take this into consideration and puts the project off-cycle and impedes its ability to succeed.

We'd like recognition for entities such as CHC that have a good track record on research projects.

The ACAAF system works when the objectives of government and industry are similar. However, a long-term and more stable funding mechanism should be established that still meets the government and industry objectives. The Horticulture Australia model works quite well in meeting the aforementioned. It is worth examining as a model for the Canadian horticulture industry.

● (0845)

Once approved, contribution agreements must be issued in a timely manner. The report of the independent blue ribbon panel on grant and contribution programs, *From Red Tape to Clear Results*, addresses these types of concerns, which are expressed repeatedly on a cross-country, cross-commodity basis.

We agree with government that business risk management is a key component to building a stronger, more profitable agricultural sector for the 21st century. However, as potato growers, we are seeking assistance in developing, maintaining, and improving risk management on our terms. We must all carefully consider the traditional as well as the not so obvious and perhaps non-traditional elements that could provide the best possible business risk framework for Canadian producers.

While we appreciate the programs that are in place, we are committed to work with industry and officials towards much-needed improvements.

Thank you.

The Chair: Thank you, Mr. Kuhl.

Mr. Bartley, ten minutes or less, please.

Mr. Bob Bartley (Director, Manitoba Corn Growers Association Inc.): Good morning, Mr. Chair, members of the House of Commons Standing Committee on Agriculture and Agri-Food, and fellow guests. Thank you for providing us with the opportunity to speak about issues that are important to corn producers in Manitoba.

My name is Bob Bartley, and I'm a director of the Manitoba Corn Growers Association. The Manitoba Corn Growers represents over 900 corn producers in the province. I grow grain and oilseeds on 1,300 acres in Roland, Manitoba, located 60 miles southwest of Winnipeg in the Red River Valley. Roland is the home of Canadian 4-H and the Giant Pumpkin. Grain corn has been one of our main crops ever since we started producing it in 1964.

Some of the issues I would like to cover on behalf of our members are safety net issues, trade, environmental programs, cash advance programs, pesticide harmonization, and the rail strike.

The need for a predictable and bankable safety net program has been an outstanding issue for quite a number of years now. With the review of the current business risk management programs as part of the review of the agricultural policy framework, it has become clear that even with some of the adjustments that have been made, there is still room for improvement.

I would like to encourage the government to maintain a strong production insurance program and to continue to look for areas within production insurance to enhance so that corn producers will have a predictable core program to rely on. One of the areas we feel could be improved is to provide a more transparent methodology for arriving at the prices used by production insurance, and to involve commodity groups in the development process well in advance of the announcement of those prices.

The current CAIS program is not predictable enough for financial institutions to include in a producer's basic equity statement. This problem has been mentioned from the beginning of the CAIS program, and it does not seem that any of the changes made to date have strengthened this reliability. Governments need to work with farm groups and financial institutions to make adjustments that work for everyone. These changes need to result in a program that is predictable, that is simple to apply for, and that reduces the amount of time that producers spend filling out paperwork.

When CAIS does provide support for farmers, it often arrives a year or two after the loss. There need to be modifications to the income tax system so that proceeds of the claim become taxable in the year of loss rather than when they are received.

Another area that actually causes double expenses for grain and oilseed producers is the fact that we pay twice for the same level of coverage that other commodities pay only once for. When grain farmers participate in production insurance, they pay a premium for that insurance as well as paying another premium for CAIS. We would not like to see producers set crop insurance aside in favour of just carrying CAIS, so there must be a more equitable system developed so that grain and oilseed producers do not pay twice.

One of the areas that are still not covered by any of the programs provided for the support of grain and oilseed farmers is the area of injury caused by foreign subsidies. For many years now we have had to compete against grain that is subsidized by other governments. We feel that there needs to be a greater commitment from government to provide support for farmers until a resolution is achieved through the WTO negotiations.

Perhaps a simple solution might be to increase the reference margins of grains and oilseeds producers by the amount of the injury. Whatever the chosen method is, it is an important component that is currently being left out and that puts corn producers and all grain and oilseed producers at a disadvantage to other commodities in Canada. To be clear, corn growers do not wish to depend on a government for their living, but we do need governments to provide a predictable safety net program that can be relied upon to cover the areas we cannot control, such as weather and interference in our markets by dumped and subsidized product from other countries.

We also need the federal government to be a strong presence at the WTO negotiations and work hard to increase market access for grain and oilseed producers. Canada's work at the WTO needs to send a strong message that is fair to all commodities across Canada.

We applaud the government's move to increase the dollars available to producers under the new cash advance program. This increase certainly better reflects the reality of farm sizes in today's agricultural climate.

Another area of concern for corn producers is the increasing cost of providing service through our farms that are actually for the public good of all Canadians. Many of these environmental requirements add significant cost to farmers, with no reasonable expectation of return on that investment.

● (0850)

The federal government must increase the budget applied to these areas, and these dollars should not come out of the agricultural budget, as they provide benefits to all taxpayers.

It is also clear that any support for producers under these programs would be considered “green” under the WTO rules and would therefore provide a base level of support for producers, without fear of trade action. A good example of this type of program is alternative land use services, which now has a pilot project running in Manitoba. Others are to follow in P.E.I., Ontario, Saskatchewan, and Alberta. These areas benefit everyone and should be given increased consideration.

We also urge the federal government to move quickly to reach full pesticide harmonization with the U.S. on old, new, and generic products. This will also provide more options for our members at less cost. Currently, Manitoba corn farmers lag at least two years behind the rest of Canada when getting appropriate chemicals registered for corn in our area, as it must all be done through minor-use registration. Since there is little funding available for this type of research, our growers must bear the additional cost of getting these registrations approved under the minor-use system. Moving to full harmonization would remove these barriers and provide safer, quicker access for our producers.

Another area of current concern is the interruption of rail service in the country. The fact that we are now into the second interruption of the season speaks to the need for a long-term solution to this problem. This is a cost to our producers. One example of direct cost to our producers is the increased cost of fertilizer in the past several months. Although this increased cost is partially attributable to the increase in corn acres in the U.S., we have seen a significant rise, again, because of the rail interruptions. In fact, there is now concern that producers will not be able to get the fertilizer at any price, simply because not enough can be moved into the area because of the rail strike. This will also increase the number of trucks on the road as farmers attempt to access the fertilizer themselves. This is also an increased cost for all levels of government due to additional wear and tear on the highway system in western Canada.

Disruption of rail services also causes grave concern with respect to the international markets, as Canada can no longer be seen as a reliable supplier. This could cause a considerable loss of sales to countries overseas and, therefore, a corresponding loss of income for Canadian farmers.

These labour disputes, along with previous disruptions at the terminals on the west coast, have put Canada's reputation at stake, and the federal government needs to take a good look at declaring the whole system used to export grain an essential service. If this is not possible, there needs to be a support program put in place to compensate farmers for lost sales due to another issue over which we have absolutely no control.

In closing, we thank the committee for this opportunity to speak of our concerns and remind you that the best programs for farmers are the programs that are simple to use, can be managed by producers on their own farms, and provide a predictable level of income in years when farmers are affected by events that are beyond their control.

Thank you again for your time, and I would be pleased to answer any questions you might have.

● (0855)

The Chair: Thank you, Mr. Bartley.

Mr. Chorney, the floor is yours.

Mr. Brian Chorney (President, Manitoba Canola Growers Association): Thank you, Mr. Chairman, and good morning to you and to the members of the standing committee.

It's a pleasure to be here today to discuss business risk management. It is an important topic for canola growers, not only for growers in this province but also for growers across Canada.

I am representing the Manitoba canola growers, and I farm in East Selkirk, Manitoba. I would also like to point out that our organization is represented at the national level by the Canadian Canola Growers Association. Our position on business risk management provincially is consistent with the position nationally.

At a provincial level, the Manitoba Canola Growers Association represents approximately 10,000 growers within the province. MCGA's membership elects eight directors to govern the association. MCGA is a member organization committed to maximizing the net income for canola.

At the national level, the Canadian Canola Growers represents approximately 60,000 growers, which is about 95% of the canola growers across Canada. CCGA is governed by a board of directors of elected representatives from the provincial grower organizations. Our mission is to influence national issues, policies, and enhance the profitability of Canadian canola growers.

Production of canola in Manitoba is estimated at 1.8 million tonnes in 2006, up significantly from the 2005 production of 1.2 million tonnes. Canola is big business in Canada. Our 60,000 farmers who grow canola on their farms produce about 6 million to 7 million tonnes a year of production, and this continues to rise. For example, in 2005 Canadian farmers produced 9.6 million tonnes of canola.

The farm gate value of the canola, depending on the price, is about $2 billion to $2.5 billion. This can represent anywhere from one-third to one-half of an individual farmer's gross revenue in any given year. The canola industry also generates about $11 billion in economic activity annually.

With our industry partners, we recently announced a production target for 2015 of 15 million tonnes. We are expecting to achieve this through increased yields, oil content, and acreage. It should be noted that we are expecting the ratio of classic to designer canola to move from a 90-10 split to a 75-25 split.

The entire industry is concerned that transportation issues may limit these targets, but as a grower, two items drive what I grow on my farm. One is the expected returns per acre, and the other is risk assessments on each of the crops that I could grow.

As growers, we have communicated to the rest of the industry that the only way these targets can be met are through the proper pricing signals. What also needs to happen are proper risk management strategies.

This is just one crop and one part of the agriculture industry. When you consider all farms across all commodities, the latest statistics in 2005 showed farm receipts in Canada were just under $37 billion. Operating expenses and depreciation amounted to $35 billion that same year.

Today's farming is big business and it involves significant investment. It involves significant sink costs and variable costs. The bottom line is that the financial risks are very high. This is why getting effective policies on business risk management is critically important to our farmers.

As a canola grower, the major issues of risk in my business are production risks, price risks, and price-distorting and production-distorting practices of foreign government policies.

On the topic of production risks, I would like to point out that as a first line of defence, growers actively manage their production risks with good, sound agronomic practices. We rotate our crops. We fertilize. We rotate our chemicals. We scout our fields for insects and disease. We do everything we can to ensure that we can maximize the potential yield and quality. However, we are still susceptible to weather: frost, drought, heat, excess moisture. They can all take a toll on our production.

● (0900)

It is at this point that our production insurance plays a very important role, and it needs to continue to play an important role. Production insurance has served us well in the past; however, to ensure that it continues that it continues to effectively meet the needs of farmers going forward, it needs to keep current on prices and production levels.

There is a disturbing trend in production insurance: premiums continue to rise, and coverage levels continue to fall. This needs to be addressed to ensure our insurance programs remain a viable risk management tool for farmers.

One part of the solution that could be examined is that an adjustment could be made to the base program to account for the significant impact new seed technology is having on yields. This is very prevalent in canola. With new hybrid varieties delivering substantially higher yield potentials, the current 10-year averaging for determining insurable yield does not respond quickly enough to the new reality. Therefore yield coverage levels through production insurance will continue to lag unless something is done. We need some kind of innovation factor built into the base production insurance model so that it responds to and offsets the risks of today, not of days gone by.

The same issue arises on the price side. Specialty canola, which is expected to see significantly increased acreages, is an example of growing a higher-value specialty crop. However, farmers are not able to insure these crops at high enough values to fully offset their risk and potential loss opportunity. Also, in Manitoba it is not differentiated from classic canola within the crop insurance system; it should be noted that specialty canola is differentiated in Alberta and Saskatchewan.

A concept we are working on as canola growers is that of revenue insurance. This concept would build on the existing production insurance program and would create a combined price insurance/ production insurance model that would essentially offer farmers a new market-based revenue insurance product. We have studied the performance of this concept, and our research to date shows it could be an effective risk management tool for farmers.

We believe national market-based insurance programs should be used as a foundation to the federal BRM strategy. We should be looking very closely at price insurance, at revenue insurance, and maybe even at weather insurance. If designed appropriately, insurance models reflect true market signals. They allow farmers the flexibility to select premium and coverage-level options that fit their individual farming businesses. The downside risk and bottom-line coverages are known and bankable; payouts are quick and paid out in the year of need. These features of insurance are major shortcomings in the current CAIS program, as I am sure you've heard on numerous occasions.

Also related to risk management on the price side is a cash advance program. This has been a very effective program, and I'd like to thank the Government of Canada for recently expanding the dollar limit of this program and expanding it to other commodities as well.

We use this program to cash-flow our business while we market our grain. Without it we would be driven to market grain more for cash flow purposes, rather than focusing on maximizing returns from market prices, so this program is very useful for us.

Part of the success of the program is that it is effectively and efficiently demonstrated and delivered by grower groups. We would encourage the government to consider other programs that grower groups could administer on its behalf.

● (0905)

Another point I would like to make is that we really appreciate the government's recent announcements on renewable fuels, and biodiesel in particular. Thank you for that. It is always important to diversify our customer base as a way to lower our business risks. Once the biodiesel industry is up and running, canola growers will have a new domestic market to serve.

I'd also like to touch briefly on the third area of business risk I mentioned earlier, which is the trade distorting policies of foreign countries. It is a risk we cannot manage on our own, and I feel the negative impact on my farm.

Studies have been conducted that show the international marketplace is distorted by subsidies and tariffs. These are costing growers real dollars every single day. Estimates are that trade-distorting subsidies cost Canada's grains and oilseeds sector $1.3 billion, and tariffs and quotas are costing us about $1.2 billion every single year.

When you look at canola specifically, these distortions are costing us $800 million every year. We need you to fix this for us. To do this we need real and meaningful trade liberalization in all three pillars of the WTO negotiations: domestic support, export competition, and market access.

Bilateral trade agreements have their place, but they do not really address the trade-distorting domestic subsidy issues. We need Canada to be active on all fronts—WTO and bilaterals—to aggressively pursue trade liberalization for us as exporters. The current WTO rules are not acceptable.

Countries such as the U.S. and EU still have substantial room within the existing WTO agreement to increase trade distorting programs and policies. This will be an ongoing risk to the viability and competitiveness of the Canadian canola growers until a new and improved agreement is reached.

In closing, I would like to point out a very important linkage between the federal government programs for business risk management and international trade. Any program that is developed must be designed to minimize the risk of countervail actions by other countries. To do that, federal programs must be national in scope. They must be generally available and used by all, and they must not advantage one region or commodity over another. This is a fundamental principle that the Government of Canada has followed in the past, and we fully support the principle now and going forward in the future.

The concept of regional flexibility in a federally funded program quickly takes us down the path of a countervailable program. As a major export commodity, canola could easily be targeted for retaliatory measures should a trade dispute arise. We do not want to see a situation where we pay the price for countervailing action against a government program.

● (0910)

The Chair: Thank you, Mr. Chorney. Your time has expired.

Ms. Jones.

Ms. Tammy Jones (Executive Director, Manitoba Pulse Growers Association Inc.): Thank you.

I will provide a brief introduction, and then Lincoln Wolfe, our president, will provide his comments.

The Manitoba Pulse Growers Association is a producer-funded association representing producers of pulse crops including dry beans, peas, soybeans, lentils, chickpeas, and fava beans. The acreage of pulse crops peaked in 2002 with over 620,000 acres, and the five-year average is over 500,000 acres in the province. The major pulse crops grown in Manitoba continue to be dry edible beans, field peas, and soybeans.

On behalf of our association, the key areas of focus that we pursue include research, market development, and policy representation.

In the area of research, approximately 50% of our annual budget is provided for research activities, including areas of agronomics, pest management, breeding initiatives, and value-added opportunities. We continue to encourage the federal and provincial governments to support these essential activities.

In the area of market development and access, we have focused on bean markets in Cuba and Mexico, as well improving relations with the U.S., including participation in the NAFTA meetings.

On policy, MPGA has addressed various issues including production insurance, safety nets, trade, and other regulations that impact on the ability of pulse producers to produce their commodity.

As a final initiative, member relations is key, aimed at providing relevant information to producers about the activities of the association and how they may impact on farms.

Business risk management is a necessary part of production, although not one that producers prefer to rely on. Commodity prices are steadily declining in real terms over time, and this has recently been compounded by the strength of the Canadian dollar. Safety nets provide producers stability from highly variable commodity markets.

It's important to note that farmers across the globe have access to a series of different tools to manage risk. One of the options to consider is that Canadian producers need a similar set of tools as American producers, given our close proximity to our U.S. counterparts.

Production insurance is vital as a risk management strategy. The linkages between CAIS and production insurance must not penalize the farmer for utilizing production insurance, as was mentioned by other members here today. Price determination for coverage levels is also a concern. Inaccurate forecasting significantly impacts on coverage levels, but it also may have impact on seeding intention, which we would like to avoid.

Market development and safety nets have been working together to help build the industry. The market development Initiatives build a long-term strong industry, and safety nets provide the stability until the potential of market development can be realized. Safety nets provide stable supplies for processors, and dramatic swings in prices typically cause large shifts in supply, which could jeopardize the building of infrastructure for those processors.

Trade is critical in general for agriculture in Canada, but it is especially critical for pulse crops because we export 85% of our production. Canadian producers require freer, fairer, and open international trade for the long-term stability of the industry. Unilaterally reducing Canadian business risk management programs prior to other nations will definitely have a negative impact on Canadian agriculture.

● (0915)

Mr. Lincoln Wolfe (President, Manitoba Pulse Growers Association Inc.): Hello. My name is Lincoln Wolfe. I'm the chair of the Manitoba Pulse Growers Association. I'm a grower from the Portage la Prairie area, where we specialize in edible bean production. Business risk management is an important component of our operation, as it is for all other producers in the province.

We do not feel it would be beneficial to replace the CAIS program entirely, but we support intentions instead to transform CAIS to make business risk management simpler and more responsive. The concept of margin-based programming has been the basis of several risk management programs in the past. Continuing to overhaul the existing program to adjust to current needs is superior to developing a new program that farmers would have to re-learn.

CAIS is not working for many Canadian growers because of time delays on processing the claims and time delays on payment. Long-term declining reference margins are also a concern, as is the difficulty of predicting payments, if any, once a loss is incurred. The lack of bankability is also a concern.

A long-term solution must also be developed, one that is bankable, sustainable, and predictable, given the divergent needs of farmers across Canada. Provincial governments are very diverse in their ability and desire to support agriculture. The federal government should encourage their provincial counterparts to participate to the fullest extent. The federal government has the primary responsibility over farm income catastrophes, especially when due to trade policies in other countries of the world. This is not an area that has purely provincial jurisdiction.

Any program should take into account Canada's WTO position and the expected outcome of an eventual WTO agreement. Programming should be as trade-neutral as possible, given our reliance on exporting production.

The impact of low commodity prices and crop failures is only heightened when the cost of production is also rising. With little or no leverage over crop input suppliers, support payments could end up going through farmers' pockets directly to input and service providers. Consideration should be given to how programs can be structured to address that reality.

Payments should not based on calendar year or income taxes, but rather compatible to the individual farm's year-end. Decreasing complexity would reduce the administrative burden, including reducing paperwork for producers and the cost of hiring accountants.

Increased bankability for producers: producers need the assurance of predictable support programs when they go to their lending institutions.

Addressing declining reference margins: Reference margins have declined significantly in recent years due to consecutive difficult production years. The Olympic average currently utilized is too limited to completely assess the profitability of a farm, and a more comprehensive approach should be utilized for assessing relevant reference margins.

Assessing structure changes based on land base alone is not reflective of other input costs, such as labour costs. The future of agriculture depends on making sure that there is a return to farmers' bottom line before pursuing opportunity. We need to continue support of research for the public good, including research in the area of genetics, breeding, and agronomics to enhance the potential for value-added opportunities. We need a business risk management program that works to ensure the industry will be sustainable.

Transportation is a serious concern for producers. It continues to be an area of concern to producers. Interruption of rail service and inadequate levels of service are reducing the ability of producers to service export markets and jeopardizing any market development and trade opportunities.

● (0920)

Without assurances that rail services will be improved, there is significant doubt that Canada's reputation regarding servicing markets will continue to degrade and will negatively impact on our ability to export. Rail service should be considered an essential service, or some of our support programs should compensate producers for the inability to market their product due to transportation.

Turning to minor use and pesticide harmonization, the accomplishments of our minor-use program and the minor-use research initiatives as well as the risk-reduction program are beneficial to producers and to the general public, making this an area that should continue to be publicly funded. The activities of the PMRA are important and should be continued. We are optimistic that the outputs and activities of the PMRA have a future in meeting the pest-management needs of Canadian growers, registering new chemicals, improving access to existing products, and moving towards the ultimate goal of NAFTA labelling for pesticides.

Regarding the environment, renewable fuels are an opportunity that pulse crops are uniquely positioned to provide benefits in, based on the suitability of the feedstock and the added benefit of their nitrogen-fixing ability.

Pulses are well positioned as a nutritious food source with significant health benefits. Public health cost could be reduced by encouraging growth in the production of functional foods and nutraceuticals with research funding provided for the processing and for enhancing the ability to produce healthy foods and their health-related properties.

Thank you very much.

The Chair: Thank you.

I think we'll stick with the practice of five-minute rounds. I hope everybody is in agreement with that.

With that, I will pick it up with Mr. Steckle.

Mr. Paul Steckle (Huron—Bruce, Lib.): First of all, let me welcome you to the meeting here this morning. I know that we're in James's riding, and we're pleased to be here. It's my first time to Gimli, and I'm impressed with the ice. We know now that he comes from the northern part of the hemisphere.

Anyhow, I just want to dwell on a number of issues that I think are important to help us as we move forward in our APF deliberations, and as we look at the risk management concept, whatever model that might be.

To you, Bob, first of all, do you grow pumpkins bigger than 1,400 pounds? If you do, I'll concede the title to you.

Mr. Bob Bartley: Fourteen hundred?

Mr. Paul Steckle: Fourteen hundred. Port Elgin still holds and reigns, I think, as the Canadian champion, and that's my riding. Anyhow, you and I are in the pumpkin business on a part-time basis.

Brian, you raised a number of issues, as well as you, Bob, and the others as well. But there are two issues I want to talk about. One is the issue of the crop insurance or production insurance, which is something the various groups that have met before us have universally endorsed as a positive program. I think we need to work from the positive side, work with programs that are working for us and see how we can improve them. But I see a shortfall, or at least the argument seems to be made that on the crop insurance side, because of the increased yields being incurred, because of research that has taken place, and the fact that sometimes in succeeding years using the insurance program our numbers come down, we fail to realize what we should realize for our crop insurance. So I think there's some work that could be done there.

Would you agree that the crop insurance program is a program we need to continue to work on improving?

The other part of the question there would be, is there sufficient research being done, particularly in canola? I know the argument has been made that corn gets the lion's share of the research dollars because of the yield increase that we've seen there. Is the same thing happening in canola? That's the first part of my question.

The latter part would be in regard to the model that has been put forward by Quebec and Ontario, in terms of being self-directed, where farmers would choose the value of the crop that they would see as a bottom line for a return on their cost of production. Would you see that as a model that might be worked on and improved upon?

I think, Brian, you may have spoken a little to that; I felt you were touching on that. Is that the model you were talking about, or is it something you would look at, where farmers take responsibility, whether there would be three parties involved—a tripartite investment: farmers; the province, in this case; and the federal government? I think it would be a concept that I would find very interesting.

● (0925)

The Chair: I'll ask all witnesses to keep their comments brief and to the point.

Who wants to go first?

Mr. Bartley.

Mr. Bob Bartley: With crop insurance on corn in Manitoba, we have the luxury of individual coverage, so every farm has its own yield. Our problem is with the prices that are multiplied by that yield and how those prices are arrived at. Quite often they do not reflect actual market values. I think we have to work together to come up with more accurate pricing, and maybe adjustments later on.

The Chair: Brian.

Mr. Brian Chorney: One of the things from the crop insurance side is that it's a bankable program. It's very good, when you go to your financial institution, to try to move and put a crop into the ground. I agree with you that it is a very important program from a production perspective.

There are a couple of things I want to mention, though. One is consistency within the canola industry. We're trying to grow more specialty canolas because of transfat issues and we're having a difficult time getting consistent crop insurance programs throughout the provinces. Consistency would ensure that the production opportunities are there for all growers.

Another thing I'd like to touch on is the ten-year averaging that they use. With hybrid technology and the increasing yields in some of the new canola varieties, that is a long lag period to look at these increases in yield. Farmers had a hard time seeing that yield ten years ago compared to what some of the technology allows them to do in current production practices.

Those are the three points I wanted to make.

Mr. Paul Steckle: I'm not sure I've heard anyone specifically say that on the production side—The model that was put forward had the option for a corn producer—for example, he could choose a premium at the $3 level, at the $3.50 level, at the $4 level. Canola would be different. It could be $7, $8, $9, or whatever; I'm not here to determine the dollars. I mean, it's hard to make money in insurance. They're there to cover your losses.

You're going to buy the premium that you feel best suits your needs. I think that's putting the onus back on the farmer. You know it's bankable. You can go to the bank with that commitment. You'll get the money and you can borrow on that. So this is a bankable program—all the way through. I'm wondering why more people haven't come forward to say that this is where they want to go. That would take care of some of the costs of trade disorders, where the price is higher. You're covering your costs.

We can't anticipate what the prices might be. We're not going to bring you up to a level that might be much higher than Canadian levels, because the Americans have a bigger treasury than we do. That's not what this is all about. I think you need to take some responsibility, as farmers, where you want to see yourself at the end of the year.

● (0930)

The Chair: Mr. Steckle, your time has expired. Ms. Jones wants to get in.

Very brief comments, please. Tammy first, then Bob.

Ms. Tammy Jones: Thank you.

We have been very concerned about price determination in the area of crop insurance. The way we think we could address that issue in Manitoba is similar to the Saskatchewan contract insurance for IP canola. A producer comes to production insurance staff with their contract and says, "This is the price we're guaranteed. Regardless of the price discovery mechanism that has already being employed, here's what we're contracting our production for, and this is what we think is reasonable." You would then use the average of those two estimates to at least provide some assurance that the producer is getting a realistic coverage level. That's something we've asked Crop Insurance Manitoba to pursue. We think it may have opportunities for other areas of production in Manitoba, other than just pulse crops.

The Chair: Mr. Bartley, very, very quickly.

Mr. Bob Bartley: The market doesn't guarantee that they would cover our expenses and neither does crop insurance.

The Chair: For those of you who require translation services, you have translation equipment in front of you.

[*Translation*]

Monsieur Gaudet, you have five minutes.

Mr. Roger Gaudet (Montcalm, BQ): Thank you, Mr. Chair. I am very happy to be in your area.

My question is to Mr. Kuhl. The case of potato contamination last year in Saint-Amable shows how difficult it is to get compensation from the government.

Could you describe to the committee a model of compensation in the case of a disease or infestation relating to potatoes? I would like to have you opinion on this matter. I am talking about a straightforward model, not one involving endless applications.

[*English*]

The Chair: Mr. Kuhl.

Mr. Keith Kuhl: Thank you for the question.

It's very difficult to come up with a model without first of all sitting down together with government to dialogue. At this point, what our request has been is to initiate the dialogue between producers and government.

Part of the problem, as you certainly saw in the Saint-Amable area in Quebec during this past summer, is that the discovery of nematodes on the farm can cause huge devastation. The devastation is not only on that specific farm, it's also much broader than that. The devastation is provincial. It's not only commodity-specific, not only on the potato crop, it's also on any crop that would be transported with soil, typically, such as nursery product.

The production of potatoes on the farms that were found positive for nematodes is, in our opinion, finished. Those farms will no longer be producing potatoes. The investment that these farms have placed into equipment, storage, washing and packing facilities, transportation facilities, and land is all at risk. From a financial aspect, the ability for those farms to continue, to be able to go to the bank and find alternate ways to use their land, is extremely scary at this point.

We don't have a total concept, but because it's a quarantinable pest, similar to BSE or avian flu, we feel there needs to be an agreement in place to ensure that we can continue to work towards the eradication of the pest. At the same time, we are in dialogue with our counterparts. The National Potato Council in the U.S. is currently in harmony with the Canadian industry and working with their government to try to get a similar compensation package within the U.S.

● (0935)

[*Translation*]

Mr. Roger Gaudet: Thank you, but you did not give me a model of compensation. Producers who had the misfortune to find out that their potato crop was affected by this sickness or infestation need help to start a new production because they had invested everything they had in the lost crop. I thought you would be able to suggest a solution. Talks are presently ongoing with the government and we have no solution. I am like other members here. We are being presented with a shopping list but actually there is no answer. I would like you to suggest a couple of solutions to help producers of corn, pulse, canola or whatever. I would like to have answers for each crop. You are presenting us with a shopping list and the government has to choose in this list a solution to help farmers produce a crop, rather than the farmers themselves deciding on what to produce. Government can help in some cases, but I want to have your opinion on this matter.

[*English*]

The Chair: Mr. Kuhl.

Mr. Keith Kuhl: Again, we're certainly very open to dialogue and to working together with the government to try to find the solutions. There are solutions under the Health of Animals Act for cases of BSE, avian flu, etc., that we can probably utilize and model against. But as an industry, the find this summer in Quebec is certainly what has initiated the current discussion with the government on compensation for plant health. We do not have a model in place at this point. We have requested to initiate discussions with government to allow us to jointly create that model. Certainly what government wants is for us to develop a model, then come back to them with that model. We would be willing to do that.

[*Translation*]

The Chair: Thank you very much, Monsieur Gaudet.

[*English*]

Just to follow up on what Mr. Gaudet was saying, have you had any conversations with the department about having a plant health act, perhaps similar to the animal health act?

Mr. Keith Kuhl: No, and again, we just came out of our annual meeting. We had initial discussions with CFIA to indicate to them that we want to open the discussions on this. However, it seems we're constantly in the position of putting out fires. With the current round of testing we've just completed with CFIA in order to ensure that we can continue export of seed potatoes, basically all of our time has been consumed just trying to ensure that we coordinate that together with government.

To our mind, the concept of compensation is something that takes more time. We have to deal with the issues of today immediately. We will continue dialoguing and working with government on this one.

The Chair: Thank you.

Mr. Miller, you're on.

Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC): Thank you, Mr. Chairman. And it is very nice to be in your riding. It's a nice spot here.

Thanks, ladies and gentlemen, for being here today.

We've heard a lot of good comments and suggestions, with some new questions created, in the different provinces we've been in this week. I want to touch on a couple of the questions or points that were brought up in other provinces.

First, on PMRA and own use imports, somebody suggested—I don't whether it was yesterday in Saskatchewan or in Alberta the day before—that the own-use import, although a good thing, should be expanded to allow a small agribusiness in some of the small communities to have access under that. I'm not sure what the details or complications would be there, but I'd like to hear some comments on that, maybe from all of you.

As well, you talked about research, Tammy, and I believe you said you spent about 20% of your overall budget. Is that the correct number?

Ms. Tammy Jones: It's 50%.

Mr. Larry Miller: Oh, I'm sorry. That's my farmer's hearing, I guess.

How does that spending compare with what the province and the feds put in? What improvements could we put in that range?

A couple of you touched on crop insurance. We had it suggested to us on one of the previous days that because of the differences in the provincial programs, some unfairness has been created, and there should be a national program. Another question that goes along with that is should crop insurance be mandatory?

I'll throw those questions out. It doesn't really matter who starts off.

● (0940)

The Chair: Ms. Jones.

Ms. Tammy Jones: That's a lot of questions to answer in a very short amount of time.

Mr. Larry Miller: I realize that.

Ms. Tammy Jones: In the area of own use imports and grower requested own use, we are supportive of pursuing the ultimate goal of NAFTA labelling where there's no need for people to be transporting chemicals across a border that is a figment of people's imaginations. We'd like to see harmonization there. If the way to do that, as Pulse Canada and other national associations have suggested in the OUI task force, is to pursue GROU instead of OUI at this point in time, then we're supportive of that. Again, the ultimate goal is NAFTA labelling and all producers having equal access to the chemicals they need for producing a crop.

With regard to research, we provide 50% of our funding to research. If we grew more pulse crops, based on the fact that we're at a 0.5% levy deduction, we would be able to provide more. At present, it ranges between $175,000 and $250,000 a year that we provide to research in Manitoba.

Certainly that's not anywhere comparable to what the province or the federal government provides in their budgeting, but we feel it's an indication of priorities—to provide signals to other areas in order to ensure that the necessary requirements are being done, including basic research in genetics and agronomics; to ensure that the crop can be produced so that there is an opportunity for value-added opportunities in Canada and in Manitoba; and to ensure that those other industries flourish based on the fact that we're providing a good basis for that.

In the area of production insurance, it has been very positive for producers to have production insurance. As I mentioned, we think price determination is an issue still. We don't disagree with linkages with CAIS. We think that makes sense as long as you're not double paying, or not having those types of issues arise as far as indicating participation in CAIS, and you're buying production insurance coverage.

The Chair: Mr. Chorney.

Mr. Brian Chorney: On the OUI, the Manitoba Canola Growers does support the position of the OUI task force to move forward with the GROU program using the OUI as an on-the-shelf, ready-to-go type of option if the GROU program is proving not to be successful. Long term, we'd like to see harmonization with what is happening on the U.S. side of the border.

On the crop insurance side, talking about mandatory crop insurance, I think as producers you want to be able to pick and choose what levels you want, and these sorts of things. I don't think we would want to see that mandatory, but if a farmer chooses not to take crop insurance and he has a disaster, it should be his responsibility to address those issues. If you make that decision, you have to live with that decision. I think that's the way I would look at that.

The Chair: Thank you.

Mr. Atamanenko.

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

I have a lot of questions. I wish I had that original seven minutes, although I'll try to make do.

The first question I have is with regard to subsidies and trade. All of you have addressed this issue. Mr. Bartley mentioned foreign subsidies injury. We talked of dispute resolution, Mr. Kuhl, and we talked about the WTO.

In British Columbia, we heard from the B.C. Fruit Growers' Association, who initially came out with a statement with regard to dumping of Washington State apples, saying they would like to have a rapid response tariff mechanism in place that if apples were dumped today then something would kick in tomorrow, rather than going through this dispute resolution, which takes time, and by the time it's finished it's too late.

Recently they've come out with the idea of minimum pricing. In other words, instead of having some kind of dispute or tariffs, there is a minimum price for any apples that come into Canada. They would have to get that minimum price. Would you see that as an answer for corn, for example, where heavily subsidized American corn wouldn't be dumped in Canada by a price lower than production? That's the first question.

The other question is with regard to WTO and the whole idea of getting more markets and liberalizing trade. Yet at the same time, our government has committed to protecting supply management and we have other state enterprises, such as the Wheat Board, which other countries would like us to disband, the same as the supply management. How do we protect what we have and at the same time get more markets?

The other question is on rail. Are you experiencing difficulties apart from the strike?

And soy, can we get more value added in soy? Although we export 85% soy, we import soy to make soy drinks; these drinks are then Canadian, which touches on that labelling or content issue we talked about earlier.

Can you answer all those questions, please?

● (0945)

The Chair: In two minutes or less, for all of you.

Mr. Alex Atamanenko: Give us some answers.

The Chair: Who would like to start?

Mr. Bartley.

Mr. Bob Bartley: I don't think minimum pricing is the way to go.

I'd like to see the government go the way of a WTO deal and untie the hands of Steve Verheul so that he can participate in the negotiations to end all the trade-distorting subsidies, or substantial reductions in trade-distorting subsidies, from foreign countries. I think that's where we have to start. Minimum pricing at the border is a band-aid.

The Chair: Mr. Chorney.

Mr. Brian Chorney: I'd like to address your question on transportation.

From the canola growers' side, yes, a strike is one issue. Getting canola over the Rockies can be a weather concern at times, and service from the railways has not been great. Our concern is that currently we are looking at the export of about 5 million metric tonnes. If you look at the projections for 2015, we want to grow that by 50%, to about 7.5 million metric tonnes. If we can't do 5 million metric tonnes, how are we going to do 7.5 million metric tonnes?

Mr. Alex Atamanenko: Would anybody else like to comment? Go ahead, Mr. Kuhl.

Mr. Keith Kuhl: Our feeling is that if we wanted to look at something like minimum pricing internationally, we would probably also want to look at it interprovincially, so that we'd be re applying the same rules within the country as we're applying at our borders. I'm not convinced it would be the answer to the problems, though.

Mr. Alex Atamanenko: Is there a comment from our pulse people?

Mr. Lincoln Wolfe: In the field of subsidy and trade, I know our U.S. counterparts are doing a lot of bilateral trade agreements while there is WTO lack of agreement. I believe we need to pursue bilateral trade agreements in the meantime as well, while we're hopefully bringing a WTO agreement together that will reduce trade tariffs and subsidies.

Mr. Alex Atamanenko: Do you have any comments, Ms. Jones?

Ms. Tammy Jones: There were two things you asked about. One was was the rail situation. Transportation is of primary importance to our producers, not only in servicing those export markets, but also in providing inputs back in. I think fertilizer was one that corn provided. There are significant issues there, as well as rail line abandonment within provinces, which eventually means that you're reducing rural jobs, which is a concern for everybody. I think human resources is another area that agriculture is intensely concerned with.

In the area of soy, we need the development of more infrastructure in Canada, more processing industry. One of the areas that seems to be a major concern when you talk to the food industry is nutrition labelling and the differences between the Canadian system and the U.S. system in the area of health claims and that sort of thing. It seems relatively easy in the U.S. to be able to promote those types of advantages, and much more stringent in Canada.

● (0950)

The Chair: Thank you. Thank you for your time.

Mr. Easter is next.

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

Thank you all for the very good presentations.

My first question is on production insurance. We've heard a fair bit about production insurance. I believe it was Lincoln who mentioned building innovation factors into production insurance. What we're hearing is that with new varieties, new technologies, and so on, the potential yield rate, etc., doesn't keep up with the times, so to speak. We'd like to hear from anybody who has some comments on that. That should be possible to deal with.

On the phytosanitary side, Keith, there's no question that phytosanitary has been used by other countries around the world as a non-trade tariff barrier. We're still seeing it with BSE in the over-30-month cattle as a non-trade tariff. They're not a phytosanitary, but they're using that as an excuse. We see it in potatoes occasionally in my neck of the woods—potato wart, PVYn .

Is there any sense in basically breaking the country into at least two regions, or maybe more, in order to protect segments of the country from those trade retaliation actions, especially by the Americans, when an incident occurs? We're a huge country; with two potato fields in P.E.I., the country was shut down for five or six days in terms of trade, and it's the same anywhere else in the country. Another example is the Alberta cattle.

My third question is on the disaster assistance pillar that's been talked about for the government to top NISA with, or to top the CAIS. Should we be including as a category in that not just drought, flood, etc., but also foreign subsidies and foreign trade matters, rather than always looking to ad hoc funding?

The Chair: Go ahead, Mr. Kuhl.

Mr. Keith Kuhl: Thank you, Mr. Easter.

I think one of the biggest benefits that we, as a Canadian industry, have is the effort we have put into a very close working relationship with our U.S. counterparts. We appreciate the efforts of the Canadian government in their government-to-government efforts on the same issue.

In many respects we already have divided the country in two. On so many issues we already have a western philosophy and an eastern philosophy. The Canadian Wheat Board is a prime example, and I won't speak in favour of or against that.

On the issues of phytosanitary, it seems that our trading partners very often divide us into ten different sections—they divide us provincially. That certainly happened this summer with the nematode find in Quebec. The Quebec industry was immediately isolated and cut off from export into the U.S.

I'm not sure that dividing the country into two segments is the answer there. I think that it's continued dialogue to ensure we have the right solutions. On some of them it might be a dialogue on whether we want to maintain a pest as a quarantine pest or do we want to move it into a management plan. That's what we've done with the potato wart. There's a potato wart management plan. It's one that's reviewed annually between Canada and the U.S., both by government and by industry, to ensure that everybody is satisfied with the compliance in that. Again, on other pests we need to take the same approach. Dialogue is often the best first defence.

The Chair: Mr. Wolfe and then Mr. Chorney.

Mr. Lincoln Wolfe: On the disaster assistance we believe that trade-distorting factors should be included in the disaster assistance. For instance, MRL concerns for non-tariff trade barriers should be part of disaster assistance.

● (0955)

The Chair: Mr. Chorney.

Mr. Brian Chorney: On the crop insurance question, Mr. Easter, the ten-year average is a very long average. Looking at reducing that or making it an Olympic average may be part of the solution, but looking at it to take it to a seven-year or five-year timeframe would be helpful.

Hon. Wayne Easter: And for corn, where it's individual farms, that makes sense.

The Chair: Your time has expired, Mr. Easter.

Is there a quick response on corn?

Mr. Bob Bartley: In Manitoba we've had our share of failures. I'm not sure, but certainly if you shorten that to five years you'll have a lot more variation in your yields, in your coverage levels.

The Chair: Mr. Anderson, the floor is yours.

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

Thank you for welcoming us here today. It's great to be here.

I want to come back to this crop insurance. I've always been a producer and thought that production or crop insurance is a good way for the government to support agriculture because it gives them stability. If the programs run properly people really have an idea of what they can protect themselves from and towards.

I've talked to people in the past who have come up with some different ideas about how to make it stronger. Have any of your organizations considered talking about an interprovincial crop insurance program that would make it bigger and would then give it more stability and more financial viability?

To extend that further, we've also had people who have asked if we should be looking at doing something with private companies or extending it even beyond the borders of our country so that there's a big enough coverage area here that we have greater protection.

The Chair: Mr. Kuhl.

Mr. Keith Kuhl: Certainly, within certain commodities such as horticulture, I think it probably makes sense to look at things nationally.

One of the problems we have within the Canadian Horticultural Council is that crop insurance is not offered for all the crops. There's a huge variation in how crop insurance is offered between provinces, which, as I indicated, creates disparity between a producer in one province versus one in another province. With potatoes specifically, and more specifically within seed potatoes, over the last number of years we've been working with the government on an insurance program for bacterial ring rot, which is one of the most devastating issues within the seed potato industry. We've been trying to find a solution to the losses that are incurred there, and we're looking at that one nationally.

Again, we run into the fact that some provinces actually have seed potatoes included in their crop insurance and others don't. The variation in how provincial crop insurance agencies view a crop such as seed potatoes makes it very difficult to come up with a national program that would equally address provinces from across the country.

Looking at things on a national basis, if we were going to do that, we would probably need to have the ability to do that on the whole commodity.

The Chair: Mr. Bartley, and then Mr. Chorney.

Mr. Bob Bartley: As the Manitoba Corn Growers Association goes, we're pretty happy with the way the Manitoba crop insurance is running, other than the price discovery. If we were going to go with another province, say Saskatchewan, it doesn't grow very much corn, and Ontario's corn is quite a ways from us. So I just don't know how it would work that well for us.

It's just the tweaking in the prices that we need the adjustment on.

The Chair: Brian.

Mr. Brian Chorney: From the Manitoba Canola Growers' perspective, we have not investigated pooling crop insurance with the other provinces. A broader coverage would maybe reduce the risk overall for the insurer—the Manitoba crop insurance or similar organizations in the other provinces. It would be something possibly worth investigating.

The Chair: Ms. Jones.

Ms. Tammy Jones: For the same reason that we've lobbied very effectively as a nation to have three dry edible bean breeders in Canada to support various types of production for dry beans—whether it's irrigated in Alberta, whether it's dry land in Manitoba in a short season, or whether it's long season in Ontario—I think we would find the same challenges if we were to try to make an interprovincial crop insurance system, just because of the production differences. It would be the same concern if private companies were in there. I think there's less likelihood that you're going to see a level playing field or equal opportunity for everyone. Certainly for some it may benefit, but for others it may lose.

I don't think we want to go into that uncertain, uncharted area at this point in time as a pulse grower association.

● (1000)

The Chair: Mr. Wolfe.

Mr. Lincoln Wolfe: Mr. Steckle brought up the idea of each operation discovering a price level that's reasonable for their production for certain operations. For instance, our operation specializes in large, high-quality, coloured beans, and what a fair price is on particular edible beans in any given year can differ substantially from the price discovery that has come from Agriculture Canada's current price discovery determination.

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

To follow up on what David was saying on interprovincial, the one issue that has come up in some of the other provinces is that crop insurance is different in every province. Even though it's a tripartite program, and the federal government participates in the premiums and payouts and the administration, should there not be more of a national standard in what crops are covered and the levels they're covered at? I'm just wondering—yes or no?

Ms. Tammy Jones: I think with my reference earlier to the contract insurance that's happening in Saskatchewan, the grass is always greener on the other side, and you always look at opportunities that other provinces are providing to you. In that respect, as long as you're individualizing coverage based on differences in regions as far as production goes, maybe standardizing some of the options as to what kind of coverage can be provided to producers would be helpful.

The Chair: Thank you.

Keith.

Mr. Keith Kuhl: Certainly for many parts of horticulture it would be a great advantage to look at that. One of the fears that you will find within Canada—and again, it's a divide between eastern and western Canada—is the fear that if we go to a total national program, it is going to be largely geared for eastern Canada. That is not to say that people are biased, but it is a sheer numbers game. We would want to try to find a way to ensure there was fairness for all.

The Chair: Mr. Chorney, and then Mr. Bartley.

Mr. Brian Chorney: As I said, it is worth investigating. One of the challenges that may arise, because it's a cost-shared program with the provinces, is that richer provinces might be able to support a program more than others. That's what we're seeing in the regional disparity right now. If we could equalize that, it would be good for canola growers across the growing area.

The Chair: Mr. Bartley.

Mr. Bob Bartley: Manitoba may have a premier crop insurance program in place already. Maybe we are on the other side of the fence already.

The Chair: Participation rates actually prove that out, that we have the highest participation rates, definitely in western Canada.

Mr. Hubbard.

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

It seems that a reduction in crop insurance is one of the main themes we hear as we cross the country, and that most groups are strongly in favour of a good program, or what might be a better program.

When we go from province to province, we look at the information we have on farm cash receipts and so forth, and we have heard of many programs this morning, and we hear the same in every area. But the basic fact is that in terms of most provinces, if there weren't governmental programs, most farms, as a whole, wouldn't be making any money. In fact, the real net cash receipts for farmers generally pretty well balance out with what government has put in. It is rather a peculiar enterprise that we're into. Really, the groups that benefit the most from all your activities probably are the people who supply you with the inputs and work with the outputs from your industry.

In terms of futures, we haven't heard much on that, Mr. Chair. For many of your crops, most of you are buying, for example, fertilizer you pegged in hopefully some months ago and you know you're going to get your fertilizer when you need it, but you went in at a quantity and a price that I hope is good for you. In terms of your planting, whether that be potatoes or other crops, can you sell your product? Mr. Chair, we hear some areas say “Get the government out of our face. We don't want the government involved with the sale of our commodity.” In fact, I've been to farming areas in Ontario where there are signs saying “Keep government people out”. But government has to be in if we want to have a successful agricultural industry.

With futures, what role would it play, or could it play, in terms of your success in your industry? If you're planting corn, what price can you expect next September for your corn? Are you involved with that as managers of your operations and looking after your groups? Are you building a future into what you can expect for the quantity you can produce, and only have governments worry about insurance?

Brian.

● (1005)

Mr. Brian Chorney: I will speak on that personally first and then for our organization.

If I look at this particular crop year, I would estimate that 40% of my production is marketed using futures already, before I plant it. I have pegged in some good prices because of some rallies that happened over the winter season. So yes, I do use them. From the canola growers' perspective, it's something that growers check every day, and during the trading day it is hourly. We are very much tied to what the markets are doing for current and new crops.

Hon. Charles Hubbard: And for potatoes? I'm sure that some of the plants are looking for how many potatoes you're going to have in August. Do you know how much per pound you're going to get?

Mr. Keith Kuhl: Certainly within the community a large portion of the production is protected by contract and the contractual agreements between a producer and the processor to purchase the product.

On the commodity input side, one of the risks that many agricultural producers take at this point is—Take, for example, fertilizer, because many producers will rely on the person from whom they're purchasing the fertilizer to apply that fertilizer on their fields in various blends. But in order to protect themselves, they've probably pre-purchased that fertilizer. So depending on the size of the farm, they'll have anywhere from $50,000 to $500,000 tied up in somebody else's investment; it's not physically on their property.

One of the things we do need to look at is how we ensure that as we purchase inputs like those, we can provide assurance that we will actually receive them, because there's a huge trust relationship within the industry at this point.

The Chair: Mr. Wolfe wants in.

Mr. Lincoln Wolfe: In the Pulse Growers Association, as well as in my personal operation, there is a lot of forward contracting. With edible beans, as well as with soybeans, there are futures and options and calls and stuff. So there is a lot of that done for price determination, as long as there are act-of-God clauses in them. That is a concern for the percentage of production that is forward-priced, in case of a disaster, when we can't provide the physicals to the end-users. That is always a concern for both the producer and the processor or the end-users.

You spoke about the focus on production insurance. We truly believe that CAIS is an important part of business risk management, if we could just tweak it a little bit to make the processing of claims a little more timely and a little more predictable and bankable. We feel that it would be a positive program if we could do that.

● (1010)

The Chair: Thank you, Mr. Hubbard.

Just to follow up on that, though, Mr. Wolfe, there has been some tweaking of CAIS in the last year, and now we're talking, in the APF consultations, about a 15% top-up, a NISA-style savings account. Does that sound like the way we should be going? Does it make sense?

Mr. Lincoln Wolfe: Yes, I believe that tweaking NISA is a positive move. We're just hoping that it's not moving focus away from the CAIS perspective, which is disasters, and putting excessive weight on NISA. We certainly agree with the NISA portion of it, as well.

The Chair: Do the rest of you feel the same way? Is the way it seems to be evolving—with disaster assistance on this side and a margin-based program with a producer's savings account on top for the top 15%—the right approach?

Mr. Bartley.

Mr. Bob Bartley: I haven't seen any details on it.

The Chair: It's being promoted by CFIA and some of the other organizations.

Hon. Wayne Easter: We haven't seen details from the government.

The Chair: No, no. We haven't seen any details from government. It's one of the things that's been talked about at the APF consultations.

Mr. Bob Bartley: In grains and oilseeds, the margin-based programs just haven't been working.

The Chair: They haven't worked at all, no.

Mr. Bob Bartley: There's been a steady decline there.

The Chair: Mr. Chorney.

Mr. Brian Chorney: Yes, I think the move to the NISA-type top-up is positive. The challenge with the CAIS program has been, and I think will continue to be, how bankable it is. That's something that, hopefully, we can address in the future.

The Chair: Mr. Kuhl, about margin-based and NISA—

Mr. Keith Kuhl: Certainly if you went to having it partially NISA-based, that would be bankable. One of the things that happened in the past was that the accounting services forced us to add the NISA accounts to our balance sheets, which was a good thing.

I am always perplexed about why we see savings accounts as a good thing, when many of us are operating with operating lines of credit, as well. So if we're going to do something, I would hope it would be set up in such a way so we didn't have a savings account, on which we're getting 3% or 4%, as opposed to a line of credit, on which we're paying 6% or 7%.

The Chair: One question that I'm surprised didn't come up today, since we have the canola and corn growers sitting here and the green growers, is biofuels. We talked a little about that, but not in any hard questions. Are we seeing activity here in Manitoba that's going to be beneficial to producers so that they're going to be able to participate in the production of biofuels?

Mr. Bob Bartley: Biofuels in Manitoba as far as ethanol goes are wheat-based, so we're—

The Chair: You aren't seeing any corn going into that process at all?

Mr. Bob Bartley: There may be some poor-quality corn going in there, but I guess our benefit will be from the amount of corn that's eaten up in the States.

The Chair: Right.

Okay, Mr. Chorney.

Mr. Brian Chorney: The announcement that was made in the budget was very positive. There are a number of projects that have been on the books waiting for some positive direction from a policy perspective, and I think the announcement in the budget has definitely helped that.

I think one piece of the puzzle that we're still waiting for is the capital formation assistance programs and the details of how that's going to roll out so that producer participation can move forward. So we're looking for those details.

The Chair: Ms. Jones.

Ms. Tammy Jones: I think renewable fuels have provided optimism to parts of the industry. For instance, in Hartney, there's Clean Country Resources looking at a barley and pea mixture as their way of producing ethanol. There are some concerns in incenting particular feedstocks over others. With biodiesel, it's the iodine value and how that impacts on whether soybeans are included as a version of a feedstock or not. Obviously the cost of the feedstock will be more relevant than an iodine value.

In general, we're hoping that all commodities are equally incented. I think it will provide a really positive choice for consumers to be able to have that option, which is a made-in-Canada solution rather than something that comes from the U.S.

I've just been reminded that mandating as an incentive is an important part of that. So we would encourage it to happen. We think it's positive for primary production as a value-added opportunity, and we just hope that there's a level playing field for all feedstocks out there.

● (1015)

The Chair: A short follow-up, Mr. Chorney.

Mr. Brian Chorney: On the mandate side, we really would like to see the 2% for biodiesel at 2010, instead of 2012. We're looking forward to being able to provide the test results to allow the government to move on that.

The Chair: I want to thank all of you for taking time out of your busy schedules to present to the committee today. It's helped us come up with our own report that we'll take back to the House of Commons. As we continue on with our study and hear from all points in the regions, it's important that you have your input in that. So we appreciate that very much.

We are going to suspend. It gives us a chance to clear the witness table. I will ask the next group of witnesses to come to the table for 10:30.

For those members who need to check out of the hotel, I would recommend that you do it now if you haven't already done it.

●

(Pause)

●

● (1030)

The Chair: I call this meeting back to order and welcome to the table Andrew Dickson, general manager of the Manitoba Pork Council; Neil Hamilton, CEO of Manitoba Agricultural Services Corporation, which includes production insurance; Martin Unrau, president of the Manitoba Cattle Producers Association; and Dennis Kaprawy and Roy Eyjolfson, from Bifrost Bio-Blends.

We will start off with opening comments of ten minutes or less per group. We'll kick it off with you, Mr. Dickson.

Mr. Andrew Dickson (General Manager, Manitoba Pork Council): I apologize for not having any notes. Essentially I'm going to work through some messages that the Canadian Pork Council has already provided to you, and put some of it into a Manitoba context.

I'm the general manager of the Manitoba Pork Council. We have 1,400 members and a mandatory levy. We're not a marketing board and don't do any marketing. I want to emphasize that, because some people get confused. We produce nine million pigs in Manitoba, of which five million are finished pigs that go through the various processing companies. We produce four million weanlings, the bulk of which are shipped to the United States. We're the largest hog producing province in Canada by the number of pigs that hit the ground. Unfortunately we don't finish all our pigs, like they do in Ontario and Quebec.

For us it's really important to have another review of the agricultural policy framework. I know there's been a lot of discussion about crop insurance and so forth this morning, but we would like to broaden it and bring a few other topics into that discussion.

Competitiveness is a key issue for us. We feel it's really important that be brought to mind when you are in deliberations on developing new policies for the agricultural industry. Just to give you an illustration, the Canadian dollar has had a major impact on us as a hog finishing industry. It has probably knocked $20 to $30 per pig off the profitability of finishing pigs here in Manitoba.

Labour is becoming an issue. We are pleased that the federal government has delegated part of that authority back to Manitoba to allow more provincial input on how we bring in workers from other parts of the world, not only in the raising of animals in barns, but in the processing industry as well. We have a major expansion underway right now in Brandon with the Maple Leaf plant, and access to labour is critical. On the processing side there is an impact on farms as well, because if we don't have processors there's not much point in raising pigs.

We also need a competitive regulatory system. Regulations are a policy instrument, but they need to be used in the context of other policy instruments that have an impact on agriculture. For example, hog producers in the United States have access to some vaccines. I can't remember their names right now, but prices are lower than ours. A vaccine is a vaccine. It's not terribly complicated for the industry to produce vaccines, so why do we have problems?

There's this whole issue of certification, inspection fees, and so on. It needs to be carefully thought out too in the context of who we do trade with.

It's absolutely critical, in finishing off pigs or any livestock, that we have access to competitively priced grains. Our competition is Iowa, where they grow 200 bushels of corn per acre. Here we are trying to grow essentially non-human-grade feed grains, and we're getting 35 to 40 bushels an acre. We need to take a hard look at how we can increase our yields here so we're competitive with the United States.

As an example, on Monday I got a call from barley researchers who have brought out a new type of barley that's low in phytate. They're having significant problems with CFIA in getting this product into the field so producers can use it because there's a question about it being novel. I don't know what novelty means, but it's some sort of regulation that needs to be looked at. Apparently this is going to create a greater delay now in bringing these varieties out. If you think that's an issue, low-phytate barley offers a solution to the problems—if you look out the window here—of the hog industry's impact on Lake Winnipeg. Apparently we're part of the problem there. That's another issue.

We need very strong animal health programs in place in Canada. Canada does a good job on this. We need to maintain those programs. We have a good veterinary service in Canada. It's important to make sure that the universities are capable of pumping out veterinarians who work in the animal industry, not just with pets. That has implications through the whole system, in terms of them doing inspections and so on.

I'd like to emphasize that we need catastrophic insurance of some description on animal health here. I don't personally think it would be a very expensive program, because when was the last big catastrophe we had, apart from BSE?

● (1035)

If you think that was a problem, I can tell you that foot and mouth disease in the hog industry would be a catastrophe that most people in this room would have problems dealing with. What psychologists call cognitive dissonance would come into play. But if we could have that in place, then we as an industry are really interested in looking at some sort of private price insurance model, because the hog cycle has been proven to last four years. You can go back almost 130 years and show there's been a four-year hog cycle across the world in terms of prices.

I'm not going to go on about market development and trade. You've had a lot of stuff from our national body on that. I just want to emphasize here too that at the provincial level we do a lot of work ourselves with our major customer, which is the United States. We are down in the United States every year promoting our industry down there and dealing directly with the state livestock associations, the Iowa Pork Producers Association, the Minnesota Pork Producers Association, and so on, doing trade advocacy work.

We're very pleased with the support that we get from Agriculture Canada with your staff down there in Minnesota, and we're interested in looking at the concept of a pork pact at some time. There's an auto pact for cars and stuff like this. We're looking at the idea of a pork pact to try to resolve our trade issues with the United States. We're one of the few commodity groups that's actually won a trade challenge in the United States, but it cost our association $6.3 million last time to hire Washington lawyers to fight this thing, and we had to raise that money from levies.

A forthcoming issue is this whole COOL, country of origin labelling, thing. It's a huge, big wave coming down. This will hit us next spring, when the Americans have to make a decision as to whether they're going to buy our weanlings or not, or the 1.3 million finished pigs that we ship into processing plants in places like Sioux Falls.

In environment, various pieces were being presented to you by the Canadian Pork Council. The key thing here from a provincial perspective is that we have a seamless blending of the roles of the federal and provincial governments in dealing with environmental matters. There used to be a standard sort of gentlemen's agreement on this that if the provinces had reasonable environmental policies in place, the federal government would restrict its involvement. What we've been seeing is an increasing role of the federal government in environmental issues through things like the Department of Fisheries and Oceans appointing staff to inspect drainage ditches and determine whether they're spawning grounds, which has implications in terms of where we can spread manure on fields and so on. So it's a whole other issue.

We're very concerned about where we're going on biofuels and so on. We don't want to see the situation that seems to be developing in the United States, where they're going to take their 11 billion or 12 billion bushel corn crop and devote up to 6 billion bushels of that towards fuels, which has huge implications to the feed industry, in pigs and cattle and dairy and so on. Our industry can't use the byproducts of these things very much. The cattle industry might be able to use them, but we can't. We need the starches and proteins in the feed to feed our animals. Ours are monogastric animals.

In terms of food safety and quality—and you've probably had lots of presentations on this thing—a big thing for us is that a strong food safety program has implications for market access into key markets like Japan and so on, and increasingly in places like the United States and so on. We need to make sure that we mesh our programs in terms of federal inspection roles and in the farm inspection programs we have in place.

For example, in Manitoba we use this thing called the Canadian quality assurance program. We use local veterinarians to do the farm inspections and so on to make sure that antibiotics have been used properly in the production process.

You probably have had lots on science and innovation. You just need lots more done, and it's unfortunate, but in the pig industry there's not a lot of research being done. It has been cut back, and we're relying more on things like the universities and so on to do our work. As an association, we give significant grants to the University of Manitoba here to do work, also the Prairie Swine Centre and others. And we need to see research done on things like feed grains and so on.

It's critical that we get this issue solved on the prairies. You're going to hear the same thing when you talk to Alberta and Saskatchewan and so on. This whole issue of increasing yields for the feed industry is becoming more and more. As an example, we buy a million tonnes of barley every year as an industry and feed it to our animals. We are the major buyer of feed grains here in the province. We are a significant factor and we can pay a competitive price.

In terms of renewal, one thing you might want to think about is different approaches for different-sized farms. There's this whole issue of do we need two types of policies, one for the smaller producer and one for the large commercial operations. We have to be careful we don't use the same policy, because they have different impacts for these different types of producers, and the whole issue of smaller producers trying to explore niche markets and so on is becoming more important.

● (1040)

On business risk management, Stephen Moffett, who's the chair of our committee on this thing, has made a presentation to you on this already.

In terms of Manitoba, our feeling is that we need a program in place. It should help producers and compensate them for things like diseases and other losses of productive assets, which are beyond their actual control. We want to make sure there's a compatibility of these programs across Canada, and we have to be careful that they don't become trade-distorting.

Once we get that in place, it also opens up our opportunity to make use of things like the cash advance program and so on. That's a critical item for us. We haven't made use of that program, but with the changes the federal government's made on that thing, we're going to have some meetings next month to try to make sure we can get use of the cash program.

I have used up all my ten minutes; I'm sorry.

The Chair: Thank you, Mr. Dickson.

Mr. Hamilton is next, for ten minutes or less, please.

Mr. Neil Hamilton (President and Chief Executive Officer, Manitoba Agricultural Services Corporation): Thank you, Mr. Chairman.

My name is Neil Hamilton. I'm the CEO of the Manitoba Agricultural Services Corporation, which is an amalgamation of the former Manitoba Crop Insurance Corporation and the Manitoba Agricultural Credit Corporation. We're in the agricultural insurance and lending business. I'm going to focus my comments today on livestock insurance, given the makeup of the panel, and I'll make a couple of general policy comments at the end.

Production insurance—and in this province we've offered production insurance since 1960—has traditionally been an output program, so we've really focused on grain, oilseeds, and special crops, as you've heard from the previous group that was in front of you. We have dealt with forage and pasture in terms of livestock, and that isn't a recent thing, we've had a forage program since the early 1970s, but there is a fundamental difference. Most of the crops we deal with are output-based: the farmer is selling them, so if they have a loss, they get replacement of that value, and it's done.

For livestock, in terms of forage and pasture, it's an input, so it has to be replaced. As a result, producers have adopted different ways of dealing with that situation, so there is less demand for crop insurance for those types of products. Just to put that into perspective, in terms of forage and improved pasture, in Canada about 25% of the land is insured, and in Manitoba it is 26%, just slightly higher.

However, in terms of other crops that are available under the program, the Canadian average is 69% and the Manitoba average is 85%. So for us as an entity, we're covering 85% of crops, grains, oilseeds, and special crops, but only 25% or 26% of pasture and forage. I'm not sure the problem is necessarily in the way it's approached, but forage and pasture is a very different commodity.

Many alternatives have been tried by different crop insurance agencies to deal with this problem, and you'll hear people talk about weather derivatives, satellite imagery, proxy crops, and all these types of approaches to get at how we measure loss in forage and pasture. The cold, hard reality is that they've all had very limited success, based on the numbers that I have quoted, and everybody is ranging in that 25%, 30% range, far below what we'd like to be.

Under the APF, livestock was brought in to production insurance, and the intention was to start to have livestock covered. In my view, that was probably an equity issue, trying to bring more equity to the table for livestock producers. Because the reality is, in the programs we offer, grain producers get price insurance and output insurance, production insurance, and cattle producers and hog producers largely get price insurance through CAIS. So there's a perceived inequity in terms of the subsidy that's received.

I think we have to ask ourselves a cold, hard question, and that is how much production risk is there in livestock. It may not be that fundamental, and if it isn't—and maybe that's why production insurance doesn't work that well—maybe we're trying to approach a perceived inequity and subsidy through possibly the wrong tool.

One of the issues in trying to insure livestock output—and I'm talking about pounds of production of livestock, not forage and pasture, but actually the output of livestock—is in our view that a lot of the perils that cause reduction in livestock output are largely management-related, whereas in crops they're natural perils such as weather. You can't make that perfect distinction, because obviously weather has an impact also on cattle production rates and so on.

What are livestock producers looking for, from our perspective? We feel that they're looking for income loss due to disease; that's fundamentally what they're looking for. We also feel that they're looking for production loss insurance, pounds-of-production guarantee. That's another thing they're looking for. Mortality insurance is the way production insurance seems to be heading at the current time; whereas some producers may be interested in it, I don't think that's what people want.

Production insurance can accommodate a pounds-of-production guarantee approach. However, we, being insurers, would have to get over trying to identify a loss with a particular peril, because that would be very difficult in the case of livestock.

● (1045)

I'd just like to make a couple of brief policy comments before I end here.

We have a view, and I think it's held by at least some other provinces, that under APF what we should be doing is adopting an insurance-first policy. Where it makes sense and where programs can be delivered effectively, they should be the first line of defence, and then CAIS programs or contributory savings accounts or disaster should be a fallback, a backstop to that.

Now, that may well sound like a self-serving comment because we're in that business, but the two fundamental things that insurance products give you are predictability and reduction in financial variability over time. With insurance products, we can establish reserves, we can smooth losses over as much as 25 years. In certain cases we can even buy reinsurance from the global market. So there are some fundamental reasons that an insurance-based approach would be more effective.

Having said that, insurance does not work in all applications. So I'm not going to sit here and say we can design a program for any product. We can't. As I pointed out earlier, we're struggling in forage and pasture, as are all other jurisdictions.

Mr. Chairman, with that, I'll conclude.

● (1050)

The Chair: Thank you, Mr. Hamilton.

Mr. Unrau, from the Manitoba Cattle Producers.

Mr. Martin Unrau (President, Manitoba Cattle Producers Association): Thank you, Mr. Chairman and members of the standing committee, for visiting Manitoba to discuss the agricultural policy framework and future farm programs.

My name is Martin Unrau, and I'm the president of the Manitoba Cattle Producers Association, which represents approximately 10,000 producers in various aspects of the beef industry, including cow-calf, backgrounding, and finishing.

The cattle industry is worth in excess of $500 million annually to the Manitoba economy. My family and I live in the MacGregor area and are committed to seeing our industry move forward. We're involved in all three levels of this industry, cow-calf, backgrounding, and finishing.

I appreciate the opportunity to provide some comments for the committee. Manitoba cattle producers are a self-reliant group. Our industry does not usually ask for government programs and as producers we take many steps to manage risk on our farms and ranches, such as implementing herd health programs, ensuring adequate feed supplies, and using other management practices to move our industry ahead and keep it viable. We believe that markets and not government programs should provide the signals that guide our industry. As cattle producers, we recognize there will be cyclical ups and downs in our industry, and we try to plan for them accordingly. However, in spite of our best practices, some factors are simply beyond our ability to manage, such as the BSE crisis in the last four years—and the crisis is not over at this point.

Other natural disasters, such as flooding and drought, are also a problem for us. Faced with challenges such as these, cattle producers may sometimes need to access risk management programs. The debate over Canadian farm policies has been going on for many years, and many programs have come and gone—NISA, AIDA, CFIP, and CAIS, just to name a few. We believe the politicians and policy-makers developing these programs have had good intentions. However, sometimes the gap between good intentions and successful program delivery has been great, and producers have not received the types of assistance that were needed.

In developing future business risk management programs, the cattle producers would ask the government to adhere to some key principles. Crafting farm programs to meet the needs of different commodity groups, such as cattle, pork, grain, and horticulture sectors, can be extremely challenging. What may seem to be a logical program component for the grain sector could have adverse effects on the cattle sector. It is important that a competitive balance be maintained, be it within a particular industry or between the different sectors. It is imperative that future programs be trade-neutral. As an industry that has been at the centre of an ongoing trade dispute for nearly four years, we are well versed in the devastating impact of trade disruptions. Moreover, cattle producers remember all too well the United States cattle group R-CALF launching a countervail anti-dumping complaint against our industry in 1998.

Programs that are being designed to mitigate risk must not inadvertently place certain sectors at risk by courting trade challenges. The Manitoba Cattle Producers Association asks that future business risk management programs be more predictable, more transparent, and less bureaucratic. Farming is challenging enough without producers having to try to digest convoluted risk management programs that may or may not provide assistance to them when they need it the very most. All too often, producers have been confused about what it will take to trigger a program payment. Hiring accountants or consultants to help wade through this process is costly and time-consuming for producers.

Of equal importance is the need to deliver assistance in a timely fashion. For example, payments related to natural disasters must flow quickly, not months after the crisis has ended. Uncertainty about when program payments will be made causes stress to affected farmers and ranchers and it certainly does not help those producers as they try to manage their operations.

The Manitoba Cattle Producers Association supports the view of the Canadian Cattlemen's Association that Canada needs a national disaster program to address a broad range of issues that could potentially affect our industry. Ideally, such a program would be able to address diverse challenges such as trade disruptions, as well as natural disasters such as flooding and drought.

● (1055)

Had such a program been in place in May 2003, the cattle industry would have been in a better position to tackle the BSE crisis. Our industry and allied industries had, and continue to suffer, hundreds of millions of dollars in losses because of this crisis. The crisis is not over; in Manitoba we see some producers struggling to repay loans such as the BSE recovery loan, and it will take many years for producers to recapture lost equity.

While no one can predict when a disaster will occur, it is critical that these programs be in place to deal with potential threats to key industries such as agriculture. Such programs would help encourage industry stability and would offer a vastly increased level of preparedness in the event of a disaster. The creation of a national disaster program must be a priority.

As you've travelled across the country, you will undoubtedly have heard a lot of comments about the CAIS program and how it could be improved. I would like to cite the concerns raised by some Manitoba producers about the CAIS program as examples of areas in which it does not meet the needs of producers.

These producers, and undoubtedly many others across Canada, have concerns with the CAIS inventory transition initiative and the fact that it does not include breeding animals. The government's rationale is that breeding animals are not intended for market, and as such there is no market loss on these.

However, for cattle producers this is hard to swallow. When a grain producer faces a cash crunch on his farm, he can just sell more grain. When cattle producers face a cash crunch, it's common practice for them to sell breeding stock. We believe breeding stock is a marketable commodity, just like grain, yet, for whatever reason, policy-makers have treated breeding stock differently from grain. We would strongly encourage the government to revisit this policy decision. Fairness in the development of farm programs is key.

We would also like to comment on the federal government's decision to include livestock in its expanded cash advance program. This is welcome news for Manitoba. The Manitoba Cattle Producers Association is working to set up an entity to deliver this program to Manitoba producers, as we believe this will be beneficial for the provincial cattle industry.

However, the concern we have with the advance payment program is that CAIS must be used as security by producers applying for the advance. Unlike grain producers, cattle producers do not yet have production insurance that could be used instead of CAIS for their required security. As a result, this could limit the amount of money cattle producers will be able to borrow under this new program. It is our hope that means can be developed to overcome this challenge.

I'd like to make a couple more comments before wrapping up.

Cattle producers in Manitoba are watching the development of the ethanol industry with great interest. Ethanol plants will compete with cattle producers for feedstock such as corn. A considerable level of federal and provincial government support, including mandated ethanol usage, is flowing towards this sector. It would be unfortunate if the long-term competitiveness of the cattle industry were undermined as a result of these policies. We urge the federal government to carefully monitor the impact of its policy with respect to ethanol and biofuel developments.

The standing committee has undertaken considerable work on the supplemental import permits issue, and the Manitoba Cattle Producers Association appreciates this. Any steps that can be taken to reduce trade irritants with key trade partners such as the United States are extremely important for our industry, and this is a step in the right direction. We hope the motion suggesting guidelines to limit the use of supplemental import permits will be received and supported by the House of Commons in the near future.

We would also like to comment on the urgent need to restore international beef product markets that were lost as a result of the BSE crisis. An example is Korea. We would strongly encourage the federal government to work diligently at trade barriers that keep our beef products out of some of these key markets.

Again, on behalf of the Manitoba cattle producers, I would like to thank the committee members for visiting Manitoba to discuss the future generation of farm programs.

I would be pleased to answer any questions you may have.

Thanks again.

● (1100)

The Chair: Thank you, Mr. Unrau.

Roy, please go ahead.

Mr. Roy Eyjolfson (Project Manager, Bifrost Bio-Blends): Good morning.

My name is Roy Eyjolfson and I'm speaking to you on behalf of Bifrost Bio-Blends from Arborg, Manitoba. I'm accompanied here by the president of our company, Mr. Denis Kaprawy. My role at Bifrost Bio-Blends is project manager, and we are currently in the middle of trying to get our venture off the ground. It has been a year of trials and tribulations, combined with a lot of frustration. This will be dealt with later in my comments.

It's my understanding that your mandate is to study the agricultural policy framework. It's a mammoth task and one I don't envy you in dealing with. Hopefully, the comments made here, in the context of our small operation located in small-town Manitoba, will be of interest to you.

To put a framework around the next ten minutes, I will speak to four areas: first, basically who we are; second, what we're trying to accomplish; third, why we're committed to the success of our venture; and fourth, hurdles and challenges we have encountered, from which you can draw your own conclusions.

First, who is Bifrost Bio-Blends? Bifrost Bio-Blends Ltd. is a group of 25 investors who came together last year with a vision of forming a company to produce biodiesel. Fourteen members of the investor group are local area farmers, all having canola as their crop mix. They view the biodiesel venture as an opportunity to provide an alternative delivery point for their crop. There's a lot of interest in the value-added component of the business. This is a real example of producers converting something they grow on the farm to something of tangible value that can be used in their operation. In the case of the canola producer, it is either a form of energy for their own use or a product that has economic value within their region. The product is green, it's carbon neutral, and it has a positive impact on the environment.

The remaining members of the investor group are primarily businessmen from the Interlake area. One member of the shareholder group is Mr. Paul Bobbee. It can be safely stated that Paul was instrumental in generating the initial interest in producing biodiesel in Arborg. He fabricated a pilot plant on his farm and produced biodiesel that met ASTM standards. For safety reasons related to the handling of methanol, only one batch was produced; however, this was sufficient to demonstrate that the concept was not only sound, but economically feasible. He is contacted on a regular basis for advice from people across Canada who need information about biodiesel and he is a source of inspiration in our group.

Secondly, what are we trying to accomplish? The purpose behind our venture is to manufacture biodiesel and market it successfully. Again, the value-added aspect is very attractive to the farmers in the area, who view it as one of the few opportunities to see their efforts as producers come closer to a marketable commodity made right in their own backyard.

The source of oil for the trans-esterification process will be locally grown canola, a large part of which will likely be delivered to the plant by investors in the company. It is estimated that approximately 50% of the canola grown in the surrounding area will be needed for the plant when it reaches full operational capacity. Crushing of the oilseed will be incorporated into the facility and the resulting meal sold into the local feed market. The biodiesel produced will be marketed into the local agricultural community, into the transportation sector and its industry. “Local” in this context is our region.

The operations will start out with a projected annual production of between 3.5 million litres and 5 million litres. Our plan is to increase output to 15 million litres within two years. The decision to begin with low annual capacity was dictated by financial constraints. We are, however, viewing the requirement to start at a reduced output in a positive light. Growth will occur as markets develop and as the public becomes more and more aware of the broad spectrum of benefits that biodiesel brings to the table. People are well aware of ethanol as an alternative form of energy, and biodiesel is only now coming forward as another form of energy. It too is a green form of renewable fuel.

The Chair: Mr. Eyjolfson, you're speaking just a bit too fast for the translators.

Mr. Roy Eyjolfson: Oh, I'm sorry.

Third, why are we committed to success? Success can be defined in many ways. I feel that in the eyes of the local producers, taking the risk by being directly involved in a venture that makes a positive contribution to the area in the form of employment, taxes, community diversity, and related business activities is a success unto itself. Add to this the value-added component I addressed above, and that makes it more successful in their eyes.

When we take the current environmental concerns around greenhouse gases and global warming and the known negative effects of using fossil fuels into consideration, there is a strong desire to be involved in a project such as this. These are all factors that make us want to succeed.

At the risk of repeating myself, I think it's appropriate to reinforce the fact that this undertaking exemplifies the concept of value added.

The rural municipality of Bifrost and the town of Arborg are small communities in Manitoba. They're at the northern fringe of agriculture in central Manitoba in a region that is confined by two large bodies of water: Lake Winnipeg to the east and Lake Manitoba to the west. They are communities isolated from large centres, and therefore isolated from where the agricultural products of their farms are processed into what the consumer sees. So it can be safely stated that when a rare opportunity like producing biodiesel materializes, the community will embrace it.

This is indeed what has happened here. We have found a business that has a design capacity that ties directly into the feedstock availability of the immediate area and in turn produces a fuel that powers most types of agricultural equipment. It is a full-circle opportunity for the farming community, not only in Manitoba but in rural Canada.

Fourth is hurdles and challenges we have encountered. This statement is a bit misleading, in that it implies the past tense. We are still encountering hurdles and challenges.

The largest hurdle we are experiencing is financing. As mentioned earlier in this presentation, Bifrost Bio-Blends will be starting out small and will grow as the biodiesel market develops. This decision was made as the result of reluctance on the part of the financial community to underwrite a biodiesel venture. Our project was not the only one delayed and essentially hobbled because of this refusal to loan funds.

It is a new industry in Canada—not new around the world, but still new to Canada. Essentially, the success of such a venture is difficult to substantiate because it is so new to the financial arena. The reluctance is understandable but nonetheless difficult to accept.

It is at times like this that government has to be involved, government has to take a lead, government has to react quickly, especially when the government has made a commitment to greenhouse gas reduction. Our experience has not been with Agriculture Canada but with Natural Resources Canada because of the environmental connection. However, small-scale biodiesel ventures like ours also fall under agriculture. They likely fall under government umbrellas as well; Industry Canada is one that comes to mind.

While the federal government's intentions have been good, government has been slow to react to the needs of business development. I've mentioned that our biggest hurdle has been financing, and for expediency I will just list the other issues we face and suggest where government might play a supporting role.

We need some form of made-in-Canada protection for small agri-based industry. It's difficult to compete with the Archer Daniels Midlands of the world. It is discouraging to see Canadian canola leave Canada and come back as biodiesel. This is starting to happen and is happening at the expense of Canadians—and more specifically, of rural Canadians.

The discrepancy between the incentive programs in Canada and the U.S. is huge. As we speak, biodiesel plants are operating all over the U.S. Midwest, while Canadian ones remain on the drawing board. We have to react faster, and unfortunately, we need government assistance to do so.

Waiting until 2012 is waiting too long for a 2% biodiesel mandate. With the right support from government, we think this goal could be met sooner. To encourage the use of biodiesel in the agricultural sector, the elimination of the 4% federal tax on renewable fuels would be beneficial.

Product distribution and integration into the existing commercial fuel supply are going to be issues. The petroleum industry is viewing renewable fuels as direct competition to its industry. To overcome this, government policy has to come into play, especially for a government that is supportive of greenhouse gas reduction. Education programs promoting the benefits of biodiesel to the general public are needed.

● (1105)

Support from government by using renewable fuels in federal fleets would go a long way to developing a market. While we think we understand the constraints in which government must operate, we likely do not realize the full extent of these, so no comments will be made in this regard at this time.

As a last statement, I would strongly suggest that how policy is initiated and administered must be re-examined to facilitate a faster response to the needs of rural initiatives. We feel one response is to be informed and therefore aware of the programs already in place. We can't blame government for that. It is largely our own responsibility to seek them out. But there must be a better way of ensuring that qualifying parties are informed. In our case, the ACAAF program comes to mind—MCAP, I believe it's called, in Manitoba.

In closing, I would like to state the obvious about our project. It has terrific environmental benefits, in that it will produce a product that is both renewable and green. With the focus on the global impact of fossil fuels, locally grown canola provides a feedstock to produce an attractive alternative. The process of making biodiesel is, in itself, green. The process does not pollute the environment. Air and water emissions don't exist and the small quantity of solids generated is totally biodegradable and will be used as a fertilizer.

Opportunities such as the one we're seeing in biodiesel don't happen often. The time we have to react is short. Endorsing and encouraging small-scale agri-based industry in rural Canada will have a positive impact on the local economy through employment and the related spinoffs that a viable business has in the community. We need policies in place to provide timely support to opportunities when they present themselves.

On behalf of our group, I would like to thank you for this opportunity to express our thoughts.

● (1110)

The Chair: Thank you, Mr. Eyjolfson.

Mr. Hubbard, the floor is yours.

Hon. Charles Hubbard: Thank you, Mr. Chair. We've heard a lot of very interesting presentations.

I want to start with biofuel. I don't want to embarrass anybody if it's not public information, but could you just give us, as a committee, an indication of what type of capital you're trying to put together to create your business in this area?

Mr. Roy Eyjolfson: As I mentioned, we wanted to start at something that is viable, and that is in the 15 million litre per year range. To do that, our budget was about $1.7 million.

Hon. Charles Hubbard: So you're looking for less than $2 million?

Mr. Roy Eyjolfson: Yes.

Hon. Charles Hubbard: I find that incredible.

Mr. Roy Eyjolfson: So do we.

Hon. Charles Hubbard: Do you have trouble raising that much money in Manitoba?

Mr. Roy Eyjolfson: The way we structured it is that the 25 shareholders contributed about 25% of that—

Hon. Charles Hubbard: So in terms of programs, you have western diversification money, you have the province, and you have the feds. You probably could go to the Farm Credit Corportation. You mean all that—? I thought you would be talking probably in the $15 million to $25 million range. It's a shame to think that for such a small amount of money and such a good idea you seem to be stymied. It's regrettable.

I want to move on to the idea of insurance. When we talk about the different programs, if I remember correctly, the concept of NISA originally came out of what you were doing in Manitoba many years ago. You look upon insurance as the first line of enabling people to get fair value for their work in agriculture, that a farmer could rely on insurance first before getting into other governmental programs. That's a new concept. In terms of having difficulty with cashflow, how responsive would insurance programs be to the needs of farmers who find they're in difficulty with their operations and with selling their product?

The Chair: Mr. Hamilton.

Mr. Neil Hamilton: By way of a very brief background, when the APF was first developed, I believe the original concept was that CAIS could replace insurance. All we needed was a CAIS program, which was an all-encompassing program. I think the last few years have proven that other things are necessary as well.

But specifically on your question of cashflow, in the case of production insurance for crops, the majority of our claims are paid within six weeks of a farmer filing a claim. They're generally paid in the fall of the year. In my mind, the benefit is that the farmer knows upfront what his insurance coverage is. That's his guarantee for the year, and if he falls short of that amount he'll be brought up to that level. The money does flow very quickly. In addition to that timeframe of six weeks to two months, we also provide an advance to the farmer when we have more claims than we can handle on a timely basis in a difficult year. There is a set provision to get that money out quickly.

● (1115)

Hon. Charles Hubbard: With the insurance concept, how far could you carry that?

Mr. Easter will probably give figures later about net farm income being terrible for so long that without our government payments and so forth the whole program probably would fall apart.

Could insurance cover long-term lack of net income to our agricultural communities, or is it simply an add-on to some of the other programs that we are trying to provide provincially and federally?

Mr. Neil Hamilton: Well, it's my opinion that insurance can be developed for income-based product. Formerly, we had a gross-revenue insurance program for grains and oilseeds, which was an insurance-based program. So it is possible to develop insurance for income loss; it doesn't need to be limited to production loss.

It is quite a bit more difficult to do that, because when you bring in that price aspect and the price-yield correlation, it gets confusing. But in my view it is possible to do it.

Hon. Charles Hubbard: With the hogs now, we hear—

The Chair: A very short one.

Hon. Charles Hubbard: Probably it should be short with hogs, but in any case, we hear problems about plants closing, people having to transport their livestock now to other regions for processing.

Here in Manitoba, I understand you have the capacity, and there are enough kill areas to look—

No? What are you encountering here?

Mr. Andrew Dickson: The situation in Manitoba is essentially that one large processing company is, shall we say, consolidating its operations.They're expanding their new plant in Brandon, and the intent is to get to a double shift so they can process 4.5 million, 5 million pigs a year. They're closing operations in places like Saskatchewan, and Saskatchewan will be in the situation where they'll have no federally inspected plants. Those pigs will have to leave that province and go elsewhere.

Currently we ship 1.3 million pigs into the United States to a processing plant there, because of competitive price reasons. We have producers who don't want, necessarily, to accept the Maple Leaf price; they want to get another price. So we're in the process of trying to attract another processor to set up a plant in Winnipeg, and that company is still working away at this thing. We're going through an environmental hearing process, and there's a new business plan being put together to get that plant up and running. It will probably process two million pigs or something like that.

Our other issue is that we have shipped four million wealings into the United States to go to feeding operations in Iowa and Minnesota. In Iowa last year they built 290 finishing barns, and we've built 10 here in Manitoba. So we want to get into more finishing at some point or other in the province, depending on price, but more importantly, depending on availability of grains at a reasonable price so that we can make sure the grain farmer makes some money at this thing and our hog producers can make money.

The big thing is transportation costs, and that's what we're trying to work away at. These COOL regulations that are coming pose another threat to us as well, so we want to have more of a made-in-Canada, made-in-Manitoba solution to our issues here.

Hon. Charles Hubbard: Thank you.

The Chair: Thank you, Mr. Hubbard.

[*Translation*]

Monsieur Gaudet, you have five minutes.

Mr. Roger Gaudet: Thank you, Mr. Chair.

My question is addressed to the representative of Bifrost Bio-Blends. Do you have the support of agricultural producers not only for your new experiment, but also for you new development?

[*English*]

Mr. Roy Eyjolfson: Among the local community, we definitely do. Of the investors in the group so far, over half of them are producers, and all of them produce canola as part of their mix of crops. From the feedback we're getting from other producers in the area, I'd say there's definitely an interest.

[*Translation*]

Mr. Roger Gaudet: Producers are interested. Mr. Dickson said he was concerned you would use too much corn or other feedstocks and that farmers would produce less. This is why I am wondering if—

● (1120)

[*English*]

Mr. Roy Eyjolfson: I'll just comment on the canola meal that results from the pressing operation to make the oil we need to convert to biodiesel. Most of the resulting meal will be put directly back into the hog market. I think Mr. Dickson can talk to this. Canola meal is a very attractive feed component in his industry.

The Chair: Andrew.

Mr. Andrew Dickson: My remarks were based essentially on the biofuels that are extracted from things like corn and cereal grains. We have no problems with the meal that comes from oilseeds like canola. In fact, right now we use canola meal in the ration.

[*Translation*]

Mr. Roger Gaudet: Mr. Dickson, in Saskatchewan, they are closing down their factories. Maple Leaf wanted four or five-year contracts, but there were problems, mainly about transportation, which could cost $4 to $6 for each pig.

Did you sign any contracts with Maple Leaf?

[*English*]

Mr. Andrew Dickson: We have producers who have individual contracts with Maple Leaf Foods, and others have contracts with the Morrell company in Sioux Falls, for example. So it's an open market.

My understanding is that Maple Leaf is trying to sign up producers in Saskatchewan to ensure that they have a flow of pigs moving into their Brandon plant. They're offering multi-year contracts, and so forth.

[*Translation*]

Mr. Roger Gaudet: Olymel and Maple Leaf have slaughter-houses and export part of their production. Are you concerned that this operation can become a monopoly? You would then be in the care of these companies.

[*English*]

Mr. Andrew Dickson: I'm somewhat familiar with the situation in Quebec. You essentially have a marketing board that sells the finished animals to companies like Olymel. They will also occasionally sell to Maple Leaf or Quality Meat in Ontario.

In Manitoba it's a little different because producers are on their own. They sell their animals to whichever processing company they can access. One company, for example, sells to Hormel Foods in Minnesota. I know a number of companies that sell directly to Morrell in Sioux Falls, and we have producers who ship directly to Maple Leaf.

There's no question that Maple Leaf dominates the situation here in Manitoba. But when you look at prices, the Maple Leaf price is essentially made in the mid-west, backed by transportation costs. We would like to see more competition here in the local market so we can pull back those transportation costs and give producers the potential for an increased return on their sales. The numbers vary from $5 per head, or whatever, but it's in that ballpark.

[*Translation*]

Le président: Thank you very much, Monsieur Gaudet.

[*English*]

Mr. Miller, the floor is yours.

Mr. Larry Miller: Thanks, Mr. Chairman.

Gentlemen, thanks for being here today.

There's one thing I'd like to clarify here. Mr. Hamilton, your organization is an arm of the Manitoba government technically—it's not private.

Mr. Neil Hamilton: Yes. We are a provincial crown corporation. There are similar entities. Alberta has a crown corporation, and it is very similar in function to ours.

Mr. Larry Miller: I just wanted to clarify that.

You talked about adopting an insurance-first plan. Are you suggesting in any way that crop insurance should be mandatory? Should there be some kind of process where there are two levels of government assistance—one if you have crop insurance, and one if you don't? I just want to get an idea of where you're headed with that.

Mr. Neil Hamilton: I'm not at all suggesting that it be mandatory. In fact, we'd prefer a voluntary program, because the worst thing you can do is force someone into a program. All kinds of things tend to unravel.

I think it would work if we told farmers, "If there's an effective insurance program out there," and we would have to define what that was, "you're expected to take it if you want it. If you don't take it, don't expect to be paid under CAIS or some other program for a loss you could have insured yourself for."

● (1125)

Mr. Larry Miller: That's the point I wanted to get.

Mr. Dickson, you made a comment that I guess troubled me a bit. I'm a farmer too, a beef farmer. You made the comment that you can't be expected to pay competitive prices. That's a hard one to sell to the taxpayer when you say that. I understand the problems and the complexities in it, but if I say to somebody, "I want to buy a Lincoln, but I really can't afford it", then the answer is going to be, "Buy a smaller car". I know there are complex changes in there, and maybe you would want to enlarge on it. Maybe I'm taking it out of the context of what you said, but that is a comment that I think needs to be very explanatory.

Mr. Andrew Dickson: In ten minutes, I'm trying to cover a whole host of topics here. I apologize.

What I'm saying is we're prepared to pay competitive prices for grains. That's been an argument made in the press, for example, that we don't want to pay the right price for grain. That's not right. We will pay a competitive price for grain. Our fear is that government policies will distort the marketplace for grains in order to encourage the use of things like alcohol, and then we're in the situation of having to pay more for grain as a result of that government money entering into the marketplace and distorting it. What we're saying is let's be careful in this thing. There's a public good; we understand that from the fuel situation. What we're saying is be careful we don't distort it the same way.

There are huge concerns right now in the United States, in the midwest, about the amount of corn—which is essentially the livestock feed basis for most of the livestock production in North America—by their fuel policy. When we were down there this year, in Minnesota and Iowa and South Dakota and Nebraska—It's a major discussion point among all the livestock groups right now about the sheer volume of corn that's going to go into the fuel industry. It's massive, and it's going to have a huge impact all the way through the whole price-setting system for various livestock products—eggs, chicken, beef, to some extent, but definitely on pork. Somehow we're saying back to the processing industry that we need to ratchet up the price in the supermarkets because somehow somebody's got to pay for this increased cost of feeding these animals.

Mr. Larry Miller: I understand, and I agree with that, as a beef guy. We always said that we take the bottom of the shelf.

Public sentiment changes and what have you, and as you indicated, you understand, as most of us do here, that there's a big push on. We have to do something with the environment. So I think the key words there are “have to”. Government is expected to. So, yes, there are going to be some problems in there and somehow government has to be involved in that transition to compensate for that, and part of the reason we're having these meetings here and having speakers in like you is to try to get solutions to that. I know we're limited for time here, and I am too, but what are some of the solutions to help government do it? Is government expected or the taxpayer expected to fund that transition forever? It's not an easy one.

Mr. Andrew Dickson: No. There are about seven or eight different policy tools you can use in government. The expenditure of funds in terms of doing something to achieve a public policy good is a useful tool. There are other means. Education, for example, is a critical tool as well. When we brought in seat belt legislation, there were years of public education to try to get people to use them without having to have policemen at every mile stopping people to see if they had their seat belts on. We did bring in regulations later on about seat belts, but the bulk of the public saw the value of them and did it. Also, you worked with car manufacturers to ensure that seat belts were available in cars, so you did a lot of work prior to this.

So what we're saying in the fuel business, for example, is let's make sure our research program is marching on really fast here and we can come up with wheat varieties that are designed to produce 70 bushels of wheat per acre, not 35 bushels, because they're designed for the human flour industry. There's nothing wrong with the flour industry, it's a great industry, and we want to see that expand and grow and develop as much as anybody else does. But be careful is what we're saying here.

The government's made some good moves on this. On this KVD issue, it looks as though we have some targets in here to resolve this matter, but at the same time let's make sure we have everything locked in step here. It takes time for research to flow through in terms of new crop varieties, the registration process, and so forth. We know there are varieties on the shelf right now that produce 70 bushels an acre. We know that; it's a fact. So how do we make sure that those things come onstream quickly into the marketplace so farmers have some options here? They grow a variety of grains—for the flour business and for the fuel business and for the livestock industry. The fuel industry is probably not very keen on low-phytate barley, for example, but we are. So can we combine high yields with low phytate? Phytate is a phosphorus thing in the grain. Those are the sorts of options that we'd like to see the cereal grower have in front of him so we can get that release of entrepreneurial energy.

● (1130)

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

I just want to follow up. Mr. Dickson, you made a comment that you want a biofuel strategy that was a win-win. With biodiesel, in my opinion, that is a win-win. It's using canola. It's producing value added and rural development in Manitoba and across the prairie region, and it's producing a protein supplement that can be used in both the hog and cattle industries.

Your issue, and I believe Martin said it too, is with the price of feed grains as it relates to ethanol production. My comment is, even if we change the approach here in Canada, would that affect the price of feed grains when you have the U.S. driving toward 20% ethanol content and subsidizing that industry so dramatically? Can we, as the government, change the price of feed grains just because we might decide that we're not going to do it here in Canada?

Martin, do you want to talk, or Andrew?

Mr. Andrew Dickson: There is no question that the demand on feed grains in the United States is going to pull up the demand for feed grains from Canada. They are ratcheted together.

What we're saying here is let's not exacerbate that in terms of Canadian or provincial government policies and so forth. We can't nullify that issue that's coming out of the U.S. That might change dramatically too. You could get a push-back in the U.S. on this thing at some point or other, but do we have to repeat the experience here?

The Chair: Mr. Unrau, do you have any comment on that?

Mr. Martin Unrau: I'd just like to add that the ethanol and biodiesel industry is a good industry to get into for the grain growers at this time, but I think feedstocks in the near future will change for ethanol and biodiesel, so we're talking about a short-term, temporary feedstock here for ethanol and biodiesel. When you look around the world, there are much better feedstocks for producing ethanol and biodiesel than grain. An example is in New Zealand. They've done it. They have lagoons with algae in them and they're producing 200 times the amount from the same acre as canola for biodiesel. We see ethanol switchgrass as a much better than feedstock than grain itself.

We are dealing with a short-term problem here in the cattle and hog industry. I wouldn't want to put all my eggs in one basket as to producing ethanol and biodiesel from grain itself.

The Chair: Thank you.

Mr. Atamanenko, the floor is yours.

Mr. Alex Atamanenko: Thank you very much, gentlemen.

Mr. Eyjolfson, just a bit of clarification: is it a different type of canola that's used for biodiesel, or is it the same that we use for food?

Mr. Denis Kaprawy (President, Bifrost Bio-Blends): It's basically the same canola as foodstock, same thing.

Mr. Alex Atamanenko: Then it is not a question of trying to get a different type to produce for fuel?

Mr. Denis Kaprawy: What you want to do is make sure your percentage of oil in the seed is high. So you're always looking for a higher-yielding canola that gives you maybe 42% to 50% oil, because then you're producing less feedstock, or canola meal, to sell on the side.

Mr. Alex Atamanenko: What's the input and output ratio for energy for canola? I know it's not very good for corn, as far as the amount of energy you put in per unit and the amount of energy produced for biodiesel. Is it something like 2.5 to 1?

● (1135)

Mr. Roy Eyjolfson: The ratio is better than that. I'm looking at the big picture. In terms of total operating costs to our operation as we presented it, the infusion of energy is about 1.5% of total costs. In the case of ethanol, that is upwards of 10% to 12% of total costs. So the ratio is a lot better in biodiesel, converting canola oil to energy, for example, than it is converting cornstarch to energy.

Mr. Alex Atamanenko: I'd just like to continue a bit.

You mentioned the structure of your proposed plan, to have 25 shareholders plus support from the community and others. How many employees do you envision, once you are set up to run?

Mr. Roy Eyjolfson: Once we're in full operation we anticipate between 14 and 16 employees. Starting out we'll be at 12, basically 24 hours a day in the crushing operation and 24 hours a day in the conversion operation, which requires eight to cover that, plus miscellaneous labour plus management. We will be up about 12 employees.

Mr. Alex Atamanenko: Assuming everything goes well, what is your timeline?

Mr. Roy Eyjolfson: We hope to be operating as early as this summer. As I said, we've taken a jump. We've made the commitment to buy equipment, so we're hoping to be operating this summer, this year.

Mr. Alex Atamanenko: Charlie touched upon the other question, financing.

It seems you're having some problems trying to raise this $1.7 million. Our federal government has said that we're behind biofuels. It would seem to me that there has to be some kind of assistance available to operations such as yours to start up as quickly as possible. Is that not the case?

Mr. Denis Kaprawy: Can I answer that one?

Mr. Roy Eyjolfson: You can answer that one.

Mr. Denis Kaprawy: The real issue is that it seems there's still money being wasted on consultants and—What did they call it this year? Was it “feasibility studies”?

In the *Manitoba Co-Operator* last week they had a little thing about the federal government giving Heartland Biodiesel $264,000 for a feasibility study for southwestern Manitoba. Why? That's my question. Another guy is getting $224 million. These are just for studies.

The studies are done, and they have to direct their money towards the plants.

Mr. Alex Atamanenko: The point, for the record, should be enough with the studies; let's get on with it, if we want to start helping farmers and employ people. Is that what you're saying?

Mr. Denis Kaprawy: That's exactly the point. This is just a waste of half a million dollars for—Everything's been done already.

Mr. Alex Atamanenko: Okay. Thank you.

Mr. Dickson, you talked about the idea of a pork pact. Would you like to explain that a little bit?

Mr. Andrew Dickson: In Manitoba we have a weanling industry that sells 4 million weanlings into the U.S. to feeder operations. This whole system is like a just-in-time delivery system. Trade disputes, trade actions, and so on are very disruptive. Our basic problem is if we can't ship pigs, after three to four days we are in the business of slaughtering probably 10,000 pigs a day, little pigs, and it will mount very rapidly if we can't ship into the United States.

We've talked this over with Iowa and Minnesota and their government officials. What we're looking at is whether there's some way we can have an agreement between the core states and ourselves Manitoba, per se—as to how we can keep that business going and resolve our trade issues outside the production process. In other words, we don't put barriers in place so that trucks can't drive across the border; if there's a dispute about prices, drugs, health status, or market-distorting things like countervailing, antidumping, and all those sorts of things, the business carries on. We don't stop that; we resolve these disputes afterwards. In other words, you don't slap duties on right away. We wait until the thing has been resolved one way or the other.

If we look at the auto pact agreement, somehow the car companies have been able to maintain production on both sides of the border without a lot of distortion. How can we do something like that in the livestock industry? Our problem is we're dealing with a biological product; you can't just park them in a lot, and these animals will be dead if we can't move them into the feeder barns.

● (1140)

Mr. Alex Atamanenko: Have you started discussions with your counterparts in the States, and are you involving any senior levels of government with their levels of government?

Mr. Andrew Dickson: This is one of the venues where we put the idea out to see if there's traction on the idea and if people are interested in it.

The Chair: Thank you, Mr. Atamanenko.

I'll follow up on Alex's comment about talking to the government, because we're talking about an international boundary. Where are CFIA and USDA in this discussion?

Mr. Andrew Dickson: I'm just throwing this out right now. It is something that came out in the spring; we're bouncing it around with people, and hopefully the federal government will say maybe there's some merit to it. This is our first venue; we're floating the idea out.

The Chair: Okay.

Go ahead, Mr. Easter.

Hon. Wayne Easter: Thank you, Mr. Chair.

When you look at the development of the biofuels industry, the position, in terms of the various commodities, to a great extent depends on whose ox is being gored.

I can never understand, for the life of me, why the agriculture industry, in terms of the various commodities, can't get together, and instead of the feeding industry being competitive with the feed grains industry, be complementary and ensure that we have systems in place so that at the end of the day the consumer pays for what farmers produce. But that requires marketing power, and for whatever reason, farmers don't want to go that way, and certainly neither does this government.

The fact of the matter, Andrew, is that the United States government policy has distorted the prices of grains for more than a decade by pushing them artificially low. We've built an industry on low grain prices, and we're going to have to find a way to ensure profitability in your industry as well as in the grain industry. We can't, basically, have industries built on cheap grain, because those producers can't survive. That's one of our problems. There are no easy answers there, but that is the problem.

If you want to comment on that, you can in a moment.

Regarding ethanol and biodiesel, there's a lot of talk, a lot of smoke and mirrors, in terms of the proposals in this industry. From your perspective on where the Government of Canada is going with ethanol and biodiesel in this country as compared with the United States, how do we relate?

The fact of the matter is that unless access to money is made available to you, I can't see how you can get in and stay in the game. The 10¢ and 20¢ incentive rates they talk about are only in place for three years. How can you build an ethanol and biodiesel industry if your timeframe is three years? It needs to be five or ten years. So I raise those questions to you.

My worry with ethanol and biodiesel is that, yes, it will be good for a while; it will raise prices in terms of corn and wheat and so on in the short term. But at the end of the day, the way it's currently established, is the policy really going to build another profit centre for the oil industry rather than a profit centre for rural communities?

Do you have any thoughts on that?

The Chair: Go ahead, Mr. Eyjolfson.

Mr. Roy Eyjolfson: I have an opinion on that, Mr. Easter.

The incentive of the 20¢ that you allude to causes us a lot of concern. When we first started to discuss this venture eight months ago with the federal government, basically NRCan, the commitment we got from them at that point in time was that the federal government was in for the long haul. You embark down a road on that word just to turn around and there's false information, or misinformation, there. They've turned around now and pulled back the 4¢ incentive they initially provided for the long haul, whatever that was in their minds, and then gave us 20¢ for three years. You're absolutely right, it causes us a lot of concern.

To us there's a big disconnect there, in that they commit to this 20¢ for three years, but in the meantime they've mandated a 2% biofuel content for 2012. That's four and a half years from now. In our minds, we're aware of the risks, but we feel that once the public becomes fully aware of the benefit of biodiesel—and I won't speak to fuel ethanol—I think they'll embrace it.

Saskatoon, Saskatchewan, last year ran two transit buses on biodiesel. The outcome of that was they increased the efficiency in the diesel engine between 3.5% and 5%. They attribute that to the lubricity component of the biodiesel. If you take that 3.5% and 5% and you apply it to all sectors of our economy, be it marine, the agricultural sector, the transportation sector—If you take isolated diesel units that are running generating units in isolated communities and apply that efficiency, the improvement of between 3.5% and 5% —and it's written down by the City of Saskatoon—the benefits are profound with the longevity of diesel equipment and with the benefits of biodiesel. This is what I tried to allude to in my comments about education in terms of the public embracing something that we think has benefits down the road—not in the short term, but in the long term.

To come back to your question, we are very concerned about the same risks that you have expressed, but are frustrated with what we deem to be the misinformation provided by a government agency on how they were going to support an industry that is just starting to blossom and set a date that is so far out that the ADMs of the world that I allude to are just going to slide in underneath us. It's an opportunity for the petroleum industries to basically carve their niche out. As I said, they view this as a direct competition and they view this as a portion of profits they have lost.

● (1145)

Hon. Wayne Easter: That's why they're—

Mr. Roy Eyjolfson: Sure, and they have to, they're wise to.

Again, government strategy and policy is to encourage small entities, but you can't compare a biodiesel plant to a fuel ethanol plant. The infusion of capital alone is huge in the difference. I'll quote U.S. numbers. If a plant wants to produce 10 million U.S. gallons of fuel ethanol a year, they're budgeting roughly $100 million to build it, but to produce 10 million gallons of biodiesel it does not need anywhere near that amount of money.

We share your concerns as well, and hopefully you guys can come up with something in policy that addresses all the speakers at the table today. We all have our concerns, we all want to contribute to agriculture and the benefits, and specifically, as I alluded to, the value-added component. I think these gentlemen here will embrace that as well.

The Chair: I have a question on what Wayne is talking about. Do you belong to the Renewable Fuels Association? They're the ones who lobbied hard to change the policy from the 4¢ a litre excise tax waiver to a production subsidy over the three years.

Mr. Roy Eyjolfson: We haven't joined that organization yet, but we anticipate participating with them once we're hopefully up and running.

The Chair: That's where that push came from. It was supported by the Canola Growers, and the Canola Council of Canada. It was an intense lobby on all political parties over the last six months.

Mr. Anderson, the floor is yours.

Mr. David Anderson: Mr. Miller had one question he was interested in following up on.

Mr. Larry Miller: I don't want to waste much time, but Martin, you touched on something I'm interested in and I think maybe the committee would be too. You mentioned lagoons and creating ethanol in New Zealand. If you have any information or know how we can get hold of more information on that, I'd like to get it. I'll give you a card afterwards.

I'll turn it back to Mr. Anderson. Thank you.

Mr. David Anderson: Mr. Dickson, I wanted to come back to a couple of things you said.

I wondered if you want to say anything more about the phytate barley and the situation with that, or do you feel you've informed us enough about that issue?

Mr. Andrew Dickson: I was contacted by some researchers from Saskatoon who were in the process of trying to register a new variety of barley that's low in phytate, and they've run into a roadblock with CFIA on the issue of novel characteristics. Apparently, because of the phytate-low characteristic, they're saying this is a novel thing, and therefore a further study needs to be done.

The phytate issue's been around for 15 years. American corn producers brought out low-phytate corn 10 years ago. Various companies have brought out various varieties of this thing. We were hoping we could get this barley thing resolved fairly quickly. We consume a lot of barley in the hog industry, and it's one tool that would help us, because if you have low phytate, you don't have to use the enzyme phytate, which is a cost in the feed itself. So anything we can use to reduce costs on the primary ingredient is a key item for us.

● (1150)

Mr. David Anderson: Okay. I think there's an interest here in finding out what's going on with that product.

I would like to come back to something else you said earlier. You were talking about the four-year cycle, and it sounded as if you'd done a fair amount of work on price insurance and that kind of thing. Is it possible for the hog industry to self-insure over a four-year cycle, and if not, have you any figures on what kind of money it would take from government to make that sustainable over the four-year cycle?

Mr. Andrew Dickson: We worked with the federal government in terms of a number of studies to look at how we could set up a private four-year price insurance program an individual could buy from an insurance agent.

Part of the problem is we would have to get reinsurance, and the reinsurers are very concerned about the lack of things like catastrophic insurance. So they need some floor in there, because otherwise they can't make this thing work.

We're having discussions right now with some insurance companies as to how we could try to make this work. The model looks feasible. A similar sort of thing has been tried in the United States and has run into all kinds of problems. I'm not an expert on the insurance business, so we want to learn from the American experience and see if we can make a program work across Canada. We're fairly confident this thing would work.

Essentially, what it would do is guarantee a price within a range. If the price falls below it, you'd have a separate account at your local credit union or bank or something like this, and money would go into it if the price went over a certain amount and form a positive on your account. If the price went below a certain level, the insurance company would kick in some money and keep the account positive, and at the end of the four or five years you would come out in a zero position, we hope.

The insurance company would have administrative fees and so forth in between, and that's how they would make their money. They would get their money back out of it and you would get your money back out of it, but essentially you'd arrive at a zero position. But it would guarantee you a price within a certain range, and that's what we're looking at.

Mr. David Anderson: Their definition of catastrophic then isn't the typical lows. It would be disease problems or—

Mr. Andrew Dickson: A massive disease outbreak or something like this, where barns all but shut down and you couldn't do business and animals would be slaughtered for welfare reasons, not because they're diseased.

Mr. David Anderson: Mr. Hamilton, you suggested that maybe production insurance isn't the most effective way of insuring cattle. I'm wondering what you would suggest would be a better way of bringing in an insurance program for them, and I'd like Mr. Unrau's comment on that as well.

A second question is, do you know or have you explored whether you would qualify as an administrator under the new AMPA provisions, just as a matter of interest?

Mr. Neil Hamilton: I think we can devise a production insurance program based on pounds of production, say, for a cow-calf operator. In order to do that, we have to get over our own issues as insurers wanting to relate losses to particular perils. We always want to say drought caused this loss, and I think the problem in livestock is that often it is very hard to determine what exactly caused not achieving certain pounds of production. I think it's feasible. I think provinces will try it on a pilot basis, but time will tell.

On advanced payments or the cash advance, what was the question? Would we qualify?

Mr. David Anderson: I'm just wondering if you know whether you would qualify as a potential administrator of the program.

Mr. Neil Hamilton: My understanding of that is that the first right of refusal would go to producer organizations. But we would potentially qualify as a lender. As a financial institution, because we do agricultural lending, we would technically qualify to administer cash advances.

Mr. David Anderson: Thank you.

Mr. Unrau, did you have any response?

The Chair: It can be a quick response. You're out of time.

Mr. Martin Unrau: I'd just like to say something about the concern we have with insurance for the cattle industry. Right after the BSE situation, the feedlots were getting $320 for an animal that cost $1,400 to produce, and this type of thing. There has to be some type of insurance that would look after those situations.

That is probably one of the aspects with which the cattle industry is really concerned: that when those cattle were finished they'd still be worth what they'd have been worth without the disaster. To us, the BSE situation has been a disaster. It's been huge.

In our industry, if the feedlot industry is healthy, the cow-calf industry is healthy. That's how it works in the cattle industry. That would just be my comment.

Thanks.

● (1155)

The Chair: Mr. Steckle.

Mr. Paul Steckle: I want to direct my questions to Martin.

You've been kind of an easy ride here this morning, and I think you've got some things you want to say to us.

The BSE issue probably demanded more time than any single issue in my 14 years around this table. We've given a lot of time to that issue. This committee and the government tried to respond. I'm wondering what lessons the beef industry learned from that experience. That's one of the questions.

We're talking about the disaster component to the APF as we move forward. How can that be delivered in a meaningful way so that we don't make some of the mistakes we made in the delivery of the previous programs? As you understand, we know now, because there is a report indicating that the profiteering that took place on the part of the packers was enormous.

This committee undertook to go after the packers. At least there were three parties that felt very strongly about that. One party didn't feel so strongly about it. But we did finally procure a report that gave us a pretty good indication of what went on, and it was less than complimentary to the beef industry. And certainly Canadians paid for that.

I'm wondering what we have learned, moving forward and as we prepare a disaster component as it would relate to the beef industry.

Mr. Martin Unrau: I think I alluded to it in my statements, that if there is a disaster component, it has to be something that can be done within months, not six months later or a year later, in order to keep the confidence in the industry. As you well know, in the feedlot industry—and that really is the driving force in our industry, the feedlots—massive amounts of money are borrowed every day, and lost, and made every day. So they're kind of used to losing some money. But the important fact is that there has to be some confidence in the banking industry and in the feeding industry in order to keep our industry on its feet.

We are an exporting industry—60% of everything we produce has to be sent out of our country—so markets are also extremely important to us.

Mr. Paul Steckle: But we also know that as we are moving towards the elimination of all SRM product in the beef industry—we're doing it here in Canada—the U.S. is not following suit. Is that giving us an advantage? I hope it is, and I think we're moving in the right direction. We need to do that, but are we going to have an advantage in Taiwan and Japan and China and some of these countries because we've moved in this direction? Is the confidence level any greater because of that, or are we simply playing to the demands of consumerism today around the world, at the expense of farmers, the primary producers, again?

What really manifested itself in the report that was done was the way the farmers received money, and the packers ultimately got it because the packers were the beneficiaries of many of those programs. You said that it has to be delivered early. How can we rationalize giving early payment when in fact it sets the precedent for packers to understand what farmers are getting and therefore price downward so that they can recapture some of that money? That happened; you know it, I know it, and the industry knows it. So how can we get beyond that?

Mr. Martin Unrau: Going back to the question on SRM removals, the perception is that it will help us.

Mr. Paul Steckle: The perception, yes.

Mr. Martin Unrau: The fact is that we aren't sure if it will. It's one of those things where if you don't try it, you won't know. There are many people who think it will, and it should—

Mr. Paul Steckle: I agree with them.

● (1200)

Mr. Martin Unrau: —but when you look at the facts, for some reason the Americans get some of these markets and we don't.

So I'm not quite sure how to answer that question.

Mr. Paul Steckle: It's political science that's keeping product out of the United States in terms of live animals over 30 months. It's not animal science that's keeping the animals out.

Would you agree?

Mr. Martin Unrau: I think that's why I called it a “trade” issue when I did my presentation.

Mr. Paul Steckle: Well, I call it the way it is. I play with spades.

Mr. Martin Unrau: And you're right.

Mr. Paul Steckle: Okay.

That's all.

The Chair: I have a question for you, Martin, before we wrap up here.

I represent a large cattle-producing area in the province. I'm still hearing a lot from my cow-calf ranchers that things are tough. I'm a cow-calf operator myself, and I know what I sold calves for in February.

Would you say that Manitoba versus the rest of Canada is at a disadvantage, that we're at the lower end of the prices because of our distance to the feedlots in Ontario, Alberta, and the States?

Mr. Martin Unrau: I think the disadvantage for Manitoba is that, as a rule, it costs more to keep a cow in Manitoba than it does in Alberta or Saskatchewan. With our climate, we have snow—

The Chair: For six months of the year.

Mr. Martin Unrau: Yes.

We definitely have a problem in the cow-calf industry in Canada, not just in Manitoba. We've lost, I believe, 700 producers in the last year or year and a half. The problem is that everybody got hit so hard in the first three years of BSE—this year was a little better—and lost so much equity that they now don't have the equity to move ahead.

So the cattle industry, the cow-calf industry, is in bad shape in Canada. They're not giving up, by any means, but they are not healthy at this time.

The Chair: I know that in this area, especially through the spring, there were a lot of herd liquidations, guys just calling 'er quits, getting out. At auction, the sales were fairly busy. Guys had just had enough.

Mr. Martin Unrau: Another aspect, if you would just allow me, is that the reason some of these guys are in trouble is that the older cows weren't worth too much, and the herds got older. Now we're sliding into where you can't turn around or get back into it because your cattle are old.

The Chair: Right.

I appreciate all of you coming in. I know that three of you didn't have that far to come, being constituents of mine—

Hon. Wayne Easter: Just for the record, Mr. Chair, can we get that explained? I mean, I know why they held their older cows—they had to sell their younger ones in order to get any return—but perhaps we could just get on the record that explanation.

Could you take a couple of minutes, Martin, to explain why farmers sell their older cows? It is an important point.

The Chair: Martin, do you want to explain that?

Mr. Martin Unrau: We call them cull cattle, in the cattle industry. The older cattle are usually from 12% to 15% of the gross income on any cattle ranch.

For example, before the BSE situation, I sold a bull, a mature cull bull, for $1,830 on May 2. In July I sold another bull, and he brought $261. When we went to the Superstore to buy groceries, it wasn't enough to pay the bill for one month.

These are the kinds of things we've been up against. This is the reason the industry is still suffering. That 12% to 15% income has turned into 2% income.

Hon. Wayne Easter: Even in terms of herd renewal, normally what you do is you bring in younger heifers to keep the average age of your herd relatively young. The fact that you needed money meant that you had to sell your younger cattle, because your older cattle were worth nothing. As a result, the average herd age went up in Canada, and that's a problem for us now.

Mr. Martin Unrau: Right.

I guess an easy explanation is that it used to be, when you sold the cull cow, that the cow would pay to feed the heifer to become a cow. But when you face a cash crunch temporarily in the cattle industry, you sell what you have to in order to pay the bills.

So what guys have done is they've sold the younger cattle. A heifer calf may have been worth $500, but the cow is now worth $150 or whatever. That's why the cow herds have gotten older.

The Chair: Thanks for that clarification; it's good to have it on the record.

Again, I appreciate all of you coming in. As I was saying, three of you are constituents who I proudly represent in Ottawa; the other two, I used to work for. It was great seeing you guys here.

We are going to suspend for lunch. Lunch is being served for committee members and staff only. For everybody else, there are plenty of restaurants in the neighbourhood.

With that, we'll suspend.

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