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Mr. James Bezan

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● (0840)

[*English*]

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

We're glad to be in Stratford. This is the last day of our cross-Canada tour as an agriculture committee doing our study on the APF.

I'm going to welcome to the table this morning Brian Edwards and Mark Bannister—no strangers to our committee—with Tobacco Farmers In Crisis. From the Dairy Farmers of Ontario we have David Murray. Welcome, David. From the Perth Federation of Agriculture we have Ed Danen. From Ontario Pork we have Mary-Ann Hendrikx. From the Chicken Farmers of Ontario we have Bill Woods. And from Huron Commodities Inc. we have Martin VanderLoo and David Kohl. Welcome, everybody.

In the limited amount of time we have with you this morning, we ask that you keep your opening comments to ten minutes or less. I will signal when you have one minute left, and we'll cut you off so we can have enough time for questions and answers.

With that, Mr. Edwards, perhaps you could kick us off.

Mr. Brian Edwards (President, Tobacco Farmers In Crisis): Thank you, Mr. Chairman.

It's nice to be here this morning to address the situation.

We represent tobacco farmers. Our name is Tobacco Farmers in Crisis. We've been lobbying for an exit program for tobacco farmers to exit tobacco production, and that means that if we can, we would like to put a program in place that allows the tobacco quota system to be exited totally—100%. In the present situation, we are no longer viable.

We have 272 million pounds of quota. The present crop size being talked about is in the range of 32 million to 38 million pounds. That means that under the quota system we will be operating under, we're looking to operate with 10% to 12% of our quota base. That is no longer viable.

We have 1,559 individuals who own these quotas. There are 1,068 individual master quotas and 1,559 individuals who own them.

For two and a half years we have been presenting to the various levels of government that this exit is needed, and it is needed immediately.

Last Thursday we conducted a mass meeting of our members and asked their opinions. We sprung on them a membership expression of opinion, with no advance notice. We wanted to know exactly what they thought. They were asked whether, if a buyout were open over a period of time, they would exit immediately, and 66% indicated that they would exit immediately. Asked whether they could be viable at 10% to 12% of their basic production quota, 98% indicated no. If they were unable to grow in a scenario of 10% to 12%, would they feel that the board would be representing their best interests in negotiating a 2007 crop? Sixty-five percent indicated no. On whether the board should keep the buyout as a priority before the 2007 crop is negotiated, 91% indicated yes.

We are in a crisis. There's no doubt about it. Tobacco companies themselves have indicated that they need approximately 150 to 200 growers into the future. How do you operate with 1,068 quota holders? It won't work. We are supposedly a supply management commodity, but unfortunately we don't have border controls. We went after a national agency. That didn't happen. So unfortunately we have a quota system that at the present time is no longer sustainable.

The financial institutions loaned the farmers money in good faith. A number of growers have letters demanding payment, because this is no longer payable. In 2001 and 2002 a burner conversion to eliminate nitrosamines, a carcinogen, was undertaken. We were given stable crop sizes for the future of 108 million pounds, 108 million pounds, and 109 million pounds for the years 2002, 2003, and 2004. It cost a lot of money to retrofit our operations. A lot of farmers looked at the situation of having a stable crop future and they modernized. They believed in the principle that if you became bigger and more modern, you would be more viable and you would be able to make money. That dream is gone.

We are under severe financial and emotional stress. At this point in time, there's been a quota moratorium in place for a year waiting for a buyout program. Unfortunately, we don't have that program today. Our tobacco board is in discussions with the minister, presently. For a year we've been looking at a $3.30 buyout program for the basic production quota. The minister has said, unfortunately, that the program is too expensive for the Department of Agriculture and Agri-Food, and we agree with him.

● (0845)

This is not an agricultural tobacco issue. It is government health policy to deter adult and youth smoking. It's government taxation policy that we're going to deter adult and youth smoking. This is not a disaster that has taken place because of Mother Nature; this is social engineering. We've decided that tobacco use is no longer acceptable, that we're going to deter it, we're going to denormalize it. Five years ago, the federal tobacco control strategy was put in place, $450 million. The aim of that policy was deter adult and youth smoking. On top of that, our provincial governments have decided also that they're going to eliminate, at some time in the future, tobacco smoking.

An agricultural policy framework doesn't fit our commodity. We're falling through the cracks. Our charter of rights doesn't protect us. What has happened is that we've lost our ability to make a choice. We're here to ask our government to give us a choice to leave, to leave with dignity, to allow us to pay our debts, and not take from our other agricultural commodities one penny. Finance this program through tobacco itself. Tobacco pays for its own bioprogram. Our other agricultural farmers and commodities are having a tough enough time themselves. We need a program that identifies to a situation that hasn't happened in Canada before: we have decided that we're going to eliminate tobacco production.

Canada signed the framework convention on tobacco control treaty. There are two articles in that treaty, articles 17 and 22, that state that there will be a viable alternative to tobacco provided to tobacco farmers, tobacco workers, and individual sellers. Right now, there isn't a tobacco-specific program available to us.

We've had examples of tobacco exit programs in other countries. We've looked at the United States. We've looked at Australia. There are programs in Europe taking place where farmers will be getting out of tobacco production. The framework convention on tobacco control treaty through the World Health Organization is to deter and stop tobacco consumption.

At this point in time, we are faced with growing another crop. We have what is called the tobacco advisory committee, which is run by the Ontario government through the Farm Products Marketing Commission, and we have a federal observer who observes the negotiations. The mandate of that committee is to make sure that if a crop is offered, of any size, that it's grown, and right now it's unviable for the number of growers who are left trying to produce.

We need help and we need it soon. The financial institutions, as I have said, are demanding payment. We were fortunate enough to be at this committee one other time, in the fall, when Quebec was with us, our producers from Quebec who exited in the previous program. They are having a tough time after tobacco, trying to survive growing alternative crops.

In Ontario, our farm sizes are not large. They are from 50 to 100 to 150 acres in size. To grow an alternative crop is difficult. What are we going to do? Are we going to move into other commodities that are struggling themselves? There's no magic bullet. There's no magic crop. Alternative fuels and energy may be another source, but right now those are not available.

We need special consideration given to our commodity, unfortunately.

We will be answering questions that of course the committee will have, and I thank you for the time to present here today.

● (0850)

The Chair: Thank you, Mr. Edwards.

Mr. Murray, it's your turn.

Mr. David Murray (Board Member, Dairy Farmers of Ontario): *Bonjour, tout le monde*. Thank you for allowing me to present to this committee, which is doing such important work for the agriculture sector in Canada.

My name is David Murray. My wife Annamarie and I operate a dairy farm just west of here, near Mitchell. I also sit on the board of directors of the Dairy Farmers of Ontario, representing the producers of Huron and Perth counties, 600 of the 4,600 dairy producers in Ontario.

My MP Gary Schellenberger and MPP John Wilkinson proudly state that they represent the most agriculturally productive riding in the country. I am very proud that I live and work in this important rural community. I am also very proud that I derive 100% of my dairy income from the marketplace.

Ontario's 4,600 dairy farms produce nearly 2.4 billion litres of milk annually, worth approximately $1.6 billion at the farm gate, and employ a total of about 40,000 people in the farm, processing, service, and retail sectors.

Agriculture is the second-largest sector of the Ontario economy after auto assembly, and dairy is the largest sector of Ontario agriculture, at 20% of this total.

I would like to comment on three areas of the next generation of agriculture and agrifood policy, namely business risk management, renewal, and food safety.

Regarding business risk management, we believe that supply management needs to be clearly defined as a program under the business risk management pillar. More emphasis should be put on programs that work to maintain farm incomes and producer bargaining power in the marketplace—programs such as Canada's collective and orderly marketing systems, including supply management and its three pillars: production discipline, import controls, and fair farm pricing.

Although Dairy Farmers of Ontario recognizes the objectives of the renewal theme consultation, it notes that the discussion paper does not recognize the distinctiveness of supply management and its components and the realities of the system within a competitive and profitable Canadian agriculture sector.

Dairy is a regulated industry safeguarded by the three pillars: production discipline, import controls, and fair farm pricing. Supply management is designed to protect producers to a certain extent from international market forces. As such, dairy producers are not faced with the same industry challenges, international pressures, and competitiveness difficulties faced by non-supply-management producers, which are clearly the subject of the discussion paper.

The key to renewal is profitability. Profitability is first and foremost facilitated by supporting programs like supply management that provide stable and profitable farming opportunities. Profitability is enhanced within the renewal context through policies that allow producers to acquire and retain the diverse set of skills they need to meet market challenges.

There is a need for continual dissemination of knowledge, new markets, and innovation opportunities to all industry partners. There is also a need to provide producers with the knowledge and tools they need to apply acquired marketing technological and regulatory expertise in a way that allows them to maintain and improve income derived from the marketplace.

Food safety is a public good. The safety of the milk supply and the perception of safety are essential elements allowing Canadian dairy producers to market milk and dairy products in Canada. Dairy-producer participation in the Canadian on-farm food safety program contributes to the public good and is increasingly becoming an expected part of agricultural production. It is critical that Agriculture and Agri-Food Canada realize that the market is not providing any extra return to producers in recognition of food safety, despite producers' making long-term commitments and incurring extra costs to implement and maintain programs that allow them to demonstrate that all necessary steps are taken to demonstrate the commitment to food safety.

Canadian farmers have long been providing safe foods to their customers. On-farm food safety programs do not introduce new, safer practices for producing food. They introduce systems of recording, documenting, and verifying that the production practices are being followed and are effective in controlling potential hazards. In short, the programs provide structure and demonstrate due diligence by dairy producers. Dairy farmers need incentives from Agriculture and Agri-Food Canada and premium prices from the market to recover the costs incurred through the implementation of the on-farm food safety program.

Under this area of food safety, I do have a few recommendations from Dairy Farmers of Ontario.

On-farm food safety and food quality programs contribute to the public good. Producers are making long-term commitments to the programs, but are struggling to justify costs. Recognition of the green nature of the programs is important, along with mechanisms to recuperate the extra costs from the marketplace.

● (0855)

Secondly, current on-farm food safety funding programs should continue with modifications to help producers develop, implement, and improve on-farm programs that contribute to the public good.

Thirdly, transition from the APF-1 to the next generation of agriculture and agrifood policy must be seamless.

And number four, the farm animal sectors are committed to work with the provincial and federal governments in a true partnership toward the development and implementation of a national farm animal health strategy. In this regard, the next generation of agriculture and agrifood policy must recognize the interrelationship of the numerous components of such strategy by conglomerating relevant programs and tools under a single pillar.

Those are my comments. Thank you.

The Chair: Thank you, Mr. Murray.

Mr. Danen, you're on.

Mr. Ed Danen (President, Perth Federation of Agriculture): Good morning, ladies and gentlemen. Thank you for the opportunity to participate in this forum.

Welcome to Perth County, one of the most productive counties in Ontario. Perth County has gross farm receipts of $560 million, more than the provinces of Newfoundland, P.E.I., New Brunswick, or Nova Scotia.

Agriculture employs close to 30% of the county's workforce, with 1.26 people employed in related industries for every person on the farm. This generates $1.52 in sales to agriculture-related businesses for every dollar earned at the farm gate.

My wife and I have a partnership with my brother and sister-in-law in which we milk 150 cows, raise all the young stock, including the veal, and crop approximately 500 acres.

As president of the Perth County Federation, I represent 1,700 farm business members. I will focus on the business risk management pillar, but would also like to touch on the others as well. For business risk management, my presentation will be conceptual in nature, as opposed to being focused on details.

There has been much discussion on what has and hasn't work in the current suite of programming. In order to develop a comprehensive set of programs for the future that will be agreeable to producers as well as to government, we need to first determine what we want to accomplish. Producers are looking for programs they can count on when they need them. “Predictable” and “bankable” are terms often heard in this regard. They do not want to have to lobby for improvements after the programs have not lived up to expectations. Producers do not deserve to have to live with the anxiety and uncertainty that comes with not getting what they felt they should have from a program.

By the same token, I doubt government deliberately attempts to put forth programs that put producers in positions of hardship, thereby forcing them to be on the government's doorstep on a continual basis looking for upgrades and improvements to programs that were developed to be comprehensive and all-encompassing. Maybe I'm not cynical enough, but I would think that government develops programs to solve problems, not create them.

I think the government needs to be more deliberate in its approach. There needs to be a clear understanding by all parties of what the program is designed to accomplish. I foresee a tiered approach to programming, with each tier addressing different timelines and severities of impacts. There needs to be a disaster program that deals with sharp and immediate impacts, such as BSE or floods, for example. Although funding of these events is hard to forecast, contingency funds need to be in place so that reaction is fast and unquestioned in their support of agriculture.

Business risk management, by definition, would be protecting your business from unforeseen circumstances. In doing this, most producers use insurance diversification and other mechanisms to protect themselves. However, there is still the necessity for government to assist with circumstances that are not covered.

Production insurance has long been a part of our toolbox and I think producers have traditionally made good use of it. There is opportunity to expand production insurance to cover more commodities and to cover more perils, such as disease. As far as government investment, I believe this returns good protection for the dollars invested.

The goal of an income stabilization program should be to assist a producer to move from one reality to another. By this I mean that as a producer encounters an event, then learns to deal with it and attempts to overcome it, there needs to be support available to assist them. However, after a number of years there needs to be an adjustment to the new market forces at play.

I'll use BSE as an example. Initially there was a massive and immediate reduction in income. An adequate disaster program would assist this radical adjustment. Then, as time moved on, we have seen varying degrees of recovery in the market. We are now almost to the point where we can say that we are dealing with a new market reality where producers can and must fully evaluate their options for the future. To be effective, an income stabilization program must assist producers in reaching this point.

The final tier of support comes into play if this new reality is unsustainable for an entire sector, either because of a dysfunctional market, distortion of the market by foreign subsidies, or whatever the case may be. The income support tier would support producers for the longer term. In this tier there needs to be a clear decision and commitment by government to support a sector that is not in a sustainable net income trend.

Whether the justification is a whole farm support policy or a national food sovereignty policy, or just a long-term bridge for a market that will return to sustainability, the support needs to be clear and unwavering.

● (0900)

If the government decides that support for this particular sector or commodity is not in the best interests of Canadians, then that too needs to be clearly communicated so that those involved can make the required decisions on their operations, as opposed to reducing their equity with the hope that the government will some day come through for them.

Within this whole suite of programming, there need to be some underlying parameters. The potential for profitability must be ingrained in the suite of programs. The programs need to be clear. They need to be reasonably uncomplicated so that they are both easily understood by producers, and so they are easy to administer, so as not to lose valuable resources in administration costs.

Producers need to be informed as to why they did or did not qualify for assistance under any or all tiers. If there is some form of interconnection between programs, there should never be a clawback of funding. There should be an opportunity for provincial governments to enact companion programming to address regional needs. There may be opportunity at times to mimic foreign policy to avoid the threat of trade action, even if there isn't the capacity to match the commitment.

Producers in all sectors have been dealing with tight, and sometimes negative, margins. The morale and enthusiasm in the entire sector has taken a beating. I think government has a real opportunity to bring that back with programming that producers can trust and rely on.

In Ontario, the environmental farm plan has been in existence for close to 15 years. It has been instrumental in improving agriculture's impact on the environment and water sources. Updated versions have addressed changes in what are considered new standards, for instance, in hydro usage and conservation, and sound and smell awareness. Having just completed an EFP workbook on Tuesday, I can say first-hand that it is a very in-depth look at how we and our farm interact with the environment, water supply, and indeed all of society around us.

I think the environmental farm plan needs to be a permanent part of agricultural programming at the federal level. Commitment for this program needs to be clear through an entire transition from one APF to the next version of the APF, with no gaps. This program has, in my mind, the capability of being the vehicle for a broad range of public investment towards land stewardship initiatives, source water protection demands, and a whole host of things that agriculture can assist all of society with in our attempt to reduce our collective impact on the world around us.

I must emphasize the fact that any service or improvement that benefits all of society must be significantly cost-shared by all of society. I would also like to stress that if you want producers to be willing participants and truly forthcoming in some of their shortcomings, then the workbook must be kept confidential once it's completed.

Innovation and renewal: If you look up innovation in the dictionary, I'm sure you'll see “farmer” listed as one of the synonyms. I find so often that in an attempt to assist in innovation, governments tend to re-study what some are already doing. Instead of reinventing the wheel, I think removing the chocks and allowing farmers to help direct where they need assistance would better foster innovation. There are some really astute individuals in agriculture who, given the chance, could really excel in driving innovation forward.

The idea of the renewal pillar was very forward thinking when it was first developed. However, I think some serious issues need to be addressed. Having just completed a succession in our business, I have some first-hand experience with how some of the programming works, or, more specifically, doesn't work. I think our accountant benefited most from the CFBAS grant, the Canadian farm business advisory services grant. If you have advisers who are accredited under the program, then it should not be necessary for bureaucrats to pre-approve what you are trying to accomplish. It definitely shouldn't be a requirement that the entire plan be completed and approved before you start on implementation. Often the two are intertwined, and this resulted in a lot of positioning in order to stay compliant with the funding criteria. This wasted valuable time—and when dealing with a chartered accountant, I do mean valuable. The delays also created opportunity for other issues to fester and create problems and anxiety that still exist, and will for some time, making family relations difficult.

● (0905)

If you have accredited individuals, you need to let them run with it and deal with every situation individually. When the process is complete, you can have the opportunity to assess whether all aspects comply, but every attempt must be made not to delay the process for each operation.

The Chair: Mr. Danen, your time has expired. I was trying to signal to you. You have to look at the chair every now and then when you make a presentation.

Mr. Ed Danen: I'm sorry.

The Chair: Madame Hendrikx, you're up.

Ms. Mary Ann Hendrikx (Ontario Pork): Good morning.

I am Mary Ann Hendrikx. I'm pleased to have the opportunity to speak to you today about business risk management on behalf of Ontario Pork.

I'm a member of the provincial pork board, representing 3,100 producers in Ontario. I also sit on the pork safety net committee and act as the vice-chair of Ontario's Agricultural Commodity Council.

My family farms in southwestern Ontario, raising hogs, corn, soybeans, and wheat.

In 2006, 30.8 million hogs were produced in Canada, and over 7.4 million of these in Ontario. Eight and a half million Canadian hogs were exported to the U.S., either as weaners or as market hogs. Ontario exports a similar proportion. Of those hogs processed inside our borders, over half of them are exported as pork to 88 countries around the world.

We are part of an integrated North American market because of the large number of hogs we export into the U.S. And we purchase many inputs from the U.S., including feed, pharmaceuticals, and equipment.

Competitiveness is key to our success. Managing our business while trying to compete on a level playing field with our neighbours is the largest risk we manage as producers. Various risks affect our competitiveness and are completely beyond the control of producers. For example, things like currency fluctuations and interest rate changes affect our input costs.

Government policy and action must take into account the resulting effects. Thoughtful handling of labour issues or enabling product availability to deal with management challenges like disease are legislative things that our government can do to assist competitiveness as we struggle to meet increasingly sophisticated consumer demands. Even in an ideal competitive environment, producers require a safety net to deal with market downturns as a way to stabilize our income. Pork producers have found real value in the CAIS program and support the continuation of a margin-based program.

Of course there is always room for improvements. Timeliness of payments and predictability would lessen some of the criticisms from the grassroots producers. Also, the design principle that requires producers to finance program costs is in most cases unnecessary. Producers already assume considerable risk in production, and participating in this program has an administrative burden. Sharing in the program costs is simply an added expense. Also, many producers feel that government pro-ration would be a breach of trust if it would actually occur. In order to be effective in assisting producers during times of crisis, claims and payouts need to be considered income in the year to which they pertain, rather than when they're received.

The newly announced stabilization program sounds very promising and, in essence, what many producers have been asking the government for. A real concern exists for the maximum contribution being high enough to be of value. The previous NISA limits are too low for the size and scope of today's commercial family farms, especially in the pork sector.

There are simple ways to prevent the issues that brought the NISA program into disfavour. Mandatory withdrawal of the government portion in year of a claim is a simple solution that would do that job, as well as other suggestions mentioned earlier, like higher deposit caps and allocation of income into the year of hurt.

As I stated earlier, the pork industry is very export-dependent. We agree that programming must conform to international trade obligations and minimize the threat of trade action. We will not willingly endure another trade challenge. But being able to win these challenges is essential to our survival. One very important principle is equity across commodities and regions. All Canadian producers should be given the same opportunities and risk management programs so as to bring our industry forward together rather than spending energies trying to compete with each other.

● (0910)

One example of cross-commodity inequity is in production insurance. It was promised but never delivered or budgeted for. The lack of production insurance hits livestock producers in two ways. First, production losses are not fully covered. An effective production insurance program would have saved many producers who suffered extreme consequences due to outbreaks of circovirus and PRRS, two devastating pork diseases.

Secondly, the CAIS reference margin is not supported by production loss coverage. We appreciate the work to make the cash advance program more useful to livestock producers; however, only 50% of the benefit offered to crop producers is available to pork producers. A crop producer can access the advance for a crop year, which is 12 months or maybe even longer. A hog cycle is only six months. A workable solution that brings equity needs to be found.

Treating crops that are utilized differently is inherently unfair and needs to be addressed. The cost of producing either cash or farm-fed crops is equal. Farmers who diversify should not be penalized. These programs that go to non-farm-fed grains will result in either more paper sales from farmer to farmer, or in livestock farmers separating their business, with a spouse or other family member taking on the livestock or the crop portion. This is not efficient and cannot be accomplished by smaller farmers. The added bookkeeping expense is not a competitive practice.

One program that was well appreciated in the previous APF program was the Canada-Ontario research and development program, affectionately know as CORD. It was funded from transition money and administered by the Agricultural Adaptation Council. This was the fourth time we had access to CORD, and we found it to be a useful and well-used program that funded a host of valuable projects for all of agriculture. Although there were some challenges in its initial development, the conditions and parameters were successful.

Our one recommendation is to run the program from a grant rather than a contribution agreement. This would allow commodity groups to ensure that the moneys are spent as wisely as possible, rather than rushing projects to get them done by an arbitrary date.

In conclusion, I appreciate the opportunity to discuss these important issues with you today. I look forward to a promising future with the assistance of the government, and recognition of the positive influence that agriculture plays in our economy.

Thank you.

● (0915)

The Chair: Thank you very much.

Mr. VanderLoo.

Mr. Martin VanderLoo (President, Huron Commodities Inc.): Thank you for inviting us to present here today.

My name is Martin VanderLoo and my associate with me here today is David Kohl.

Huron Commodities is a grain processing and marketing company selling Canadian grains and oilseeds domestically as well as to the U. S. and Asia over the past 18 years. The reason we are here is due to complaints I had logged to our local member of Parliament regarding the reduced level of rail transportation service, to the point of Canada being an unreliable and uncompetitive supplier of Canadian grains and oilseeds.

Huron Commodities moves oats from western Canada to Ontario for processing and further export to the United States. We ship oats from Ontario and Quebec to the U.S. via rail. We ship rye from Ontario and western Canada to major distillers and flour millers in the United States via rail. We ship food-grade soybeans to Japan and Southeast Asia via rail to the west coast and ocean freight further on.

Over the years, we've seen increasing rail transportation costs with severely declining rail service. All the while, Canadian railroads are posting consistent record profits. Although we're not opposed to supporting a profitable railroad, we don't agree that it should be done at the expense of the farmer. For example, as mentioned earlier, we ship oats from western Canada to Ontario for further export to the United States. Unless we are a mainline shipper in western Canada, willing to ship 100-car-unit trains to the west coast, we are just denied service. The same situation is the case with our rye shipments out of western Canada. Unless we can provide 100-car shipments to the railroads for export to the U.S., they are simply not interested.

The railroads have consistently refused to spot cars for any of our shipments, jeopardizing our reliability as a shipper to our customers.

About a year ago, we were working on a project with a local elevator to facilitate a multiple railcar shipment facility for local corn and wheat exports to U.S. markets. This project would require a sizable capital investment. CN Rail advised us they could not guarantee equipment and power to make this project feasible. This project was scrapped.

As mentioned earlier as well, we ship food-grade soybeans to Japan and Southeast Asia. That move is facilitated by containers from Toronto and then rail to Vancouver and a vessel to the country of destination. The railroads have recently imposed an inland fuel surcharge of $174 per 20-foot container, U.S. funds, which is increasing our rates here, of course, and our cost of shipment. On May 1 they plan to increase that further, to a total of $195. There have been threats by the Port of Vancouver to impose a $40 per container port congestion charge—that's what they're calling it. All of these extra charges are just making us uncompetitive.

I'd like to cite some other instances in western Canada. On March 8, Great Northern Grain Terminals filed a major level-of-service complaint against CN Rail, and this filing has been supported by the Canadian Wheat Board as well as ten other grain companies in western Canada. Last year the Western Grain Elevator Association met with the Ministry of Transport and agreed on May 5, 2006, that the department would attempt to make changes to the Canada Transportation Act. The Western Grain Elevator Association is looking for reform in the Western Grain Transportation Act.

Huron Commodities, as well as many other grain-handling and marketing firms, has become increasingly discouraged with the lack of rail service and our ability to facilitate movement of Canadian grains and oilseeds to the marketplace.

What does this mean for agriculture? The federal and provincial governments have for years encouraged farmers to consider value-added marketing of their production. Farmers have answered that call by producing variety-specific crops and handling processes for these crops to secure a better price and a premium. Both the grains and oilseeds as well as the livestock sectors have pursued organic markets to realize a better return on their production.

● (0920)

Our inability to move farmers' produce to the marketplace negates any efforts growers have made to realize any value-added premiums they may have earned. Currently, our customers in the U.S. and Asia are telling us that they are seeking suppliers other than Canada because of our inability to be a reliable, competitive supplier. We ask you to push for immediate regulatory reform to the Canada Transportation Act, before we lose further markets we currently hold.

Thank you.

The Chair: Thank you very much.

Mr. Woods, you're going to wrap things up for us.

Mr. Bill Woods (Chair of Board of Directors , District 7, Chicken Farmers of Ontario): Thank you, Mr. Chairman. I thought you'd forgotten about me there, for a minute.

The Chair: I just went in the order of the agenda.

Mr. Bill Woods: Yes, thanks.

Thank you, Mr. Chairman, members of the standing committee, members of the community.

My name is Bill Woods, and I'm here today as chair of Chicken Farmers of Ontario, representing Ontario's 1,100 chicken farmers.

Our industry is valued at over half a billion dollars at the farm gate, is a strong contributor to Ontario's rural economy, and is also directly responsible for over 5,000 jobs and for thousands of additional spinoff jobs.

Similar to what my colleague at the table said about the dairy industry, eggs and turkey and chicken are produced under a marketing system known as supply management, a system that ensures an efficient and secure food supply that respects Canada's high standards for sanitation and health while benefiting both consumers and producers. Nationally worth more than $7 billion of Canada's $36 billion in agriculture revenue, supply-managed agriculture is a major contributor to our economy, employing 215,000 Canadians and totalling over 20% of Canada's agriculture sector. In Ontario, the supply-managed sector generates $2.2 billion in farm cash receipts, or 28% of the province's total. There are many additional benefits. Consumers eat safe, high-quality, grown-in-Ontario food. Producers enjoy a stable income. Processors have an assured and stable supply. And government shares in our success, through income tax and consumption tax revenues.

Our message today is simple: supply management is an important component of Canadian agriculture. Therefore, chicken farmers of Ontario, along with dairy, poultry, and egg industries, are seeking proper recognition of supply management and its three pillars, as a program within the APF business risk management pillar and as a focus of domestic policy development under the market development trade pillar.

Under business risk management, Mr. Chairman, we believe that supply management, including its three pillars of producer pricing, production discipline, and import controls, must be clearly defined as a program, as it is in fact an effective system of business risk management, one that fosters prosperity and renewal.

Under market development and trade, most of Canada's food production is actually produced and consumed domestically. Three-quarters of what our farmers produce, whether within the supply management system or not, is sold within the country's borders. Ninety-seven percent of the output of the five supply-managed sectors is sold domestically, which means that both Canada's consumers and its producers are the beneficiaries, as prices are stable and the quality of food on Canadian tables is the highest possible. Further, the bulk of revenue from Canada's agriculture and agrifood production, over 70%, comes from the domestic market.

Therefore, we respectfully suggest that the APF recognize the importance of our domestic market, including supply-managed industries, for the long-term health of Canada's agriculture and our agrifood sector. Doing so could and should be done within the framework of international trade agreements, which, while they give us certain obligations, also afford us certain rights, which we should not be shy about exercising in support of our domestic policy objectives. For example, while Canada has the right to use safeguard measures such as article 28 under the General Agreement on Tariffs and Trade, unlike the European Union, Canada has chosen not to do so.

Under the food safety, food quality, and resource protection pillar, Ontario's chicken industry continues to be profitable because consumers have confidence in the safety and quality of our product. Ensuring continued consumer confidence is key, which is why we have invested in on-farm food safety, bio-security, and animal care programs.

We are part of a progressive national program called Safe, Safer, Safest. The development of national on-farm food safety, bio-security, animal care, and traceability programs is crucial to managing business risk and ensuring the long-term health of our industry. In conjunction with the federal and provincial governments, and along with the rest of the farmed-animal industries, we are seeking to develop a national animal health strategy that would encompass financial risk management, research, animal care, disease management, surveillance of the laboratory network, identification and traceability, regulated products, bio-security, and funding support for the National Farm Animal Care Council.

Chicken Farmers of Ontario believes that a comprehensive animal health strategy should be incorporated into the APF, but in order to ensure that our industry continues to enjoy customers' confidence, we also believe that governments must ensure that the same high-quality safety and animal care standards are required for products that are imported into Canada.

In conclusion, in order for the APF-2 to promote growth and strengthen the profitability of Ontario's chicken farmers, it must do the following:

First, it must recognize and protect supply management and its three pillars as a legitimate and effective business model in domestic policy development.

● (0925)

Second, it should balance the needs of Canada's domestic supply-managed industries with those of export producers in negotiating international agreements and in fully exercising Canada's rights under these agreements.

Third, it should ensure consumers' confidence in the integrity of our food supply through progressive food quality, safety, and animal care programs—standards that are also applied to food coming into Canada.

Thank you for your time.

The Chair: Thank you, Mr. Woods.

Mr. Steckle, you're going to kick us off for the first five minutes, and I'm going to make sure that we stay on time today.

Mr. Paul Steckle (Huron—Bruce, Lib.): Thank you very much. Five minutes isn't a very long time.

I just want to say how pleased I am to be in the second largest producing riding in all of Ontario. Some people in the room will defend me on that. Anyhow, that's for Gary. We have a little fun once in a while.

There have been some pretty forceful presentations made as we've listened to people from the various provinces. There are some themes that have emerged as we have travelled from province to province. Predictability and bankability are certainly terms that we've heard time and time again, and our programs have not done that.

We've also heard in Martin's presentation the need for us to look at transportation as it pertains to the movement of goods and services from Ontario. We think largely of that as being a western issue. It's not only a western issue; it's very much an Ontario issue. We take very seriously the recommendation that we meet with transportation. Believe me, I've already spoken to the clerk about this, and we will be moving in that direction.

There are a number of things that we know have worked for the sectors. Supply management has worked very well, and as we're seeking to develop meat around the pillars as we go forward, disaster is certainly something that we need to put some meat around. We know that's one of the things that's going to have to be addressed in a very real way.

But there have been some choices given by various organizations. The Ontario grain and oilseeds people, along with the Quebec people, have put forward a model. I'm wondering whether there is consensus among the other sectors that this would work, not only for those who are in the grains but for those who are in the livestock sector, because we have the on-farm fed grains being an issue, where that program could be made to work. I think we have to go to a program where there is a sharing of that cost upfront, a program that's predictable and bankable, and that would certainly be one of those programs. I'm wondering whether we could find consensus on that particular program.

● (0930)

The Chair: Who wants to go first?

Please keep your responses short and to the point.

Mr. Paul Steckle: It's always difficult to know where to direct the questions.

The Chair: Madam Hendrikx.

Ms. Mary-Ann Hendrikx: We've looked at that program, and while we agree that something needs to be done when grain is having real issues, because we're a large exporting nation we have to be really careful about the trade implications of that. In the last dumping and countervail process that we went through, grain subsidies that were not trade friendly would pass through the pork and be countervailable. So they need to be designed in a way that is trade friendly. Given the ethanol craze in the U.S., it's quite possible that we may be exporting grain at some point.

Mr. Paul Steckle: Are we not always known to be the good boy scouts?

Ms. Mary-Ann Hendrikx: Definitely.

Mr. Paul Steckle: We stand back and let them dictate the rules to us. Isn't it about time that Canada stands up for being what it truly can be, and that is a player among the major players, because we are?

Ms. Mary-Ann Hendrikx: I think we're really pleased with the actions that have been taken about the U.S. grain subsidies. The WTO is the place to start fighting these things.

Mr. Paul Steckle: I believe we can do that. I believe there are ways around that. We've discussed various ways in which that can be accomplished.

But talking about programming and delivery of programming and where the money goes, the most recent program announced by government was, of course, the farm options program, which has now been scuttled, for those who thought they were in the program in 2005. So we really don't know where that one is, but $170 million out of $550 million being dedicated to account is certainly not a way to deliver money to farmers.

I'm wondering whether we should look at some of the other programs we delivered, CAIS being one of them, because it was very unpredictable and certainly there was a huge cost involved in getting the money to people—and of course the clawbacks in some cases. Surely we can learn from some of these systems.

I'm also wondering whether one government delivery would not be a better way of delivering, rather than having eleven governments trying to deliver money to farmers. There is one farm bill for the United States. Maybe we should take some lessons from the United States.

The Chair: Who wants to comment on that?

Madam Hendrikx.

Ms. Mary-Ann Hendrikx: That is true. Having seen how well Agricorp does it, though, I would hope that at some point there would be some efficiency and perhaps it would be delivered by the most efficient person to deliver it.

Mr. Paul Steckle: That's just a—

The Chair: Mr. Steckle, your time has expired.

Mr. Danen, a quick response.

Mr. Ed Danen: I think certain programs definitely would be better administered by the federal government. But I know the provincial government has also expressed on occasion that they'd be better able to address regional concerns, so I think certain things would be better addressed regionally by the provincial government.

The Chair: Thank you.

[*Translation*]

Mr. Bellavance, you have five minutes.

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

Thank you, madam, gentlemen, for being with us today.

My first question goes to Mr. Woods. In your presentation, one phrase caught my attention right away. You said that supply management should be a focus of domestic policy development under the market development trade pillar. I am quoting your phrase as I heard it. You have nothing to fear, Mr. Woods, since the government says that it will defend supply management. I don't see what you're worried about.

You understand that I am being a bit ironic.

No matter which government is in power, we just have to look at what happened in Cancun in 2003, for example, during the WTO negotiations. A preliminary document was made public, in which the government said that it was ready to make concessions on the supply management system.

More recently, the Minister of International Trade, Mr. Emerson, in a long interview that he gave to the *Western Producer* newspaper, said that supply management was slowing down current negotiations at the WTO. Even though he came to this committee afterwards to try and explain his statements, the fact remains that we are a little worried about supply management.

I would like you and Mr. Murray, who is a dairy producer, to respond to the allegation that supply management is slowing down current negotiations. We know that other countries in the world attack supply management and the Canadian Wheat Board, but I'd like you to tell me what you think about it.

● (0935)

[*English*]

The Chair: Mr. Woods.

Mr. Bill Woods: I think there was a question in there, but I will comment on some of the items I picked up.

With respect to the government support, yes, we have the House motion that the government supports supply management.

There have been some actions recently that give us concern. The Wheat Board was one, and most recently in the chicken industry is the decision on the non-import control list. I won't go into the technical details of that, but that basically adds.... Instead of having 7.5% access to our markets, it's now, with the extra 7 million, about 8.5% access to our markets, given that recent decision. That doesn't give me comfort that the support that has been pledged is actually being followed through on.

As far as holding up negotiations on international trade—this is only my personal opinion, but I suppose it is as valid as any of the other opinions that have been expressed on it—there are two or three big players in this. The two big players are the European Union and the United States. Until they come to some kind of agreement, no matter what we do, say, or offer is not going to sway them. So I guess our position is that there's little point in offering up supply management or any other items that are of benefit to Canadian farmers to try to push the trade deal, because it's going to have little impact.

I hope that's enough comment on what you asked.

[*Translation*]

Mr. André Bellavance: You are right. It was a comment as well as a question, just to find out what your opinion is.

Mr. Murray, do you want to jump in?

[*English*]

Mr. David Murray: Gladly.

I don't believe the supply-managed commodities are holding anything up at the negotiations. Of course the House motion in November of 2005 has sort of put a handcuff on our agricultural negotiator, Steve Verheul. The bottom line is zero tariff reductions and zero increase in the TRQs.

However, the thing that disturbs me is that we're not the only ones with that position. The European Union and the Americans are talking about a 60% reduction in the over-quota tariffs, but that will not require them to increase their market access to any other country. They're being very hypocritical when they're talking about reducing the tariffs by 60% and then talking about an increase in the TRQs, because they don't have to do anything.

We're being very honest when we're stating zero-zero, because if there is any deal that says that there's a reduction in tariffs or an increase in the TRQs, supply management is going to need help. It's going to be very serious. We need to talk about honesty and hypocrisy when we're talking about the WTO.

[*Translation*]

Mr. André Bellavance: We also hear it said that this motion is currently preventing Canada from doing anything. The same motion asked both that there be no compromise on supply management, and that producers wanting to export be given special treatment.

I have a hard time with the idea that Canada is down there, not saying a word to anyone and waiting to see what will happen. But the minister has said that he is going to sign an agreement anyway.

Do you think that that is a good position?

[*English*]

The Chair: Very briefly.

Mr. David Murray: No. From my perspective, of course it's not.

On the one hand, the government says they do support supply management, and they have actually shown that through actions—the implementation of article 28, the creation of compositional standards for cheese. On the other hand, well, they're going to sign a deal whatever it is, and they're not going to be part of the negotiations to create that deal.

● (0940)

The Chair: Thank you.

Your time has expired, Monsieur Bellavance.

Mr. Devolin.

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

Thank you to all the witnesses for being here today.

Before I get to my question, I want to make a point. As the chair mentioned, this is our last stop. We visited nine provinces, and have heard now from all ten provinces in terms of agriculture representatives. Some of the comments that some of you have made are on the record; we've heard them before. If we don't pursue them, it doesn't mean we haven't heard them. It may just mean we had a long discussion about that issue yesterday, and want to try to talk about something else today.

Right now I'd like to talk a little bit about supply management. In general, what we're talking about here is business risk management, and certainly supply management is a part of that. Those two are linked. An important part of supply management is import controls.

Mr. Murray and Mr. Woods, I'd like you to explain something for the committee in terms of your commodities. Currently there are imports coming into Canada that are kind of getting around the rules, so to speak, certainly circumventing the spirit of the rules. I wonder if you could explain to us how that is happening and what you think the government ought to be doing to support supply management and make sure it continues to function properly, and in so doing kind of help you to manage your business risks.

I don't care who starts.

The Chair: Mr. Woods.

Mr. Bill Woods: I will go first.

As I mentioned before, under our international agreements there is access to the Canadian market of 7.5% of the previous year's chicken production. That's a fixed quantity. The change in the marketplace has changed the dynamics on what is defined on that list of products, or how it fits that list.

The decision by Minister Speller a few years ago basically fixed that at 7.5%. These changed products or changed recipes on the non-import control lists were limited in how many could come in. The recent decision basically reverses that and opens it up. Basically those who ask or request have a mechanism for bringing in imported products. I think the request was around seven million extra this year, where it's been two million historically.

So now that's about 8.5% of our previous year's production. By making that decision, that really breaks down the tariff pillar. That is a way around what the actual rules are.

The other part, and I'm sure Mr. Murray will speak about this, is article 28, restricting access because of like products. Europe recently made that decision. There was product being shipped into Europe from Brazil, basically with salt water in it. The percentages fit the actual definition of the trade agreements, but the European Community implemented the article 28, which gives it the right to say you're just doing that to step around the rules. We have that option to do that in Canada too. As I mentioned in my talk, we haven't chosen that.

So those are ways of circumventing the actual system, breaking down that import control.

Mr. Barry Devolin: Thanks.

The Chair: Mr. Murray.

Mr. David Murray: I will try to explain a little bit more how things started to come in and how the borders sort of loosened up.

In 1994, at the conclusion of the last round of WTO negotiations, there were tariff lines established. In somebody's wisdom, not all of our products that existed at that time were caught under those tariff lines. One of the current examples is chocolate milk. Chocolate and flavoured milks are not under any kind of tariff line and have no tariff. It was not until January of this year, when one processor actually started importing chocolate milk in bulk, that the situation was looked after, due to industry cooperation.

Some products were not included in the tariff lines. But then technology has changed since then, so our current problem with the milk protein concentrates.... I mean, the technology was not there at the time. There is a tariff line for milk protein concentrates, and we assumed that everything would have been covered, but the ones coming in are very new, so they have a concentration of 85% protein or higher. Then the Canadian International Trade Tribunal—and the CITT members, by the way, are all government-appointed people—in its wisdom ruled that they are not classified as a milk substitute, even though milk protein concentrates are produced from milk and meant to replace milk in the making of cheese and yoghurt. So the CITT rulings have changed an awful lot of that, as well.

● (0945)

The Chair: Thank you, Mr. Devolin. I'm going fast today.

We'll go to Mr. Atamanenko.

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

It seems to me that on this tour there are common threads that have been pointed out. There are crisis situations. I think transportation is one, and if we have some time, I'd like to get back to that, because frankly, the more I hear about what's happening with the railways, the more appalled I am by what they're getting away with.

I'd like to focus on tobacco with Brian and Mark.

We've been around this ever since I've been doing this. We've met. You folks have appeared before the committee. I remember, Paul, that we talked about it and said that there have been enough meetings and that we have to get to a high level. You even suggested a high-level meeting to get industry, government, and producers together to hammer out this exit strategy. Your proposals have been there. They're in black and white. I've talked with another colleague, Joe Preston, and we've gone around this. I've written letters on your behalf, as have others, I'm sure, and we've talked.

Here we are in a situation in which it's really not a cost. It's not going to take away from other producers. As you said, it's not an agricultural issue; it's a health issue. We, as a country, have decided that we're going down this path. It can be financed through tobacco, through taxes. It can be financed through some contributions from industry.

Why are we still at this stage? I don't understand that. What answer are you getting? Why is it so difficult for us to get together, for government to bring people together and hammer this out and let you folks exit with dignity? I don't understand it. Maybe you could explain that to us.

Mr. Brian Edwards: I think at this point in time we have our elected representatives, who are the Ontario Flue-Cured Tobacco Growers' Marketing Board. Their mandate is marketing and production.

There are some growers, as I stated in the question, who think they can still grow if there is a restructuring of the tobacco scenario. We, as the Tobacco Farmers In Crisis, have said that we want an exit program for those who wish to exit.

Looking at the other programs in agriculture, we don't believe that it should actually be an agricultural issue. At one point in time the companies themselves said they would be part of the solution also. I think at this point in time they've said they're going to have to be forced to be part of the solution.

If they are part of the solution, then there's a possibility of some tobacco production continuing on for those who want to try that, and it will probably be a completely different system. There will be a free market system, as in the United States. That's what happened down there. All tobacco quotas disappeared, including the flue-cured. It's direct contracting with those companies.

Here in Canada any exit program in the future, and there have been a number of them.... There used to be five provinces growing tobacco: Quebec, Nova Scotia, New Brunswick, Prince Edward Island, and Ontario. All of those provinces have exited. There were programs put in place for those producers.

At this point in time we're left with a situation where the crop size that's been offered by members of the TAC.... And the TAC does not include all tobacco manufacturers, unfortunately. To be a member of the TAC you have certain obligations that you have to sign—guarantees of payment, and that type of thing. Unfortunately, our federal government issued licences outside of this TAC with no requirement to be there. There are no Canadian content rules whatsoever.

We have this product that is hazardous to people's health. It's been stated by the health people that it's a carcinogen. And do you realize that there are no requirements for testing under the Canadian Food Inspection Agency? It's not a food. It doesn't fit.

There is monitoring done by scientists to see exactly what is coming in here. And for those people who do smoke, we, as Canadians, no longer supply the majority of that tobacco, as farmers.

The companies have decided to have just-in-time production, cheapest product available. They're going to defend their shareholders.

We looked at other programs in place that have been done in other countries and we did a comparison. Our marketing board had an independent accounting firm do a study of what it would cost to replace the lost investments we have.

And that's actually what we're asking for. If we're going to be taken out of business, if it's government policy that we're no longer going to produce tobacco in Canada, what we're actually asking for is to be put back in the position we were in. Provide a program, whatever that is, to allow the tobacco farmer to exit tobacco production and recover the investments they've put into it. And this is multi-generational.

Unfortunately, if the government goes to Farm Credit Canada or it goes to the banks, that doesn't look at all the debt. It really doesn't. We have multi-generational farmers where the father has given a mortgage to the son and there are private mortgages there. There is ACC, just to grow tobacco, because possibly the banks haven't looked at you for growing for a number of years now. You have to get outside money to grow your tobacco. It's not just the long-term debt that we're looking at here. For those in debt, the average debt is estimated at $400,000 each.

The average quota size is not large. When you look at 1,068 individual quotas and 272 million pounds of quota, you're not going to be able to get out of debt.

● (0950)

The Chair: Thank you, Mr. Edwards.

Mr. Atamanenko's time has expired.

I want a quick follow-up on what Alex was just asking about, if you could just answer it very quickly, Brian. Who paid for the exit strategies in the other provinces?

Mr. Brian Edwards: It was a combination. In P.E.I. there was a combination of funds between the federal and provincial government. There were exit programs, I believe, in some of the provinces. The most recent exit program was a combination of federal and provincial funds under the APF normal funding. It's a 60-40 split.

The Chair: In which province?

Mr. Brian Edwards: In Ontario and Quebec.

The last exit program established an exit that was a combination of moneys in Ontario that worked out to $1.05 federally and I believe 67¢ provincially, so it ended up at $1.72. But the amount of funds was limited. There were 700 bids placed and only 252 were allowed to exit, because the funds ran out. It was run as a reverse auction.

The Chair: Thank you.

Mr. Easter, you're on.

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

Thank you all for coming. One of the problems with six witnesses is that there are too many questions and not enough time.

Just to start off, David, you had mentioned that really Steve Verheul's hands—and the government talks about this often—are tied in terms of negotiations because of the House motion. For the government to use that as an excuse is nothing but malarkey. About one or two motions a week go through the House that the government doesn't listen to. Some of you mentioned the Canadian Wheat Board. There have been two motions in the House giving direction to the government in that area, and they absolutely, completely ignored them. So for them to use that as an excuse is absolutely wrong, and I just want to make that point, that it's clear malarkey. And for them to talk about that, where on the one hand they abide by House motions and on the other they ignore them.... Don't allow that to be used as an excuse.

I want to try to get to some specifics in terms of your own commodities, Martin. The specific question to you is about transportation. Although we're the agriculture committee, it is absolutely crucial to the agricultural industry. I mean, transportation is functional to marketing. It doesn't matter whether they were the government or we were the government, the problem is the Department of Transport. They might as well call themselves “the great railway defenders”. I've dealt with railways since the 1970s, when I was president of the farmers union. I guess the key in this one is what needs to be put in place to deal with the concerns of shippers in a more rapid fashion? The Canadian Transportation Agency doesn't really effectively work. What do you suggest in that regard?

I'll raise the second question now really to anyone, but mainly Mary-Ann, as you've mentioned a number of areas. The U.S. is much more strategic than Canada, and you mentioned that we had to be careful in terms of opening ourselves up to trade action. If you look at the U.S., they do school milk programs, they do food stamps, they do environmental programs, and they do it across a section of departments and across the government. They're green. Why can't we do that? Why shouldn't our on-farm food safety be entirely green, entirely paid for by the Government of Canada, or at least a combination? Why not an environmental program of the same things? Why can't we pump money into our system, the same as they do, under green programming? Would anybody be in favour of doing that?

● (0955)

The Chair: The floor is open to you, Mr. VanderLoo.

Mr. Martin VanderLoo: As has been pointed out, agriculture is tied very closely to transportation, regardless of whether it's rail or truck or containerized shipments, and vessels as well. It's all about getting it to the consumer in a timely basis and a competitive level.

I recollect that years ago we had some serious issues with our railroads back in the days when CN Rail was a crown corporation. It was losing money, bleeding profusely in the pocketbook, and there were moves afoot to change that.

We as an industry certainly don't oppose the fact that our railroads should be profitable. That's certainly important to maintain the infrastructure and so on that's required. However, it appears to us in the last number of years, and I don't recall exactly when this was put in place, that firstly CN Rail became a private corporation and the railroads were not under the transportation guidelines as they once were. Just from the outside looking in, to us as an industry it's very apparent that the two railroads in Canada really consider their shareholders as their customers, as opposed to the shippers and the consignees of this country and elsewhere.

I'll cite one example here, and this is maybe just a small one, but a local hog farmer down the road from me decided three years ago that he was going to venture into organic pork production because he felt he could make a far greater return going that way into a specific niche market. He had to rely on securing some organic grains from Saskatchewan, and of course there's a producer car program that the organic grain producer in Saskatchewan would sell his grain to this particular hog farmer and have the railroad send this producer car to Ontario. So it allowed him to make some feed. He's begged and pleaded with me, this hog farmer has, to try to help him move some of these products in a timely basis. He's waited as long as six months for delivery of some items, for grains, particularly barley out of Saskatchewan, to be able to feed these hogs.

He's at a loss for what to do. He felt that the decision he made to go organic was a wise one and that it was certainly going to be a profitable and sustainable operation for his family. We're trying to work together with some trucking companies, as odd as it sounds, to try to move some grain from Saskatchewan by truck to Ontario to be able to facilitate his feed needs.

Essentially we're told week after week after week.... Let me just back up for a minute. We felt many years ago that it was in our best interest as a small company to work as closely as we could with some of the mainline elevator chains in western Canada, thinking that the railroads obviously would pay more attention to their transportation departments than a company in Ontario. What I've explained to you earlier is all that's fed to us from these mainline elevator companies in western Canada. And essentially regardless of who you are, whether you're James Richardson, or Cargill, or whoever you are, it's irrelevant. The railroads are demanding that if you want to move grain, they'll accept 100-car shipments to the west coast, and if it's anything different from that, sorry, we can't provide you with any equipment.

The Chair: Thank you, Mr. VanderLoo.

Mr. Easter, your time has expired, but you did have a second question to Ms. Hendrikx. Make it very brief, please.

Ms. Mary-Ann Hendrikx: I think it's entirely a great idea. Farmers work very well to incentives. The environmental farm plan that you heard Ed talk about is a prime example of that.

The Chair: Good.

Mr. Miller, you're up.

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

Lady and gentlemen, it is nice to have you all here and to listen to your comments.

To the rest of the committee, welcome to the heartland of agriculture in Canada. There's no doubt about it. I am not going to get into an argument with Gary about who has the most agriculture in the riding. We both come from similar areas.

There is one point I want to make here. Mr. Woods, you mentioned the Wheat Board and supply management. There is a very distinct difference. First of all, there is fearmongering among a couple of political parties and at least one farm organization about the connection. And that's all it is: it is fearmongering. The difference with the Canadian Wheat Board, and the plebiscite on barley proved that, is that a number asked for change. In the dairy industry, the chicken industry, and egg supply management, none of that has ever been asked, and I doubt that it ever will. I just need to point that out.

Mr. Danen, you made a couple of comments, and I'd like a bit of clarification on them. One coment was that the government should make a commitment to match the U.S. Farm Bill, even if we don't have the money. I don't know whether you meant that as an idle threat or that basically we should find the money. I would like a little clarification.

Also, I believe you made a comment about an environmental plan. I might have missed some of the words, but you talked about confidentiality. That bothered me. If there is no confidentiality, we should be dealing with that. I'd like to hear a little more on that if I could.

● (1000)

The Chair: Mr. Danen.

Mr. Ed Danen: First, my comments about the Farm Bill or U.S. programming related more along the lines of what Mary-Ann talked about as far as trade impacts and so on. They were more meant as the “administration of the programs”, not an attempt to commit government funding where there isn't any. So if we could at least mimic American programs so it doesn't open us up to trade action....

As far as the environmental farm plan, to this point I'm not aware of any confidentiality issues. But I wanted to make sure this was still ingrained, and that it stayed ingrained, in the program.

As I said, if farmers are going to open themselves up in their book as to what issues they may have in their operation, I think they need to be the only ones who know what is going on in their operations. I think that will help them best address all of the issues.

Mr. Larry Miller: I agree with you. We have to have that confidentiality.

And I agree with you on the U.S. Farm Bill. We have heard this across the country, that the Americans...call it cheating or call it whatever, but they do it. I think we need to follow that, and obviously a number of groups have.

Mary-Ann, you talked a bit about the lack of research and development. What else could we do? Of course that's something that has normally been done with the provinces and the feds. Could you give more specifics on what government could, or should, be doing towards research and development, and how it will help your industry, for example?

Ms. Mary-Ann Hendrikx: I think each commodity probably has its own priorities and things that need to be done. The CORD program worked fantastically well, except it changed pillars in the middle of it. It was supposed to be a seamless transition. There was some real concern that some of the crop projects were in peril of getting funded. Because of the delay, the adaptation council actually had to front the money for some projects until the government funds came through.

I think that knowing the parameters up front, having them stay the same throughout the time period, and having a seamless transition so you can assess what research you need to do is important. Otherwise, it's oh, there is a pot of money and let's figure out what we can do with it. I think you get a lot better planning if you can scope out what needs to be done.

● (1005)

Mr. Larry Miller: Thank you.

Have I got a little time left, Mr. Chairman?

The Chair: No, you don't. You're out of time, Mr. Miller.

Mr. Hubbard, you're on.

Hon. Charles Hubbard (Miramichi, Lib.): Terribly tough chairman here. He's always watching the minutes, so I'll have to be very careful.

With the tobacco farmers, and my colleague here mentioned other members, I know we talked about that with Lloyd St. Amand just before we left Ottawa for committee. You're into another growing season, and you're still apparently quite a long distance away from making an arrangement with the government to satisfy both groups. Oddly enough, this tobacco industry also affects people in my constituency, and they've been hurt by it, because a lot of the seasonal workers who came to Ontario were from my area over the years, so they have found hurt and a need for alternative employment.

On the exit strategies, I would think you have looked at the other provinces with tobacco, but also in the fishing industry we have exits. On my coast with the Atlantic salmon, on the west coast with the Pacific salmon, in all those exits, people have been hurt. In Atlantic Canada, some people who didn't settle with the government back in the late 1970s, early eighties, are still holding licences, their quotas, and they can't use them and they never did get any satisfactory recompense for their business. They're simply out of luck, I guess we'd have to say now, because things have passed them.

How close or how far are we in terms of a settlement? Has an offer been made to you by the federal government, or is it simply a stonewalling, that they've never really come with any satisfactory offer on the table?

Mark is ready for that one, I'm sure.

Mr. Mark Bannister (Vice-Chair, Tobacco Farmers In Crisis): As recently as last week, our marketing board met with Minister Strahl. Minister Strahl's message to the board was for us to go back to the drawing board, that what we were asking for was too rich.

As you've indicated, exit programs are hurtful; it doesn't matter where you look. I think tobacco producers have it figured out. We've been kicked enough times that we want out. We're willing to leave, unlike fishing. A fisherman wants to fish. We want out of tobacco production. We understand the harmful effects. We want out, just as simple as that. For the minister to indicate that what we're asking for is too rich, I disagree. I think we're asking for a fair program that's recognized by other countries. International standards are set. The world's framework convention on tobacco control recognizes that.

Hon. Charles Hubbard: For the record, how far apart are you?

Mr. Mark Bannister: We have no idea.

Hon. Charles Hubbard: You have no idea. Your presentation, then, for the table, would cost how many dollars?

Mr. Mark Bannister: We're suggesting that $3.30 a pound, as asked for the marketing board originally, times 272 million pounds. We're asking for a top-up for the producers that went out in TAAP, including the Quebec producers. That was not a fair program. There were no funds to establish—

Hon. Charles Hubbard: For the record, what would the cost be to the—

Mr. Mark Bannister: Just under $1 billion.

Hon. Charles Hubbard: And that would be shared with the Province of Ontario.

Mr. Mark Bannister: Yes, correct.

Hon. Charles Hubbard: Okay, thank you very much.

In terms of the other commodities, we get concerns everywhere that many of the programs are very complicated. They take a lot of your time. They cost you a lot of money. What programs do you find the most difficult to deal with? We hear CAIS in some provinces. We never know what happens. You put in a proposal. Somebody reviews it. It goes back and forth and they may give you money and then they want money back in some cases. What is the most difficult one in terms of the various federal programs?

The Chair: Mr. Danen, you want to tackle that one?

Mr. Ed Danen: There are a few of them, but I think CAIS is one of the big ones because of the lack of justification. With a lot of programs, you'll get your application back or you'll get some sort of worksheet back that will identify where you do or don't qualify. I think that would be a big step forward, so producers would have a worksheet they could start with that's simple, that they could send in. They could get that back to have a very clear understanding of how the program works.

Across the board, I think a lot of money gets put forward and I think a lot of people, including the public, don't realize how much of it goes first to the accountants, as was mentioned earlier, and second to government administration to banter these applications back and forth.

I think simplicity of the programs is paramount for everybody, so the public perception that dollars are being delivered is actually happening.

● (1010)

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

Mr. Schellenberger, I'm glad to be in your riding. Somebody actually said that you were going to come in Shakespearian costume today, and I'm rather disappointed.

Mr. Gary Schellenberger (Perth—Wellington, CPC): I apologize for that. They didn't have one to fit me.

Again, I thank the committee very much for coming to Stratford and to this part of southwestern Ontario for this very important meeting.

I feel a little foreign sitting here, as I chair the Standing Committee on Canadian Heritage. I just have to watch the clock lots of times, and I don't really have the opportunity to ask too many questions. But I do know that in my riding, in Perth—Wellington, supply management is a very important part of the agriculture.

I also know that grains and oilseeds are very important, and I also realize that CAIS has not worked. It has worked somewhat for the hog industry. There are some good things and bad things.

One thing I keep hearing about is the amount of paperwork that has to be done. I think it was Ed who mentioned this morning again that these programs weren't necessarily put out to help accountants do very well; they were to get that money to the farm gate.

What do you think, other than maybe a one-pager or a two-pager to apply to some of these things? How can some of that be streamlined to help make sure that the bulk of the funds that are set out for farmers do get into the farmers' hands?

The Chair: Mr. Danen?

Mr. Ed Danen: I think the government already has a lot of information on most operations through their income tax filings and so on. I think there's a lot of duplication in that information gathering.

I also believe that there is some information there that is technically irrelevant to determining whether there's a claim. If you are applying for different programs or different levels of programs, you're doing more than one set of forms. I think some of that could be streamlined.

Every year you do your farm program support form, and that would automatically entitle you to disaster assistance, CAIS assistance, or long-term support assistance, whatever the case may be. I think that would be a great improvement as well—just to have one set of forms that goes in once and that comes back and shows you exactly what you're entitled to on any of the levels of programming.

Mr. Gary Schellenberger: There was one other thing that interested me quite a bit, which was rail transportation.

I live just down the highway, in Sebringville, Ontario, and the Goderich-Exeter line runs through. The only thing that gets hauled on that track is grain or graders. I see various sizes of trains come down that track, with sometimes from five cars to fifty cars. They are primarily with CN, because that's a private railroad. You don't have too much problem with private rail; it's the national rail that we have the problem with. Is this the case?

The Chair: Mr. VanderLoo?

Mr. Martin VanderLoo: That's certainly correct. The Goderich-Exeter railroad, for example, has just bent over backwards to try to serve us the best they can.

As you know, their service terminates, I believe, in Guelph, where they interconnect with the CN. If the CN doesn't provide equipment or incoming cars or equipment for outgoing moves, there's really nothing the Goderich-Exeter railroad can do.

Frankly, I'm amazed that they continue to try to encourage investment in business on this line, with some of the frustrations they've had.

Without belabouring this, I think there needs to be some reform in the Transportation Act to really make the railroads accountable. I think most of us understand, as was mentioned earlier, that transportation plays a huge part in agriculture and in what our final realization of receipts or profitability might be.

We're all partners in this right from the farm level through to the grain elevators, the processors, the exporters, and the railroads. We all have to work together to make it a viable industry.

● (1015)

Mr. Gary Schellenberger: Could I just...?

The Chair: I'll allow it just because this is your home, and I know you have to leave at 11 o'clock, but it has to be very brief, Mr. Schellenberger.

Mr. Gary Schellenberger: It will be. Unfortunately, I can't stay until a quarter after eleven. I wanted to stay the whole day, but I do have another engagement I have to go to.

To any of the other presenters here today and to the committee, I apologize for having to leave, but thank you very much for allowing me to be around the table with you.

The Chair: Thank you, Gary.

I have a couple of things I wanted clarified. Mr. Woods, you said in your opening comments that article 28 hasn't been used, but it has been used for the dairy industry. I only want to know whether you are aware of that.

Mr. Bill Woods: Correct. It's actually item-specific. It has not been used in the poultry industry.

The Chair: In the poultry industry, that's what you meant.

Mr. Bill Woods: Yes.

The Chair: I was somewhat confused about that.

Also, both Mr. Murray and Mr. Woods were commenting on the commitment of the government to supply management. I'm wondering if you're aware that last week Minister Emerson was at the Cairns Group meeting in Pakistan and refused to sign the communiqué because it didn't go far enough to protect sensitive products.

Mr. Bill Woods: Yes.

Mr. David Murray: No.

The Chair: You were aware of it, Mr. Woods, and Mr. Murray wasn't. I simply wanted to say that.

I think, Mr. Danen, you talked about production insurance to cover disease risk. This is actually something we haven't heard much of in our hearings. Have you had discussions with your provincial government and with your crop insurance program to see how that would fit in?

Mr. Ed Danen: We, as the Perth Federation, have not. I understand that a number of the commodity organizations have.

Mary-Ann also mentioned it as far as the pork industry with PRRS and the circovirus. Things like the BSE or production insurance could have possibly helped out on scenarios like that.

There are other issues on individual farms—

The Chair: But when you look at disease that is eradicated, like tuberculosis, like BSE, where it's covered under the Health of Animals Act, versus the circovirus problems that we have in the hog industry right now, which aren't under animal health, it would probably be more attuned to those situations where you've got herd health losses in pretty astronomical figures.

Mr. Ed Danen: Oh, definitely, and across all commodities. I mean, livestock BVD and other scenarios like that, across a lot of the livestock industries there's no production insurance at this point in time.

The Chair: Mr. Edwards, did you want to make a comment?

Mr. Brian Edwards: I wanted to make a point of clarification. You asked what the situation with the buyout for pricing was. Our marketing board went back to the minister. I believe they dropped the price and made another offer of $2.62 per pound of the basic production quota.

We're not exactly sure, as farmers and marketing board and TFIC, exactly what the position is. It's an aggregate amount. We're not asking the full amount from the federal government; we're asking an aggregate. If there are three partners involved, the two levels of government and the companies themselves, if there will be production in the future and it sure doesn't look like it's all that positive with the present situation, they seem to want direct contracting. That was their indication in the past. I'm not sure if they're still there now or not, but it's an aggregate amount. It's not all money from the federal government. I offer this for clarification purposes.

The Chair: Thank you.

I appreciate everybody taking time out of their busy schedules to present today. I have a feeling that our next big study is going to be on grain shipping and handling and looking at the WGTA, the Western Grain Transportation Act.

Your input today will definitely help us shape our final report. We hope to have that tabled in the House of Commons before the end of the session so that ministers, both federal and provincial, will have that as a reference to use in their final discussions this summer.

With that, we will suspend. Check-out time is 11 o'clock for those of you who haven't done so. I request that you do that quickly.

● (1020)

(Pause)

● (1035)

The Chair: I call this meeting back to order.

We have at the table with us now Jim Gowland of the Canadian Soybean Council; Grant Robertson—no stranger to committee—with the National Farmers Union; from the Dairy Cattlemen's Association, we welcome Ian McKillop and Dave Stewart; from Ontario Apple Growers, we have Brian Gilroy; and Len Troup is here with the Ontario Fruit and Vegetable Growers' Association.

Is Adrian Huisman going to be here? No? So Mr. Troup is here with Ontario Tender Fruit.

Now that we have everything straightened out, Mr. Gowland, you're on first, for ten minutes or less.

Mr. Jim Gowland (Chair, Canadian Soybean Council): Thank you.

Once again, thanks for the opportunity to do a presentation in front of the agriculture standing committee.

First of all, I'm a director with the Ontario Soybean Growers and also chair of the Canadian Soybean Council.

I can tell you a little bit about the Soybean Council. We have a formal relationship with the Manitoba Pulse Growers, Ontario Soybean Growers, and the Fédération des producteurs de cultures commerciales du Québec. Basically we represent about 25,000 growers with approximately three million acres—most of those acres, about 2.2 million, are in Ontario—that represent approximately $1 billion in farm gate receipts.

At the end of the day, the soybean industry in Canada is a net importer of soybeans and meal. Basically a third of our beans are exported for food-grade-type situations. The resulting commodity required for feed has to come out of the U.S. for soybean, whole beans and meal.

The Canadian Soybean Council was established to better represent soybean producers at the national level. We have some major ties with the Canadian International Grains Institute, the Canadian Soybean Exporters Association, Soy 20/20, Soyfoods Canada, and the Guelph Food Technology Centre.

Most of our focus includes market development. We initially started off in the area of exports. We're also involved with research and innovation through Agriculture Canada partnerships, involved with stakeholder, communication, and environmental issues. We also participate within the national oilseeds round table, especially in the areas of innovation and trade and regulations. We've also been doing a lot of work with APF II consultations on all those pillars.

Basically our vision of the Soybean Council is to stimulate industry growth by efforts in utilization. Traditionally we've been in the export business or export markets, IP systems, with soy foods and ingredients. In the last number of years we've been in a lot of bio-economy initiatives.

As I said earlier, our whole focus is innovation. We feel that's the major way to try to have returns that are better for producers. At the same time, we also recognize that to have those returns, we have to have a backstop in place of safety nets as well. I'll talk a little bit about those and why we feel they're needed within our industry.

Certainly they provide stability from highly variable commodity markets. Globally farmers have access to these types of tools. Especially given Canada's close proximity to the U.S. and their types of programs, we certainly need to get ourselves a similar set of tools as well to provide support for our producers in times of need. Some provinces already have regional programs that work, such as ASRA in Quebec and the spring price endorsement in Alberta.

Now, as to where we've been and where we're at, prior to 2003 each province negotiated different programs with the federal government. Those programs could be targeted to the different provinces. Ontario had the market revenue insurance program and Quebec of course had the ASRA program. After the 2003 federal policy, the APF was changed for two national programs—namely, CAIS whole farm and also the production insurance, crop insurance sector.

I'll mention some of the current issues we have with the safety nets, particularly with CAIS. Albeit the federal government announcement about the top end of a NISA-style program or component was certainly welcome, there are still some issues with CAIS that we feel need to be dealt with—for instance, the timeliness of payments, basically based on income tax. And it's difficult to target the specific need. There is always the offsetting of losses and other segments of the operation that can affect sometimes the main core of the business. There's also the long-term declining reference margins. The prediction of a payment, if any, is very tough to try to come up with.

So what programs worked?

As an example, prior to 2003 something in Ontario that had worked very well was the market revenue program with the production insurance. It was flexible in delivery and targeted to need. It certainly accounts for differences in crops and markets. We look at that program to address the issue of markets tending to work north and south, between the U.S. and Canada. We also recognize that there are differences in production systems in eastern and western Canada, where those type of programs, commodity specific and companion-type programs, helped out.

There were timely payments, not based on tax, and targeted to specific sectors. We always feel that those safety nets are a bridge for producers as the market develops further. We also feel that programs need to be adjusted to be more flexible, bankable, and predictable.

● (1040)

In the area of trade and safety nets, we do some work on that, and some of our positions are that we see that as critical for the long-term stability of the soybean industry. The Soybean Council supports free, fair, and open international trade, but at the same time we're not in favour of unilaterally reducing Canada's business risk management programs prior to other nations that do that.

Getting back to our core type of initiatives that we do, we see that our market development issues always need to be backed up with solid business risk management strategies for us to be proactive and keep moving our industry forward. We always see that we need to ensure the long-term sustainability of the industry and have those backstops in place. Market development works to build a strong, viable industry, and safety nets provide the stabilization in the marketplace until the potential of market development can be realized.

Our member organizations that I mentioned before have been very active in market development opportunities, such as new export market development, the biodiesel, soy foods, and bio-plastics and other things in the bio-economy. Certainly the ability of safety nets to support those initiatives is required within our industry.

There are some other critical points that we'd like to address with market development. We see that soybeans are a key feedstock in the bio-economy. Domestic production is required to ensure the long-term stability of the bio-economy, the bio-industry. We recognize the movement forward in renewable fuels and the opportunities they present, but at the end of the day that's one component. We don't see that this is the only silver bullet to fix things and move forward in innovation. There are lots of other things that are required as well.

We also advocate feedstock neutrality, especially in the biofuels industry. We think that it should be the marketplace that decides how and what type of commodity is utilized in those biofuels.

We also believe that any product branded as Canadian should be made from domestically produced feedstock. To go along again with the whole messaging, we certainly recognize that we need targeted solutions that complement all pillars within the APF: market development, science, innovation, and the business risk management.

We're also quite involved with research, science, and innovation. We bring forward these comments. Canada must focus on opportunity to present benefits for Canadian agriculture and related industries. We noticed that the public and private sector research and development in Canada are lagging behind our competitors, despite the studies that suggest the cost-benefit ratio of R and D is in the range of 20 to 1. More dollars are being spent in other places for that research and development and innovation, and we feel that it needs to be addressed here in Canada as well.

We also believe that all these initiatives must have a regional focus to meet the needs of producers. Just on the agronomics side, pest infestations tend to be regional, not national, and move north to south instead of east-west. We also see that research policy needs to capitalize on Canada's advantage in respect to its location in key U.S. markets and the value-added industry.

So in closing, we feel that as a soybean industry, innovation has been our key to success over the years. We look forward to a lot of other opportunities that are taking place to work with government and work with private industry, and that will be the thing that really drives our industry forward. However, we always emphasize the fact that with the dollars that all of us are investing in these opportunities, we always have to maintain some type of business risk management program to support those initiatives.

Thank you so much.

● (1045)

The Chair: Thank you.

Mr. Robertson.

Mr. Grant Robertson (Coordinator, Ontario Region, National Farmers Union): Personally, and on behalf of the National Farmers Union, I thank you for the opportunity to be here.

Before I start I want to make a request of all of you. Actually, it's probably more of a plea. I was a participant at the first round, on science and innovation, and I've gone public about this. During the day there was a small handful of farmers invited. We put the issue of farm income front and centre onto the agenda and then when the summary was written it actually reflected a much different atmosphere from what was in the room, and what was occurring.

I sent a letter requesting some changes or at least an explanation of what was going on. Again, I was an invited person representing an important national family farm organization, and what I got back was a form letter.

So when you're doing this, you need to get control of what's happening in the bureaucracy. You're going to get pre-determined answers from the process. I saw that as well in the public round, the second round, where it was tightly controlled.

I know some of you personally, and I know that each one of you, even though you may differ politically on what might be the proper answers and what might be the best thing to do, cares about what is happening with family farmers. I know that you want to leave a legacy from your time in public office of doing something important and making sure that you're not kicking the knees out from under family farmers. And with what I've seen personally in the way this process is working, you're going to wear that, each and every one of you. You're going to wear a legacy of undermining family farmers and making a bad situation worse.

I'll leave that with you. Just remember that you're the ones who are making the decisions in the end and remember to take everything that's coming out of this with a grain of salt. I saw personally that I took detailed notes of the meeting I was in, and they did not reflect what happened in the summary you'll be getting. It's still posted online.

I say that to you quite frankly, not as being from the NFU or a farmer, but as a father who wants his children to do what I think is the most important job anybody can do down the road, and that's to create food for a community and for a nation. I'll leave it at that.

Part of what I see as happening and the NFU sees as happening with the discussions around business risk management is that it's a false discussion in a way, that it's not the problem that we don't have the perfect business risk management program. We've had a number of programs over a number of years. All of them have had failings of one kind or another.

The current CAIS program has many failings, and unless you've just flown in from another planet, given the jobs that you are doing, you're all familiar with what those shortcomings or failings are. I'm not going to detail them because they're in the brief that we presented, and I presume you know where that's going anyway.

The problem is that business risk management programs are being asked to do something they can't possibly do. It's an impossibility. Business risk management programs are meant to level out the peaks and the valleys. They assume that over the medium term there'll be profitability and it's meant to make sure that people get through those valleys.

Zero, which is what we are at in terms of realizing that income, cannot be levelled out. It's always going to be zero. So under the current suite of business risk management programs—and quite frankly what's being proposed in APF-2 is just going to be more of that levelling out at zero and you will see a further decline in farm income—you will see a further ratcheting up of market power, of big agri-business, and you will just see fewer and fewer family farmers.

Someone at my age is demographically, if you do the stats, a young farmer, which is just crazy. When I got my haircut to look nice when I was here today, there was a lot more grey hair on the floor than there was brown hair, and there's not much of it left any more. Yet demographically, statistically, I'm a really young farmer, and that's crazy. That's not good for the farm industry. That's not good for our long-term food sovereignty and food security in the country, and we have to come to terms with it. We have a systemic policy failure that has been happening over the last 20 years.

● (1050)

This can't be laid at any political party's feet. This can't be laid at anyone's feet, other than, in the broader sense, we have not come to terms with where we're going and the fact that we've been declining in farm income, we've been declining in farm profit. But at the same time, exports are through the roof; gross profit is through the roof.

The last five years under APF we saw the worst five years on record for realized net income for Canada's family farmers—the worst ever. That includes the Great Depression. Yet during that period of time, particularly in 2004, we saw the best year ever on record for agri-business. They made record profits like they've never made before.

So when you look at that, it pretty much proves that there's a problem, that the problem isn't that we don't have the perfect business risk management program. Yes, we need those in the interim. Over the next five, ten, or perhaps more years, we're going to have to invest in business risk management. But until we actually deal with the underlying problems, the problems of market power, the problem of consolidation and the fact that we have a Competition Act but we don't really enforce it and it's not really beefed up....

On the agri-business side, we see greater and greater concentration of market power, which puts the individual family farmer at greater and greater peril, because they just don't have the ability to negotiate a price with some huge multinational, transnational corporation. It's just not happening.

If you want to really get behind business risk management and really get to the issues of some of the problems, yes, you have to fix CAIS or replace it, and all that kind of thing in the short term, but there's a long-term project here too, and that long-term project is income, realized net income.

Just to throw some figures at you, we're seeing a great deepening of debt for farm families. It now stands at around $52 billion. That's what's happening; that's how farmers are getting through. They're increasing their debt load, their equity is going down, and they're replacing the failures of CAIS, the failures of other programs, and the fact that they just can't get what it raises.

We have a pretty mixed operation, but primarily we are cow-calf, cow-calf to finish. I'm not getting out of the marketplace anything that remotely comes close to what I should be getting on that price, but I can't negotiate a better price. I can't say, “Sorry, this year my widgets cost 48¢ to produce, so the price is going up, pal.” It just doesn't work that way. So government needs to be stepping in, both with business risk management but also with the Competition Act.

The other thing that's happening is that farmers are relying on off-farm income to a tremendous earth-shattering amount, and that has effects on our communities and on our families. If you're a young person and you see your parents working literally 19 hours a day just trying to keep things going, that's not a big inducement to say you'd really like to do that. Again, it's about income.

I know my time is getting really close, so I just want to say that one of the things we can be doing in government is supporting collective marketing and supply management. The best risk management program out there is collective marketing, single-desk marketing, and supply management. Those are the kinds of tools that farmers are going to need into the future as they face these really consolidated transnational organizations.

So get on with business risk management. We know we need to do some work on it, but there's a big long-term project here, and we're all counting on you.

● (1055)

The Chair: Thank you, Mr. Robertson.

Mr. McKillop.

Mr. Ian McKillop (President, Ontario Cattlemen's Association): Thank you very much, Mr. Chairman, for inviting the Ontario Cattlemen's Association to present today to you our policy views on several different issues.

I am president of the Ontario Cattlemen's Association and a cow-calf producer from Elgin County, about an hour and a half southwest of here. With me today is Dave Stewart, the executive director of OCA in our office in Guelph.

I'd like to begin by stating three overall principles that we feel Canada's agriculture policy should comply with: policy should foster the competitiveness of Canada's industry and producers on a global basis; efficient regulatory processes that foster competitiveness and innovation should be a clearly stated aim of policy; and policy should recognize individual needs and differences of provinces, and provide for flexibility in the delivery to accommodate regional issues.

As I'm sure you know, Canadian agriculture is exposed to many risks, and the cattle industry is no exception. While OCA sees these and other private sector means as the preferred tools for business risk management in Canadian agriculture, we do acknowledge that government programs play an important role in agricultural risk management.

I'd first like to discuss the CAIS program with you. OCA has been a strong supporter of the CAIS program. We are on record, though, as requesting changes to make the program more effective for our members. You'll be interested to know that in a paper of February of this year developed by the George Morris Centre in Guelph and entitled “A Review of Business Risk Management”, Ontario cattle producers identified their top three potential risks to be, number one, margin and price; number two, border closure and market access issues related to foreign animal diseases; and, third, production-limiting disease complexes.

We believe that the CAIS program has the potential to help mitigate these risks; however, the current design of the CAIS program is not working as well as it could for beef producers. I just want to highlight briefly two or three changes that we think need to be made to the CAIS program.

First, we feel that BSE support payments and other government payments must all be included in the production and reference margin calculations for the years in which they were received. These payments should be retroactive to 2003, the beginning of the CAIS program. The governments, both the previous government and this government, have been very good at supporting the beef industry with programs. We feel that those program payments need to be included in the reference margin calculations. This is a matter of fairness and uniformity across all sectors, and we feel that this is one way that the CAIS program could be made much more beneficial for beef producers.

Program payments must be predictable and easy to forecast accurately. This is not the case right now. Producers should be able to determine how the decisions might impact the outcomes. Banks do not consider the CAIS program when looking at the overall financial situation on an individual's farm, and this needs to change.

Adjusting the reference margin to reflect the changed base of production is achieved by applying what we call benchmark production units, or BPUs, to adjust the reference margin to the new production base. These BPUs are not made public, and this again contributes to the uncertainty and the mistrust of the program. We feel that a producer's own numbers should be used in determining the BPUs. This would again help to create some confidence in the CAIS program if this BPU issue was fixed up.

Finally, the payments need to be timely. Program payments should occur in the year in which there was a need for the payment.

We also believe that the recent announcement by the Prime Minister and the federal agriculture minister, creating a contributory style producer savings account, will not benefit beef producers. This change, we feel, will shift money from the green box to the amber box, and depending on the use of amber in the future, and the potential for a reduction in Canada's amber allowance, we feel that this could be problematic. This change also moves us away from whole farm agriculture policy and addressing a system of entitlement. So we do have some concerns at OCA about the announcement that was made a couple of months ago.

● (1100)

In addition, the announcement allocating $500 million to address the high cost of production concerns us, for several reasons. The primary concern is the potential effect that this type of program may have on foreign trade. The cattle industry in Canada exports approximately one-half of its production in the form of live cattle and beef. We feel we are very vulnerable to trade challenges. Government support that is based on cost of production can be vulnerable to countervail actions by our trading partners, including the U.S., which is by far our largest trading customer.

We're also concerned about the emerging North American ethanol industry, which is a competitor for feedstock. At this point the viability of the ethanol industry in North America is dependent on government support and mandated use. We are concerned that government support to a competitor of the cattle industry may drastically reduce the competitiveness of our industry. This is a case where a policy that was based on good intentions but was not well thought out damages a sector that has been stronly free market for many years.

I'd also like to briefly discuss production insurance. At the ministers meetings in July of last year there was an agreement to move forward on extending production insurance to livestock. I think staff was directed to bring forward criteria and operating principles relating to a production insurance, event-driven, disaster program. We have seen a draft proposal on this and we feel it is little more than a mortality insurance program. It does not fit our requirement for an overarching production insurance program.

In terms of moving forward on a national disaster program, we feel there has to be some mechanism to have that program in place in the future. A national disaster program would address natural disasters such as drought and floods and issues like that, but the framework could also pre-emptively define a disaster and set out funding parameters, governance, and, to the extent possible, program details specific to the disaster. If there had been a framework like this in place prior to May 2003, the entire industry would have been much better off. Producers would have made much better use of the government dollars that flowed immediately after May 2003 had we had a disaster framework program in place and known what we were going to deal with rather than dealing with it ad hoc and on the fly.

I'd like to close with a few other recommendations, which have already been included in our written submission for the next generation of agricultural policy.

In regard to trade, Canada's international trade policy must be advanced by establishing a WTO mandate that empowers Canada's negotiators to achieve substantial improvements in market access. We could be exporting beef to other countries. However, we are held back by high tariffs in countries like Japan, Korean, and the European Union. It's a must that we see reduced tariffs, worldwide, through a WTO deal.

We also feel that traceability is a big issue. Again, that is in our brief, which you will be receiving. We have five principles of traceability and I would encourage you to understand what those principles are. This could affect our competitiveness, as an industry, if we get into some traceability programs that don't abide by our principles. Again, it could affect our competitiveness.

● (1105)

We are also strong supporters of the Canadian Animal Health Coalition's national farm animal health strategy. We feel that animal health should be a separate pillar under the next generation of agriculture policy. Included in animal health there needs to be strong recognition that animal care is part of that pillar. Animal care programs and polices need to be based on the premise that good care in the Canadian context fosters healthy and productive animals. As we move forward, animal care issues are going to be much more of an issue for the Canadian livestock industry to deal with. Again, there needs to be some recognition of that in the next generation of agriculture policies.

With that I will close. Thank you.

The Chair: Thank you, Mr. McKillop.

I understand, Mr. Gilroy and Mr. Troup, you're going to present together.

Mr. Len Troup (President, Ontario Fruit and Vegetable Growers' Association): We are.

I'd like to thank you gentlemen for having us here today. I think this is an interesting forum, and we welcome the opportunity.

Brian represents apples and I represent the tender fruit industry here in Ontario. We thought we'd do a joint presentation because collectively we are the tree fruit industry and our situation is very similar. You have our presentation in front of you. We're going to go through it and share the presentation on the various issues as they're common to all the tree fruit industry.

Again, I thank you for the opportunity.

The Ontario Tender Fruit Producers' Marketing Board represents 550 tender fruit growers located throughout southern and south-western Ontario, with a farm gate value of $50 million annually. Ontario is Canada's major producer of peaches, nectarines, pears, plums, and cherries.

Mr. Brian Gilroy (Vice-Chair, Ontario Apple Growers): The Ontario Apple Growers represent 300 commercial apple growers in Ontario, who collectively produce approximately 200,000 tonnes of apples annually valued at over $65 million. Ontario produces about 40% of all Canadian apples.

The national replant strategy for tree fruit and grapes is something you've heard about on more than one occasion. The Canadian tree fruit industry continues to face flatter, declining producer returns due to subsidized imports from competing jurisdictions, declining exchange rates, and rising costs.

This has resulted in an ever-increasing reliance on business risk management programs. The ability of the current programs, CAIS and production insurance, to help growers deal with the recent extreme market and weather conditions and the devaluing of our crop has been very disappointing to a large majority of our growers.

In an effort to help pull growers out of this downward spiral and provide support for them to replant newer, more marketable, and we hope profitable varieties, the Canadian grape and tree fruit industry has developed a national replant strategy, which if implemented would reduce our need for other government funding support.

I view this as an infrastructure investment in the industry similar to what's going on in other sectors of agriculture today. The strategy calls for a partnership between growers and the federal and provincial governments, who would share equally in the cost of replanting.

The B.C. government has funded a provincial replant program for the past 16 years. Nova Scotia approved a second five-year replant program in 2005. Now Quebec, as of December 13 last year, has a replant program as well. The Quebec program is of similar design to the national replant strategy that has been proposed for the federal government. Ontario is now the only major fruit-producing province that does not have a replant program.

The B.C. Fruit Growers' Association made a presentation to you a couple of weeks ago, , I believe, or in the recent past. They estimate that the B.C. fruit growers, who generate an average of $56.7 million annually at the farm gate, received $11 million more from the marketplace than they could have expected without the replant. Through their statistical analysis, they determined that without the provincial replant program, the acreage dedicated to the production of fruit would have dropped by about 43%. This is exactly what's happened in Ontario. Our production is down dramatically over the last 15 years.

Ontario's agriculture minister, the Honourable Leona Dombrowsky, has confirmed that the Ontario government is onside with a replant program, but they're waiting for the federal commitment. We have urged her to move ahead with the Ontario component to remain in step with similar provincial commitments in B.C., Quebec, and Nova Scotia, but she is waiting for you folks.

● (1110)

Mr. Len Troup: Another suggestion we have to make things better is what I think is a no-brainer, and that is a buy-Canadian policy.

U.S. producers continue to benefit from a buy-U.S. policy for all taxpayer-funded programs and agencies. You're talking military, hospitals, schools, prison systems, all sorts of things. This policy has resulted in great benefits to U.S. producers through the purchase of surplus agricultural products, thus stabilizing and expanding the markets for these products.

I've had it argued that maybe you're not supposed to be able to do this under NAFTA or something. Well, the Americans have been doing it for years, so I don't even want to hear that argument. It's one of those things that's just so obvious but it is not done in this country, and I do not understand why.

A similar policy in Canada would provide similar benefits without any additional cost to governments. A trial project for the school system in northern Ontario is being implemented right now, today, through the Ontario Ministry of Health promotion on a trial basis. This is a school snack program, and it's being implemented with the help of the Ontario Fruit and Vegetable Growers' Association. All of that product is Ontario-grown. It's good for the kids, and it's good for the economy.

This is a good first step, but it needs to be expanded upon as quickly as possible. Canada produces excellent agricultural products, which would provide health and economic benefits. The government must adopt a policy of showcasing these products and extolling their benefits. We're proud of our products.

To repeat, this is a no-brainer. It can be done at minimal cost to government. It is just one of those things. Americans do it. Lots of countries do it. I have no idea why Canada doesn't do this.

Mr. Brian Gilroy: Our next suggestion is enhanced funding for the environmental farm plan. Farmers are incredible stewards of the land, and the demands on them are increasing annually, it seems. Farmers have accepted the need to develop and implement environmental farm plans for their operations. Many of the required improvements are for the benefit of the environment as well as the general public good. We encourage the enhancement of the funding provided for these improvements, as well as expansion of the levels of funding and the projects eligible for funding.

For example, growers should be eligible for funding for the planting of hedgerows along regional and provincial highways to serve as salt barriers. These barriers work, and growers have benefited from them.

Another example of the environmental farm plan is that orchardists are extremely challenged by wildlife damage. Currently under the environmental farm plan, you can get an 80% funding to enhance wildlife, but to protect your crops from wildlife damage it's only at 50%. So we'd like to see that increased as well, enhancing that part of the program and making sure it continues.

Mr. Len Troup: On self-directed risk management, this is something that was in place. This is an alternative to production insurance for edible horticulture. It was developed in the 1990s, because in most cases, especially in the fresh market, production insurance does not work for our crops.

Self-directed risk management was an add-on to NISA. It was extremely popular and worked very well.

When APF-1 was introduced, the then minister, Lyle Vanclief, promised that production insurance would be made available to all farmers in Canada—and we have this in writing—and further, that if appropriate production insurance products could not be developed, then the federal government would consider self-directed risk management or a like product.

Time passed, and no new suitable products have been developed. We look forward to the introduction—reintroduction, really—of a self-directed risk management program under APF-2. This is a program that works, as opposed to one that doesn't. This would provide equity among producers, because for the most part horticulture does not have a working production insurance system like most others do. It would not cost any more than production insurance. It would be much less expensive to administer and easier to budget. Growers like it. It would be simpler and predictable. We would really encourage a reintroduction of this tool.

● (1115)

Mr. Brian Gilroy: On core funding, the Canada-Ontario R and D program has provided much-needed support for research and market development and has helped producers target the research where it does them the most good. The current round of funding has all but been exhausted. We strongly recommend that this program be continued through the next round of APF.

Mr. Len Troup: The American market access program, MAP, has been going on for many years, and we are the victims of this program. The U.S. Farm Bill supports the market access program, which provides U.S. producers with funding for export market development. We are an export market.

Canada is a major target. Many Canadian horticultural crop producers rely on the Canadian market and therefore must compete with commodities that receive MAP funding. It is one thing to compete with other producers, but it is impossible to compete with the U.S. treasury—yet that's exactly what we have to do.

Produce coming right into our stores and competing directly against us in our home market is supported under the MAP and everybody thinks this is fine. It's not fine. It's a killer, and it's going on every day.

We recommend that the new APF include a MAP-like program to not only target export market development but also domestic market retention. It is one thing to be chasing export markets, but we're really crazy if we're giving up our home market and we are allowing it to happen by not having anything to compete with that.

This is the extent of our presentation. I just have one other comment I'd like to make, and Brian may—

The Chair: I think you may want to save that for questions and answers, because your time has expired.

Mr. Len Troup: Oh, all right. Are we out of time?

The Chair: Yes, but during question and answer period you can raise it at that point in time.

Mr. Len Troup: Okay, thank you.

The Chair: Thank you very much, gentlemen. I appreciate all your presentations.

Mr. Easter, you're first.

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

On your last point, Len, on the MAP-type program, you're absolutely right. We don't have anything in government, other than trade offices that promote agriculture a little bit.

Are you suggesting something like the old Canagrex, or something much smaller that is specific to the fruit industry?

Mr. Len Troup: I think we should look at exactly what the Americans are offering to our retailers and duplicate that in our own market where necessary, because basically the Americans are coming in and sometimes offering $2 and $3 a box on produce as inducements for the major chains to buy. It comes in all forms; often they're buying the ads.

There are ways around this. All we have to do is look at what the Americans and doing and match it. Otherwise, we are losing that market. They're simply buying our own market right out from underneath us. I don't have the specifics of how it could be done, but I know they could be found out very easily.

Hon. Wayne Easter: Yes, we can get that information fairly easily.

In some other areas, I want to try to get specifics on the record if I can. It's been said in many different ways, but I assume almost everyone here is speaking of the allowance under APF, which isn't currently allowed, of companion programs, MRP specifically in Ontario. There's basically general agreement on that, I gather.

I guess there were some differences. You raised a point. You're the only one who's ever raised it in all the hearings, Ian, the fact that you were somewhat dissatisfied with the savings account program. Maybe somebody from the government could tell us, because we're still waiting for a lot of details on the $1 billion that's been announced ten times, but it isn't to be the same as NISA, I don't believe, entirely. It is a savings account program, but you're the only one I've heard who has problems with it, so could you outline those for us? Think about that for a minute.

I do have to come back to the point Mr. Miller made in the earlier session—some of you were here—where he pointed out there's no connection about what's happening with the Canadian Wheat Board and supply management. There is a huge connection, because the implication of when you move to individual choice from collective choice is that in any industry—and a precedent has now been set in this country—if somebody wants to market outside that system, if they have a threshold of 13.8% support, then that industry can in fact be undermined.

That's the precedent, Larry, of the decision that was made in western Canada. It comes down to individual choice versus collective choice.

I'd like to come back to you, Ian. The other last point is on international trade negotiations. Should environment and labour be included in those negotiations, rather than the current stand?

● (1120)

The Chair: Mr. McKillop.

Mr. Ian McKillop: On the recent announcement, we recognize that all the details haven't been worked out. We're going to be very interested in knowing exactly where the program is going once those details are worked out. But going to an entitlement program for the top tier or the stabilization tier of CAIS—which is the top 15% or the first 15% of your margin decline—is not going to mean a whole lot of money to any one producer across the country. Overall it's going to be a lot of money, but in throwing it across the country and giving everybody a little bit, I'm not sure what problems it's going to address.

It doesn't address need. It's entitlement, and I think government needs to be looking at programs that really address need. CAIS, despite its flaws, did try to address need across the whole farm picture. We recognize that and have recommended some changes to the CAIS program that need to be made in order to make it more effective and to better address need.

We are also concerned about this entitlement program. The beef industry is very dependent on trade. Depending on what our amber allowance is in the future, we are concerned that an entitlement payment could be going into that amber box. That amber box could get full pretty fast. That would create real problems for an industry like ours, which is very trade-dependent.

The Chair: Thank you.

Mr. Easter, your time has expired.

Monsieur Bellavance.

[*Translation*]

Mr. André Bellavance: Good morning. Thank you for giving us your evidence. I was not present at the beginning of the trip to the west. One of my colleagues. Mr. Gaudet, represented the Bloc Québécois. Since the start of the trip to the east, we have once more just touched on rather than examined the question of animal health. Mr. McKillop, your presentation gave us an idea of the importance that the problems of animal health should be given.

In the present Agricultural Policy Framework, animal health is not dealt with. In your opinion, what policy should the government adopt in this area? What policy instruments should it put in place so that very specific objectives can be met? There have been major disasters, such as BSE and a pandemic that affected poultry in British Columbia. Even the province of our chair, Mr. Bezan, was affected.

When I was first named agriculture critic, we visited Manitoba to find out for ourselves about the bovine tuberculosis problem. We went into the field, and I like that. I feel that in a sense we are in the field at the moment, since we came to visit you. But in that case, we really went to the home of a farmer whose entire herd had had to be destroyed because of bovine tuberculosis.

It was interesting to see everything that had been done to improve the situation, but it was very touching and difficult for us as decision-makers to be so close to that kind of situation and those kinds of sights. We felt a little powerless. There was no disaster relief program at the time, but we hear about them today. Perhaps that is one of the positive sides of the problems that we have gone through.

Before I finish, I would like to talk about something that is very dear to me, regionalizing health zones. For example, when a problem affecting poultry appeared in the United States — I think it was in Arkansas — a very precise zone really was drawn so that there was no trade with Arkansas, but trade could go on elsewhere in the United States. My intention here is certainly not to target a province, because we must show solidarity with people living through disasters like that, but when we had our BSE crisis, the whole of Canada, from east to west, was penalized. As the Bloc Québécois has always advocated, we should perhaps have regionalized our zones to prevent the country as a whole being penalized. I went a long way around to get to that question, but I felt that it was important to mention those facts. You opened up a topic that interests me.

Mr. McKillop, Mr. Stewart, I would like to hear your comments on the matter.

● (1125)

[*English*]

The Chair: Mr. McKillop.

Mr. Ian McKillop: Thank you.

I think one of the things that government needs to be looking at is supporting infrastructure, especially around zoning, a situation like what is currently being looked at between the border of Manitoba and Ontario, West Hawk Lake, which has been in the works for several years now. It is getting closer to being a reality, but there is going to have to be some type of ongoing funding in order to make that a reality long-term and to sustain it long-term. That is one area where government could play a role in supporting infrastructure being set up.

I would like to put on the record that Canada is seen as being a leader in animal health. Our regulatory system is second to none in the world, and that's viewed around the world as being one of Canada's greatest assets. And our top-notch regulatory environment is a tool that we will use in marketing beef around the world.

Going along with that there is the need for traceability, for example. We may have to expand our traceability program, even maybe take it right back to retail in terms of the sector that I represent. Again, there may need to be some support for us to do that, but I need to emphasize too that any traceability initiatives have to be based on the principles that we have adopted as an industry.

I think, as I mentioned, animal care is going to be much more of a focus in the years to come. There is increased pressure from animal welfare groups, and the regulatory approach to animal care in other parts of the world, especially Europe, is starting to be noticed in North America. So I think the government is going to have to have some mechanism in place, for example, to fund the development of codes of practice. Most commodities do have codes of practice. They have to be revised from time to time, and there is a fair bit of expense incurred in revising those codes. There does have to be government support, I think, to help with that.

The Chair: Mr. Bellavance, your time has expired.

Mr. Robertson, once again, very briefly please.

Mr. Grant Robertson: It is not just zones during BSE. Our herd goes back three generations in our family and has always been either forage or farm-fed grain. Nobody asked me if they'd pay me a little bit more because of that during the BSE crisis. So there are a lot of issues.

We are going to have to get serious about the fact that there is another disaster coming. It is not a question of if, it is when and who, because as we globalize trade we are also globalizing the little nasties that go along with it: bacteria, viruses, and insects. It has hit lots of other industries. It is going to hit agriculture. So we are going to have to be prepared for that. We need a disaster relief program. Tomorrow is probably going to be too late, because we just don't know.

As we see the globalization, we are going to get things. Avian flu is not going to come here from a wild bird; it's going to come in on a plane. We are going to get some other nasty little bugger of a beetle come in on a crate from somewhere else. Who knows, it might eat through the wheat crop, the corn crop, or, God forbid, the soybean crop.

So we need to have that kind of programming in place, and we can't do it soon enough.

● (1130)

The Chair: Mr. Miller.

Mr. Larry Miller: Thank you, Mr. Chair.

Gentlemen, thanks very much for coming here today.

I heard some really good points, and I just want to continue with what Grant just addressed.

Ian, you talked about a disaster program, and that is something we are committed to coming up with. What should be designated as a disaster? Should it be health issues like BSE and avian flu? Should it be dumping? We had the Manitoba flood three or four years ago, which was very severe. Should it be trade issues, low commodities? Think about that for a minute.

I have a couple of questions that I would like to ask of Brian and Len.

You talk about replanting. What would the total cost be to the federal government for the tree planting program you are talking about?

Brian, you talked about that, and also you mentioned about production being down dramatically in the last few years. What drove that production down? What is the key thing?

To you, Len, you brought up the issue of buy Canadian and what have you. As a farmer myself, I've always thought that we should be doing that. There are some reasons out there why we may not be able to, and they may make sense, but I think a lot of them are maybe just in our minds.

We have heard some discussion around the country about truth in labelling, country of origin. I would like to hear some comments from one or both of you on that.

There are the questions out there. Ian, I will throw it back to you to start off with the first one.

The Chair: Because there are three questions, please keep your responses as brief as possible.

Mr. Ian McKillop: Okay.

First of all, I think any type of disaster program has to have the flexibility that it could be regional. Whether it's a drought in Rainy River or just in several small areas of the country, it has to have the flexibility that it could respond in a timely fashion on very regional needs.

Certainly, common things like droughts and floods have to be covered, but also disease issues, like AI. BSE wasn't really a disease issue, but something like foot and mouth disease, if that ever came to Canada, has to be covered, and there is a list of foreign animal diseases that's well substantiated.

Also, I think it has to have the ability to respond to something like trade issues. When our borders are closed because of BSE and we see a severe loss of income, there has to be the flexibility that it could respond in a situation like that. It just have to have the overarching framework to cover everything. And quite likely we'll miss something, but if we can cover those four things, that's better than what we have now.

Mr. Larry Miller: Thank you.

The Chair: Mr. Gilroy.

Mr. Brian Gilroy: The costs of the replant program over seven years to the federal government would be $100 million. That's the estimate.

The Chair: Over seven years?

Mr. Brian Gilroy: Over seven years. That's the national program. It's not a lot that we're asking for. Currently, Ontario growers are at an incredible disadvantage because everybody else has one but us. Anyway, that's the answer to your question.

The other one had to do with what drove production down. It's like a lot of things. It's sort of the death by a thousand cuts. In 1999 there was the largest crop of apples since the thirties in Ontario and in eastern North America. I grow fresh apples for grocery stores and consumption, processing apples for pies and sauce and those types of things, and juice. So although we're not diversified in a variety of crops, we're diversified in the types of apples that we grow.

Normally, it's rare that all three of those are in the dumper, but in 1999 the dumper didn't even describe where they were. It was a disaster. Then in 2002 there was no crop, and basically it comes down to cost of production going up like this and returns, if anything, being level or decreasing somewhat.

I grow a few Crispins or Mutsus, a nice green apple that tastes a lot better than a Granny Smith, which we call tree turnips, because you can roll them on the floor and they won't bruise. For those Crispins, in the 2002 crop year, I received $358 a bin. This past year, when Crispins were fewer on the marketplace, I received $208 a bin.

So it's a variety of things, yes, and it's the whole notion that it's an incredibly expensive venture to be involved in. Labour is 50% to 60% of our costs, and the cost of labour is going up, up, up.

● (1135)

The Chair: Mr. Troup, just a quick response, because Mr. Miller's time has expired.

Mr. Len Troup: On the "buy Canadian" thing, there's no reason not to do it. It requires political will. Somebody has to make a determination that this will be done and don't worry about NAFTA and all that nonsense. I said that before. Just go out and do it. Show a little backbone. Just do it. I know that's unheard of, but that's all it takes. Just do it. The Americans do it. They're proud and they help themselves from within.

I envy them the internal strength to just go and do something and not worry about it. That's all it would take. But if you wait for the buyers of institutions to do it on their own, they've probably been told to buy the cheapest. That's probably the only thing they've been told. Well, tell them to buy Canadian. Just tell them and make them do it. If they don't, get a new buyer. This isn't hard to do.

On the markings on product, "Canada No. 1", things like that, they mean absolutely nothing. You go in the store and you look and it says something about Canada on there. It doesn't mean anything about country of origin. I understand the complications of going into country of origin, because things get mixed up in the process. It's not a simple thing to deal with, but it could sure be a whole lot better than it is. Even if you called it "packaged in Canada", at least that has some truth to it.

The Chair: Thank you.

Your time is up, Mr. Miller.

Mr. Atamanenko.

Mr. Alex Atamanenko: I'm going to do a quick question to Mr. Gilroy and Mr. Troup and then I'm going to move on with a comment and some questions for Grant, and then maybe we can pull this altogether.

The B.C. fruit growers had come out with a statement with regard to dumping from Washington State, initially saying they wanted a rapid response mechanism, not something that kicks in two months down the road, but tomorrow, if dumping happens today. They subsequently modified their proposal and they're looking at a minimum price. We should just have a minimum price in Canada, so that everybody competes on a level playing field. I'd like your comments on that in a few minutes.

Grant, I appreciate the frank comments. I understand the frustration you have, and I think all of us here share that with you, with regard to what happens in the process. We're looking at long-term projects. You were talking about realized net income. That's the key. Rather, we need to fix the short term, fixing CAIS and doing all that, but we have to look at the long-term, because you were saying—and we've heard this before—that it's the market power of consolidation we have to fight against. We are, as Mr. Troup said, competing with the U.S. treasury at the same time. We just heard a presentation on the railways before. We have this whole other issue.

You mentioned collective marketing and supply management are the key to helping us stand up in this current world we're facing. In Quebec yesterday, we had a presenter from the UPA, who said that really it boils down to what's more important, the right of the individual to do what he or she wants, or collective rights. In other words, if we allowed the individual to have this freedom of choice, and it erodes the collective right, is that what we really want in Canada? Does that fit in with our long-term strategy?

I'd like to submit that this is the debate on the Wheat Board. It's not some kind of ideological inter-party thing. That's what we're looking at. Do we have this right? Should we be protecting the collective good? That's the message we got in Quebec yesterday.

I've talked with farmers in northern Ontario, and many of them are envious of what's happening in Quebec. So I asked the question, is it because they have one voice in Quebec? You know, 96% of the farmers in Quebec belong to UPA voluntarily. You guys have three organizations in Ontario. Is that one of the reasons?

Then we have your other colleague, Karen Fyfe, who gave us the choice, the vision. Should we be looking at food security and the family farm and the collective good, or do we open up and become a supplier to the world of exports, through the WTO, and that's all we do?

That seems to be the key. We have to nail that right on the head. I'd like to get some comments on that, if we still have some time—maybe a couple of quick ones, and then move on to the other question.

● (1140)

The Chair: Very quickly. You only have about two minutes left.

Mr. Troup.

Mr. Len Troup: There were a lot of questions in there. I'm not quite sure what I should.... Which one was specifically to me?

Mr. Alex Atamanenko: Just briefly—

The Chair: Mr. Gilroy.

Mr. Brian Gilroy: We're supportive of the B.C. program recommendation about a minimum price. Washington State produces almost as many apples as the rest of North America put together. They're huge. They have huge market clout, and some years they just wipe us off the face of the map; 2004 was one of those years. That's why B.C. has done this. So, yes, we're supportive of something to protect us.

Mr. Alex Atamanenko: Thank you.

Grant.

Mr. Grant Robertson: If you look at the U.S. Farm Bill, that is a national policy around food and around agriculture and around rural communities, for good or ill. There are lots of problems with the U. S. Farm Bill, but it's actually a policy. We don't have a policy around these issues in Canada, and I think that's where we see some of these debates over the Wheat Board, for example.

I did one of those things that's unheard of. The first time I was in Saskatoon—being an Ontario boy, I knew very little about it—I rented a car when all my meetings were over and I just started driving around Saskatoon, saying I was this kid from Ontario wanting to know about the Wheat Board. I found that by and large—now I was in southern Saskatchewan—the farmers supported it because they understood that in the lean years they could work together. Now, there are always going to be those who want to crack heads for management, and those people have been around for a long time.

So I think, as we move forward as a country, we need to be working more together, more collectively, and those are the kinds of solutions we're going to have. We can't win the race to the bottom. We can't possibly win it when we look at our labour standards and our environmental standards. I don't want the kinds of standards for my family I see in many of our so-called competition nations, and I doubt anybody here does. So we need to start winning the race to the top, and that's where we need to be focusing.

The Chair: Thank you.

Mr. Hubbard, you're on.

Hon. Charles Hubbard: Thanks, Mr. Chair.

First of all, looking at CAIS payments, I think we're being told that if you have difficulty in 2004, you file your CAIS report, and you get a payment maybe in 2005 and it may even be 2006. It goes that far.

So are we being told that you have to put that as part of your income in the year that you receive your payment from CAIS? Is that because of income tax regulations? You can't file a readjustment of income for that particular year? Is that what you're saying, Ian?

Mr. Ian McKillop: When you receive your CAIS cheque, that has to be income in the year that you receive it. It cannot be put back into the year in which you actually had the claim. That is a problem. You could be receiving your CAIS cheque in a year that's substantially better, in which case you don't need the funds that year and it puts you into a tax situation to potentially give some of it back.

Hon. Charles Hubbard: Has anyone ever filed a complaint with Revenue Canada to seek redress on that? It affects not only your income for the following year, it also affects your business in terms of readjustments with CAIS in the future. Has anyone challenged Revenue Canada's position on that, that you know of?

● (1145)

Mr. Ian McKillop: I'm not aware that they have.

Hon. Charles Hubbard: It seems, Mr. Chair, very significant. It should really be a very significant part of this report. It seems very unfair, because you can ask for readjustments and I know in other industries they do have readjustment, but for agriculture there isn't.

Looking at the business of our product getting into the supermarket, I think we heard that American producers are buying.... They put these fancy flyers out. You buy a corner, so many inches by so many inches, in order to promote your product, and the person who's selling it is the person who is billed for that part of the flyer.

We're saying, then, that the American groups are buying advertising in the supermarket flyers to encourage the sale of their product in Canada?

Mr. Len Troup: That's correct, and the produce section is what I'm talking about. Let's say California wants to move a whole lot of peaches and right in our time. They may come in and offer a deal to a major chain, and if they talk to somebody like National Grocers, you're talking 50% of the market—50% of the market.

They can come in and they can tie that up with a deal. It would be a package for a certain amount of volume for a certain amount of time, and there would be rewards. They may buy the flyers; they buy the space in the papers; they may buy the shelf space. There's all kinds of wheeling and dealing going on. This is business we're talking about, and there's no end to innovation when you're looking to steal somebody else's market. They're very good at it.

If one of those chains comes in and successfully ties up one of our markets... Remember, I'm talking peaches. I have eight weeks to sell my crop. If they come in and they buy a market for two, three, or four weeks and half the Canadian market is tied up by that deal, where am I supposed to go? And wherever I go, I have to go cheap, because I'm in trouble right now; I've just lost half my market.

This is just the way business is done. It's part of the consolidation problem, and it's the way the Americans are doing business. I'm not beating up on the Americans. If they're smart enough to do a deal, good for them, but they're killing us and it's being allowed, and nobody seems to think there's anything wrong with that.

Hon. Charles Hubbard: With the tree planting, I'm a bit confused about this program, because you say that each province must have negotiated with the federal government for a program, and Ontario has not been successful in negotiating. Is this what we're hearing, or is it simply that the Province of Ontario has no money to do it?

Mr. Brian Gilroy: The Canadian Horticultural Council, working with the grape industry, has made a presentation to the federal government with all the provinces on board. Each individual province also has negotiated with their provincial government for a replant program separately. B.C. has had one for 16 years plus, and it is on sort of an annual renewal now. I'm not quite sure whether they've extended the term.

Hon. Charles Hubbard: Whose problem is this, then? We hear so many cases of the feds being here, the provinces being there, and no one can agree. Who do you see as the culprit in terms of not making an arrangement that would be satisfactory for your sector?

Mr. Brian Gilroy: At this moment in time, it's the federal government. We need Agriculture and Agri-Food Canada's support for a national program, at which point every major apple-producing province will have federal support and provincial support, because the Ontario government—

Hon. Charles Hubbard: To go back, you say that some provinces have had it—B.C., for instance.

Mr. Brian Gilroy: Yes.

Hon. Charles Hubbard: Ontario hasn't. Who is at fault?

The Chair: Mr. Troup wants to comment on this. This will be the last comment; all your time has expired.

Mr. Len Troup: All the programs that are in place are provincial only. The federal government has never participated. We want them to, but they've never been willing.

We have worked across the country. We have agreement among all the provinces on a national program, because the federal government always said it had to be national, okay? We're ready to go national, and now the feds are telling us they don't want to do it—boo hoo. We have the province playing the game. Ontario comes to the plate now and says it's in if the feds will come in, and the feds say they are not getting in bed with those guys. They're probably the wrong colour or something. I don't know how these things work politically.

It's a political game. The federal government refuses to play in the game at all. The provinces are all in, except Ontario; Ontario farmers are left with nothing.

● (1150)

The Chair: Thank you.

Go ahead, Mr. Devolin.

Mr. Barry Devolin: Thanks, Mr. Chair.

Thanks for being here.

I want to bring up another issue. I was listening to Brian and Len talk about some of the challenges the apple and tender fruit industries are facing. When I think of those products, I think of the Niagara area, maybe Northumberland County up in the Meaford or Collingwood area. We're talking about business risk management, and I would think one of the risks—or one of the threats, actually—to your industry has to be property values. If someone is an apple producer and is going out of business, the apple producer down the road is competing to buy that land with somebody who wants to build a golf course. In Northumberland there is a lot of pressure.

I'm from the Lindsay area, and I know it is an issue there. As property values go up, you're competing with the lawyer from Toronto who wants to buy a weekend home with a nice old Ontario farmhouse on it. That's a challenge.

I'd like to throw this open to whoever wants to comment. First, just in terms of staying in the farm business, staying in agriculture, is increasing land value in southern Ontario a significant threat, and do you have any ideas in terms of what we can do at a policy level to try to keep acres in production, so that a lot of this valuable farmland doesn't become more and more subdivisions, which is what we've seen?

The Chair: Go ahead, Mr. Troup.

Mr. Len Troup: The only thing that's going to save the land is if the farms are profitable. At the end of the day, if the farms are profitable, they will be farmed. If you have a bunch of farmers who own most of the land—and let's face it, farmers own most of the land—and they're not making any money, what is the encouragement for them to stay? What is the encouragement for their children to try to stay in the game? How can you afford to keep your children in the game? You're forcing these farms to be sold by not having policies that allow profit in the farming community.

There are other ways to try to solve it. I don't want to take too much time....

I'm in the greenbelt. I'm in Niagara. Our farms have all been greenbelted and zoned so that we can only sell them for agriculture. They're still worth $20,000 or $25,000 an acre, which is ridiculous considering the return from the farm, but that's because of this potential that the greenbelt might break. There is speculative value. You can't do anything about that, but—

The Chair: Mr. Robertson wants to get on.

Mr. Len Troup: —if the farms are profitable, they will be farmed. Right now they're not profitable.

The Chair: Go ahead, Mr. Robertson.

Mr. Grant Robertson: Income is clearly a key, but we also have to look at the big picture. We have a demographic crisis looming in primary food production. One of the major impacts is just the cost of starting to farm. Even if you inherit the farm, you're probably looking at half a million dollars in start-up. If you're buying, you're probably looking at a million dollars in start-up. There's nobody now who is a young person who can look at purchasing a farm and say, “yeah, I can make enough money to pay for the mortgage and the equipment and any livestock I need to buy” or whatever it might be from the farm. You just can't do it. You cannot pencil it.

I've tried. And I'm in that age group where we bought our farm not that long ago—although it's probably getting more than I'd like to say—and we've been working off the farm for a number of years to pay the mortgage.

The actual business part of the farm, if you take out the land value, the part that we run year to year on our farm is profitable. It's quite profitable. But it's that paying for the land; it's the initial payment. It has to come out of some other income source, and for us it's off-farm income. It won't come. It's not that we're bad managers, or that we're just financially stupid or anything. I go back right to Scotland. Money is a pretty big deal in our family. It's about those land values.

Larry, Paul, and I all live in the same area. That competition from people coming up to buy their little piece of heaven and then demanding city services and all that has a huge impact on our community.

Right now, for most of rural Canada, and particularly in southwestern Ontario, our greatest commodity is not soybeans. It's not livestock. It's our youth. We're exporting our youth because they just can't do anything else.

● (1155)

The Chair: Thank you, Barry.

Mr. Steckle.

Mr. Paul Steckle: I'm going to be very succinct in my questions. They're going to be pointed, but one thing I want to put in focus first.

We talk about the $100 million that you're asking for, Mr. Gilroy. To put that in perspective, $170 million of a $500-million program on the farm options program is allocated to accountants. So just keep that in your mind.

On the issue of the cruelty to animals bill, Bill S-213, Ian, you know the bill. You know what it's about. You talked about the treatment of animals earlier. Do you support that bill?

Mr. Ian McKillop: Yes, we do.

Mr. Paul Steckle: Anyone else who doesn't? What about you, Mr. Robertson? I'm going to ask you a question. Do you support the bill?

Mr. Grant Robertson: Yes, I do.

Mr. Paul Steckle: Okay. On the issue of a crop being planted, is Honeycrisp a tree that you're planting in the replant program, Mr. Gilroy?

Mr. Brian Gilroy: Yes.

Mr. Paul Steckle: And it's a good product? Because we heard about it in the east. We know that it has been mentioned time and time again as an apple that has some tremendous value in the marketplace. Anyhow, that sort of answers that question.

Ian, do you support the concept of buying Canadian?

Mr. Ian McKillop: Buying Canadian, like—

Mr. Paul Steckle: In terms of using that slogan and using that advertising tool and promoting your product.

Mr. Ian McKillop: Yes, we would.

Mr. Paul Steckle: Does the cattle industry support that?

Mr. Ian McKillop: I can't recall any real great discussion at our national level on that, but certainly the more we can do to be promoting our own product within Canada, the better for all of us.

Mr. Paul Steckle: The reason I ask that is because we have to start standing together, whether it's selling soybeans, in the case of Jim, who I know is a soybean producer.... We know that there are some tremendous products we have. And we also buy products, but we need to make sure that we sell our products and sell Canadians on our products.

Mr. Ian McKillop: We have taken great steps to increase the amount of Canadian beef that is sold to Canadian consumers since BSE. It's at an all-time high right now.

Mr. Paul Steckle: Also, we talked about whole farm concept. We know that's a wonderful concept, but some concepts just don't work.

If we relate the whole farm concept, as the performance of CAIS has shown us, it really doesn't work. It just doesn't work in every situation. One size doesn't fit all.

Is there a devisable plan that can be found that will deliver on whole farm without the encumbrances and without the difficulties that we have with CAIS? Does someone have a model that they can show us? Because we're talking about business risk management. This is because we have a diverse group of people just at this table. We have those every day, but it's a very diverse group this morning. So is there a way we can find to do that?

The Chair: Mr. Robertson.

Mr. Grant Robertson: I don't know that I have the answer to what you should do, but part of the problem is that if you continue with a margin-based program, which is what CAIS is, in a declining income situation, the margin is always smaller. So every year, the next year is worse. And when you get into whole farm, and you look at a situation like our operation, which is incredibly diversified over a number of commodities, we never qualify. Our accountant tells us to not even bother with CAIS.

The Chair: Mr. Gilroy.

Mr. Brian Gilroy: This is a personal opinion. We've heard the term “entitlement program”. If someone is farming, in Ontario anyway, they get 75% rebate on their property taxes because we know that farming isn't a very profitable thing and is facing many challenges. The NISA program was a good program in the sense that it allowed producers to gain equity and draw on that equity when times were tough. I personally wouldn't be farming right now if I hadn't been able to build up some equity somehow, because of what happened in 1999 and 2002 and so on.

We got paid less for our apples last year and the year before than we had in 25 years. Because of the dumping of Washington State apples, it took us in Ontario a year longer to recover from that, but that's a whole other story.

● (1200)

The Chair: Mr. Gowland.

Mr. Jim Gowland: With a margin-based program, certainly it's been a difficult challenge with the grains and oilseeds. We cannot dispute the amount of money that has been actually moved into the CAIS program, especially in the grains and oilseeds area. But the whole thing at the end of the day is the fact that it's not targeting need. Certainly for the programs that we've had in the past over the years there was always that target of need, and money got disbursed in a more fair and equitable manner.

The Chair: Mr. Troup wants in, very briefly.

Mr. Len Troup: Yes. CAIS works best where there is a dramatic one-time loss. If you're into a relatively stable situation, but even if you're not making any money or you're declining, it doesn't do you any good at all. To me, it works very well in some situations. You can lose a lot of money and not collect a dime. It simply depends on how you lose it.

I know someone who got $700,000 out of it in one year, and they needed that. They'd lost a lot, and that was great. I know someone who lost $300,000 or $400,000 and they needed more money. They never got a dime because it was that slow loss instead of a big one. So there are all kinds of flaws. There are ways to put money out there, but there's no equity in what you have right now.

Anybody who has diversity, it works against them. Diversity is a good business practice, but it evens out your humps and bumps so you'll never collect. The guy who has something that periodically goes sky high, periodically goes to the bottom, that type of dramatic pricing situation, they're going to love this program. For lots of guys who are doing a great job out there, it's never going to pay off for them. It's simply flawed all over the place.

The Chair: Thank you.

To follow up on that, we're sitting here and talking about business risk management, and everybody is talking about trying to fix CAIS. Why are we even trying to fix it? If it's not working, what's the option? Through the APF consultations, it's about CAIS and fixing it and giving the NISA a top-up. CFAA, I know, has supported that model. But what else is out there? Because I'm not a fan of CAIS. I'm a farmer. I hate the program. And my constituents.... One of the biggest challenges I have in my office is farmers calling in who don't understand the forms, aren't happy with the payouts they receive, haven't got anything out of the program other than a bill from their accountant. So open that for comment.

Mr. Troup, Mr. Gilroy.

Mr. Len Troup: A NISA-styled program has equity, because everybody gets treated the same. I'm saying with caps moved up to a modern level, because the old caps are so far out of touch they're unreasonable. But NISA does not address the one-time really bad hit, and CAIS does. So something along the NISA line in conjunction with truly a disaster insurance—that combination could work.

The Chair: Would that accomplish the self-directed risk management that you've been asking for?

Mr. Len Troup: Self-directed is on top of that, because that is a replacement for production insurance. That works. What you're just building up on your own farm, your own little nest egg because of your situation, it works for horticulture because nothing else does.

The Chair: Mr. Gilroy, you had your hand up?

Mr. Brian Gilroy: Yes. Just briefly, on the whole notion from agriculture, when the APF-1 consultations took place, we had three or four key criteria for a business risk management program: pay out in a timely fashion, keep it simple or predictable, and make it bankable.

CAIS is zero for three. That was agriculture across Canada that asked for those things, and zero for three isn't a very good record.

The Chair: So the question is, why do we keep talking about it?

Mr. Robertson.

Mr. Grant Robertson: I guess I look at NISA more from a younger perspective, and NISA, in a way, feeds the full. You have to have something to be able to put in it to begin with, and it doesn't help the young end of the farm generation. So I'm concerned that if we move that way....

To begin at the beginning, which is where I started, CAIS and a lot of these programs are a bureaucratic response to a market problem, and we have to deal with the market problem. We can move those chairs anywhere we want on the deck of the *Titanic*, but until we deal with the fact that farm income is going down.... We have to deal with that.

That's not to say we don't need business risk management in the short and medium term. We need it. We need those programs. They need to be flexible. They need to be bankable. We need all of that, whether we do that by fixing CAIS or we design something new. But again, you get into provincial, territorial, and federal stuff, and that's going to be another nightmare.

The real solution is market power, empowering farmers in the marketplace so that they can actually get a fair return on the wealth that they create for this nation, because farmers are wealth creators. We're solution providers. But we've been abandoned, and we have to deal with that.

● (1205)

The Chair: Mr. Gowland, and then Mr. McKillop.

Mr. Jim Gowland: The whole concept of CAIS, the one-size-fits-all concept, certainly shows it doesn't work.

As far as grains and oilseeds go, we had the programs in place from NISA and companion-type programs that were targeted to need. I guess we've always advocated and still advocate that we need to move back to that type of a program, maybe not the same thing but at least somewhat with similarities that address the need, the bankability, the predictability.

I think that's the long and the short of it, that as growers, we need that in our operations, the bankability and the predictability, to move forward with anything we do in business. Especially, we talk about within our industry the innovation side of things that is happening and dollars that are put in by governments, by industry, and by growers. I think we need that type of stability there to help move forward those innovation-type projects.

The Chair: Mr. McKillop.

Mr. Ian McKillop: From our sector's point of view, that is one of our concerns. If we did get rid of CAIS tomorrow, what would we replace it with? We do not have an idea of what it could be replaced with in a timely fashion. So in the absence of that, that's one of the reasons we have been moderately supporting the CAIS program, recognizing, though, that it does need to be improved in terms of predictability, bankability, and timely payments.

Also, from our sector's point of view, if we did have a workable production insurance program linked to CAIS, along with a separate disaster program for all of agriculture, that would go a long way to addressing specific issues and specific needs for our sector.

The Chair: I want to thank all of you for your presentations today. The opening comments that you made, Grant, we take to heart.

One of the reasons we're doing this is because it's not the first time we've heard it, and part of this process is to have a reconciliation between the APF consultations that are going out there right now and have been held across the country. That's why we're travelling, the political reality being that this committee hears from producers as well and see how that mounts up against what recommendations are going to come out of the APF-2 consultation process.

Essentially, we want to make sure our viewpoint and the viewpoints that we hear from across Canada, from individuals like you at the table today, are going to be reflected in our report. So I want to thank all of you for taking time out of your busy schedules to be here and helping us with this process.

We are going to suspend for an hour for lunch. We'll be back here at one o'clock.

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