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Mr. James Bezan

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● (1535)

[*English*]

The Chair (Mr. James Bezan (Selkirk—Interlake, CPC)): I call this meeting to order, now that we have a quorum.

We're going to do our study today about the difficulties in the livestock sector, mainly in the red meats sector. I want to welcome to the table today Brad Wildeman and John Masswohl from the Canadian Cattlemen's Association; from the Canadian Pork Council, Stephen Moffett and Curtiss Littlejohn; from the Fédération des producteurs de porcs du Québec, Jean-Guy Vincent and Nathalie Hansen; from Fédération des producteurs de bovins du Québec, Michel Dessureault and Vincent Cloutier; from the Canadian Meat Council, Jim Laws; and from Maple Leaf Foods Inc., Rory McAlpine.

I think that's everybody. I want to welcome everyone.

We will extend the committee by five minutes since we started a bit late. I remind everyone to keep opening comments under 10 minutes.

With that, we'll turn it over to you, Mr. Wildeman.

Mr. Brad Wildeman (Chair, Canadian Cattlemen's Association): Thank you.

Thank you for holding this hearing and for inviting us to appear before you this afternoon.

My name is Brad Wildeman. I am the president of Pound-Maker Agventures in Lanigan, Saskatchewan, home of the Grey Cup champions. I'm sorry, I digressed.

We feed cattle and have also operated an ethanol plant since 1991.

I have served on the board of the Canadian Cattlemen's Association since 1999, and I have been the vice-president since 2006.

There truly is a crisis occurring at this moment in the livestock industry. It's both an income crisis and an input cost crisis. Both pressures are occurring at the same time.

There are many factors creating this situation, and thus there needs to be a combination of actions forming a solution. I would also add that I sense a crisis of confidence in this industry. Because there are so many challenges all heaped on us at once, some people doubt that it will ever get better, and this makes them make some poor decisions out of despair.

I strongly believe that things can and will get better, but this will only happen if industry and government work together to address the underlying problems. To this end, we have provided you with two documents produced by the Canadian Cattlemen's Association. The first of these documents, with the title, "CCA Recommendations to Address Current Challenges for the Canadian Beef Cattle Industry", outlines the problems and identifies several options that could address the issues facing the industry. Before I begin to outline our recommendations, I must stress that we are an industry that relies on our ability to export. With that clearly at the top of our minds, our recommendations are formulated with a view to surviving the existing crisis but without unduly exposing ourselves to countervail risks in the future.

Keeping that in mind, our recommendations are as follows.

First, a monetary policy that returns the Canadian dollar to a more familiar rate of exchange would immediately improve producers' income levels.

Second, addressing uncompetitive regulatory costs facing the value-added segment of the industry would improve income levels for producers, such as ensuring that the cost of the enhanced feed ban policy are addressed and, where necessary, are offset to ensure a level playing field with the U.S. industry at suspending user and meat inspection costs.

Third, it's a simple fact that when grain goes up, cattle prices go down. Cattle producers are prepared to live with this when grain prices are the result of normal market forces. However, government interventions and biofuel policies have artificially distorted grain markets and driven down cattle prices in the past two years.

We have several recommendations that are outlined in our "Challenges" paper that you have before you. I won't read them, but they are aimed at improving feed grain yields and availability.

Fourth, establishing a new dedicated trade directorate that could pull together resources from CFIA, Ag Canada, and International Trade Canada to focus maximum resources on market access agreements for Canadian cattle, beef, and beef products would enable processors to export more parts of the animal and therefore improve income levels for producers.

Fifth, the availability of labour continues to be a serious and worsening problem throughout western Canada.

Sixth, several changes to the CAIS are required to ensure national uniformity and greater responsiveness to the rapidly changing events, including those I have just described.

At this point, I'll focus my comments on the second document before you, the one entitled “CCA Recommendations on Business Risk Management Options”.

First, we must address the issue of producers' declining reference margins. If this is not addressed, the new AgriStability program will not work for Canadian producers. We are prepared to work with officials to achieve this outcome.

Next, we should eliminate the viability test, which requires that producers have positive margins in two of the three years used to calculate their reference margin. With the economic situation that has affected producers over the last few years, many producers who would have viable operations under normal market circumstances have now been removed from the program.

Allow producers who might have opted out of CAIS to participate in a program at this time when they need it most if they have paid their fees and a nominal penalty.

Allow producers across Canada the option of using the better of either the Olympic average or the average of the last three years to calculate their reference margins. Currently, Alberta is already offering their producers this option.

Allow custom feeding to be included as a production indicator on the structural change calculator used to predict CAIS payments and/or reference margins.

The next change is the AgriInvest Allowable Net Sales, ANS, calculation to include 90% of the custom feeding income and custom feeding expense amounts reported on a producer’s tax return, instead of 50%, as currently proposed.

The next one is to allow producers the option of calculating their annual net sales on an accrual or cash basis regardless of the method they use for income tax.

Finally, we ask that you remove the cap on annual contribution limits of $22,500 per year or a maximum contribution level of $375,000.

These are several things that need to be done to truly help cattle producers be competitive and manage their business risk in the long term.

Let's get back to the short term. Cattle producers need the option of getting an advance payment on their future incomes to avoid panic selling at low prices. Government has already agreed in principle that advance payments are a necessary tool for cattle producers, but as I have discussed, the current mechanisms are preventing this short-term tool from working. Therefore, we would propose a special advance payment be offered to cattle producers. Our recommendation is up to $100 per cow and up to $150 for each feeder animal based on the 2006 year-end inventories.

I want to be clear that we're not asking for a handout. This advance would simply allow producers timely access to dollars that they will eventually receive anyway, either through CAIS or from selling their animals. The option to access their cash without having to liquidate cattle at the market lows will go a long way to addressing this crisis of confidence while we continue to work on addressing the underlying problems.

With that, I'll conclude my initial comments and will be pleased to answer your questions.

Thank you.

● (1540)

The Chair: Thank you, Mr. Wildeman.

Mr. Moffett and Mr. Littlejohn.

Mr. Curtiss Littlejohn (Director, Canadian Pork Council): I'd like to thank the committee for inviting us here today to speak about the industry.

The Canadian hog producers are facing a financial crisis that is unprecedented in terms of cause and unparalleled in terms of negative outlook. Simply put, prices are collapsing, input costs have increased dramatically, and cash losses are mounting at such astonishing rates that entire communities, including producers and their input suppliers, face financial ruin. Most disturbing is the observation that no positive market correction in the foreseeable future seems apparent.

Losses per pig are now exceeding $50 per head. Equity is disappearing. There is a growing desperation in rural Canada as producers are no longer able to meet their financial obligations or even pay for the feed to sustain their animals. Without some form of interim financial support, the industry faces certain collapse. Should this occur, the financial and social disruption will be profound. Further, the industry’s ability to recover will surely be lost.

Yet the long-term outlook for the pork sector around the world remains positive. World demand for pork is increasing and expected to grow over the next decade, primarily as a result of growing incomes in developing countries that translate into increased demand for high-quality proteins. China alone wants to increase its daily protein intake by 30 grams per person per day. We would have to have a threefold increase in the number of sows in North America to feed that demand.

It must be understood that the hog industry has a decided export focus. Indeed, it is one of Canada’s leading export sectors. Approximately two out of every three hogs born in Canada are exported, either as fresh pork, processed pork products, or live animals that are finished and processed in the U.S., adding jobs to that economy.

On the cost side, feed represents nearly 60% of the variable cost of bringing hogs to market. Feed prices have risen dramatically, largely due to increased demand for corn as a result of the rapidly expanding bioenergy industry in the U.S. midwest. Canadian producers face a double jeopardy compared to U.S. producers with dramatically higher feed grain prices. This is an even bigger issue in western Canada. For example, barley prices have risen nearly 80% in one year. No available byproducts are supplied by the rapidly expanding ethanol industry to effectively offset the price of feed.

The profound losses taking place on Canadian hog farms are creating a liquidity crisis of major proportion. Many producers are reaching the point where they are unable to service the most fundamental of requirements—feed, power, and utilities. A hog production facility is not like a manufacturing plant or a retail store. The machines can't simply be turned off or the inventory liquidated. Pigs are live perishable entities. An injection of liquidity is required as soon as possible. This injection is required to provide a time within which more orderly decisions can be made.

It must be made clear that not all pork producers will successfully make the transition to be competitive operators over the long term. However, in view of Canadian pork producers' history as world leading exporters, we are strongly of the opinion that a large proportion of our industry will be able to make this transition. The proposed program provides a more reasonable timeframe in which to deal with this very challenging transition process.

In summary, the choices at the individual farm are as follows: evaluate and restructure individual operations, both financially and operationally, to restore competitiveness, or explore alternative business opportunities. In the meantime, every avenue must be pursued to enhance competitiveness in the sector if it is to survive in the medium and long term. Industry and government must work together to find solutions and at the same time provide mechanisms to help during the transition stage.

● (1545)

Mr. Stephen Moffett (Director, Canadian Pork Council): Mr. Chairman, I won't read the whole document, but I want to continue on the second-last page and talk about what we would actually like to see happen.

Curtiss certainly outlined—and I don't think we have to persuade anybody—that we're in a crisis, probably the worst we've ever seen. It's certainly the worst in my lifetime. I've only seen a situation like this once before, and it is a deep crisis.

As the Canadian Pork Council, we have come to the consensus that we don't feel the existing suite of programs is enough to deal with this kind of crisis, although some are certainly very helpful. As a result, we have asked Agriculture Canada to embark on a program that would give producers liquidity and the confidence they need to carry on until times will be much better, as Curtiss outlined, in terms of the prospect for the world consumption of pork.

We would like to see Agriculture Canada initiate a loan program to loan cash to producers. As a commercial-type loan to producers, it would cover the shortfall between what they actually receive from the marketplace compared with what they would have received, let's say, on a five-year average price. This would be an unsecured loan to be paid back over a period of three to five years. We expect to see this downturn somewhere from 6 months to 18 months—preferably less than 18 months, but certainly at least 6 months. These producers would draw on the program and then pay that money back, based on market returns, as market returns went above that benchmark price.

Further, we would like to see the federal government make advances on the 2008 CAIS program. Essentially this would not be a loan but an advance. It would not require interest payments; it would be the producers' own money.

We have often made comments very similar to what the Canadian Cattlemen's Association has outlined on the CAIS program. There certainly are some very good things about the program, but the biggest challenge is the fact that we, as farmers, have to wait for our money. By the nature of the program, that's the way it's designed. By the nature of the program, it's not countervailable. But the downside is that you have to wait for the money, and it's sometimes difficult to know how much money you're actually going to receive, so we've asked the minister to get the payments out and to facilitate the targeted advance program as quickly as possible. We know there is some activity going on there and we do appreciate that.

Like the Cattlemen's Association, again, we find the caps on the program extremely difficult for our industry. We find that the caps actually target our industry probably more than anyone else's. Horticulture and perhaps cattle are also impacted.

As an example, in Saskatchewan three-quarters of the production is produced by about four producers, who would conceivably be over that cap. From our point of view, they're a very important part of our industry, but the federal government does not make an effort to maintain that production. It impacts our entire industry because we lose that production and that infrastructure.

We really need to look at the overall cap on CAIS and even more at the $22,000 cap on the AgriInvest program, which is even more restrictive. Probably one-third the size of an operation would get capped out on the AgriInvest. That's probably unacceptable for us.

Consequently, partly as a result of the cap, we're asking the government to give producers a choice. The AgriInvest program could conceivably work over time, but because we're going into it in the middle of a crisis and because the kitty isn't built up, the AgriInvest program will not work for many producers. In the first year they get the kickstart, and it could conceivably work if there was no cap; in the second year, when you don't have the kickstart and if we're still in a draw position with CAIS, it would not work for us at all.

Again, like the Cattlemen's Association, we'd like to see the producers have a choice. We've asked this from the start. The producers would like to be able to choose the better of the three-year average and the Olympic average. We feel this would make the CAIS program a little more reliable. The program gets criticized because it works for some and not others, and that would alleviate some of that criticism and certainly help some individual producers.

● (1550)

Again, similar to the cattlemen, our industry has gone through severe trauma as a result of the circovirus disease, especially in Ontario and Quebec, and in fact spreading into parts of the prairies. This is a disease that's been dealt with now. We have a vaccine. The problem is somewhat resolved, but those producers who experienced severe losses, again coming into a time now when they have low market returns, don't have any margins, so we're asking that this situation be dealt with as well.

Thanks, Mr. Chairman.

The Chair: Thank you, gentlemen.

Monsieur Vincent, s'il vous plaît.

[*Translation*]

Mr. Jean-Guy Vincent (President, Fédération des producteurs de porcs du Québec): Good afternoon. Thank you for giving us this opportunity to speak to you about the pork situation in Quebec. I would like to take a few moments to describe the situation that several farms in Quebec currently find themselves in.

Like their Canadian counterparts, Quebec pork producers are experiencing an unprecedented crisis. Months are going by and the situation is not getting any better. The strength of the Canadian dollar compared to the American dollar, coupled with an over-supply of hogs in the United States and a lack of slaughter capacity in Quebec is making the lives of producers impossible.

Over the past year, three slaughter houses have either ceased their operations or closed their doors. Producers have had to keep their hogs on the farm for longer, with all the consequences that this entails: extra feed, lower pork prices, not to mention the soaring costs of inputs. Approximately 40% of producers can no longer meet their payments. Several have had to borrow money in order to survive. We're talking about the survival of family businesses that are the livelihood of one or two families on each farm. Several of them are in danger of declaring bankruptcy. The situation has become unbearable. We have run out of resources and we have run out of breath.

Despite these very difficult circumstances, producers have found the courage to muster their energy to find solutions. They have formed a working group with a view to examining all possible solutions. The crisis in the pork sector in Quebec affects the producers, of course, but it also affects all stakeholders in the pork production chain in Quebec. The Ministry of Agriculture, Fisheries and Agri-Food in Quebec felt it was necessary to appoint an official to examine the task of helping this industry recover. Mr. Guy Coulombe was appointed to undertake this comprehensive task. The goal is to re-examine the Quebec pork industry as a whole. Last week, the working group submitted several ideas to Mr. Coulombe. Mr. Coulombe's work is ongoing as is the work of the working group.

In addition to the federation's mid- and long-term action, we have come here to call upon the federal government to intervene in a critically important situation. Of course, the Quebec Pork Producers' Federation supports the proposals for assistance put forth by the Canadian Pork Council, the CPC. We in Quebec feel that the federal government could go even further in its support and its action. We are counting on you to find some flexibility in your programs in order to act quickly to help Quebec producers.

First, the Fédération des producteurs de porcs du Québec would like the program proposed by the CPC to be available over a five-year period. I'm talking about the loans. Second, our federation is counting on the federal government to ensure that those loans are interest-free and are backed by the government. Finally, the Quebec pork producers hope that this emergency program will be deployed as of December 2007. We are sounding the alarm. We no longer have the luxury of waiting several days, several weeks or several months. Producers are at the end of their rope and a lack of government action will spell the beginning of the end for them.

The federation also feels that it would be in the interest of Canadian hog producers to ensure regulatory fairness. Currently, hog production regulations vary, depending on whether you are a Canadian producer or a producer exporting to Canada. The same rules do not apply to producers who export their pork to this country. That is another concern of Quebec hog producers.

The whole pork industry in Quebec is currently threatened. We have to act now. Let us keep this industry alive because it employs more that 29,000 individuals and its economic benefits total more than $3 billion. The pork industry has always been the pride of the Quebec economy. Let us not allow the situation to deteriorate even further.

● (1555)

I would like to thank you on my own behalf, as a pork producer in Quebec, and on behalf of the 4,000 other producers I represent. Thank you very much.

The Chair: Thank you.

Mr. Dessureault, the floor is yours.

Mr. Michel Dessureault (Chairman, Fédération des producteurs de bovins du Québec): Thank you, Mr. Chairman. I would also like to thank the committee for giving us the opportunity to engage in dialogue.

Since May 2003, Canada's beef industry has been going through a great crisis, that of BSE. The crisis has brought to light two fundamental weaknesses in the beef industry: its double dependence on the slaughterhouses and on the American market. The crisis has also brought to the fore a serious imbalance in the market power of different links in the industry chain. In this context, and with the encouragement of the Government of Canada, Quebec's beef producers have been proactive, collectively acquiring the two largest slaughterhouses in Quebec: the Levinoff-Colbex slaughterhouse, for cull cattle, and the Zénon Billette slaughterhouse for slaughter steer, thereby improving their competitive position. Unfortunately, the adverse economic conditions were too much for the Zénon Billette slaughterhouse, which had to shut down in August 2007.

Though the United States reopened the border on Monday, November 19, to animals over 30 months of age, as well as to meat from animals over 30 months and breeding cattle, present conditions —in other words, non-harmonized regulations for SRMs, increased inspections at the U.S. border, the high Canadian dollar, soaring costs for feed and energy, etc.—suggest a dark future for the Canadian beef industry, and consequently for the beef producers of Canada and Quebec.

The complete lifting of the U.S. embargo following the principles set out by the World Organization for Animal Health, was both expected and necessary. However, after more than four years of absence, regaining access to the meat market among our neighbours to the south can only happen gradually. Meanwhile, cattle are already crossing the border more easily, penalizing our producers and slaughterhouses all the more. The Government of Canada should act quickly to stop the progressive erosion of the slaughter sector, the dramatic reduction in feed lot finishing, and the decline of cow-calf inventory. To that end, we suggest the following actions.

Let's begin with some remarks on the exchange rate. The overly rapid appreciation of the Canadian dollar over the U.S. dollar is a threat to the survival of Canada's manufacturing industry. It is also jeopardizing the production and processing of beef and veal in Canada. The Quebec beef producers' federation recommends a prompt lowering of the Bank of Canada's key interest rate, particularly inasmuch as inflationary pressures in western Canada are weakening.

We also have to deal with regulations on SRMs and the competitiveness of slaughterhouses. Since July 12, the use of animal meal containing specified risk materials is prohibited in the feeding of all livestock. SRMs are bovine tissues that could potentially contain the infectious agents responsible for bovine spongiform encephalitis, or BSE. In Quebec, some 50,000 tonnes of SRMs are generated annually in slaughterhouses and on the farm. The SRMs of U.S. cattle can therefore be processed into animal meal fed to poultry and hogs. The absence of regulatory harmonization between Canada and the U.S. seriously weakens the competitiveness of Canadian slaughterhouses, and indeed of the entire Canadian beef industry. This is because Canada's new regulations entail significant costs. Slaughterhouses and rendering plants must invest significant amounts and incur repeated operating costs to segregate SRMs from other slaughterhouse by-products. Animal meal from SRMs no longer has any commercial value. Worse still, in Quebec, we have to pay to bury them. Managing SRMs represents an additional cost of \$30 to \$35 per head for cull cow slaughterhouses. For example, at the Levinoff-Colbex slaughterhouse, the largest such operation in eastern Canada, these measures entail additional costs of \$4 million to \$5 million per year, compared to the operation's U.S. competitors. There is no way our slaughterhouses can absorb those additional costs. If nothing is done, the absence of regulatory harmonization across North America will lead to a drastic reduction of slaughter capacity in Canada, and, by extension, to an increase in the dependence of Canadian producers on U.S. slaughterhouses. Yet the BSE crisis clearly demonstrated that dependence on U.S. slaughter-houses represents a major risk for the Canadian beef industry. Let us remember that the crisis has already caused a loss of between \$8 billion to \$10 billion for Canada's beef producers.

The industry needs two-tier government financial support. To help the industry comply with the new requirements, Agriculture and Agri-Food Canada, in collaboration with the provinces, has put in place a financial assistance program of \$80 million.

● (1600)

Some \$10 million of this is slated for Quebec. This sum adds to the \$10 million already budgeted by the province. Unfortunately, the amounts initially earmarked by the Government of Canada are not enough to support the necessary investment by the industry. For example, the investments required by Levinoff-Colbex come to over \$5 million, whereas the program allows for maximum compensation of only \$1 million per facility. Moreover, significant amounts are required to cover the loss in value of slaughterhouse by-products, the additional cost of SRM disposal, and the cost of additional manpower.

The Quebec Beef Producers' Federation asks the Government of Canada:

- to add to the \$80 million already earmarked to help the beef industry comply with the new regulations on SRMs, to ensure that our competitiveness is not unduly affected. The new amounts must be enough to cover 75% of the costs incurred by the separation of SRMs in slaughterhouses and their processing by renderers;

- to create an assistance program of \$50 million, to be paid to producers over two years, to cover the loss of income from our cattle due to the additional costs incurred by the industry in managing and disposing of SRMs.

North American regulatory harmonization.

We recognize that the government cannot indefinitely finance an industry whose competitiveness is diminished as result of regulatory factors, particularly in a context of liberalized markets. Solutions must therefore be put forward so as to continue the swift eradication of BSE in Canada, while minimizing the repercussions on Canadian industry.

Since November 19, 2007, the U.S. border has once again been open to cattle born after the "'effective" imposing of the feed ban, i. e., March 1, 1999. This is based primarily on a risk analysis by the USDA. The analysis clearly shows that the risk of BSE propagation is negligible for Canadian cattle born after March 1, 1999. It would be very much in Canada's interest to use an approach similar to that of the U.S. government in strengthening the ban on animal meal in cattle feed.

The Quebec Beef Producers' Federation proposes that only SRMs from Canadian cattle born before March 1, 1999 be prohibited in livestock feed. That approach would make it possible to maintain the rapid eradication of BSE in Canada by radically reducing the risk of cross-contamination; to reduce the volume of SRMs with no commercial value, thus mitigating the repercussions on industry and the environment; and to maintain Canada's status as a controlled-risk country with the World Organization for Animal Health, especially since our principal partner—also classified as a controlled-risk country—recognizes that the risk is clearly different, depending on whether Canadian cattle were born before or after March 1, 1999.

That approach seems to us to make very good sense. It would considerably reduce the impact of the regulations on the Canadian beef industry, while maintaining the goal of rapidly eradicating BSE in Canada. In fact, the mandatory identification and traceability system in Quebec makes this measure easy to manage.

Access to markets: The complete reopening of borders that are still closed to Canadian cattle and their meat, particularly for cattle of more than 30 months of age.

The situation is even worse for edible by-products. There again, cattle over 30 months of age are penalized even more. Yet this a major source of income for cull-cow slaughterhouses.

The Quebec Beef Producers' Federation asks the Government of Canada to take a greater leadership role and to coordinate the efforts of all departments and agencies involved to obtain speedy access to all markets, in compliance with WOAH rules, for Canadian cattle, their meat, and edible by-products.

Re-inspection at the border and the principle of reciprocity.

The Quebec Beef Producers' Federation asks the Government of Canada to intervene with the Government of the United States to express its disapproval of the new American measure of reinspection of meats at the border, and to demand its immediate withdrawal; and to apply systematically the principle of reciprocity for imported meats, in order to make that market more equitable.

With respect to Levinoff-Colbex, the Quebec Beef Producers' Federation, which has never received any assistance under the government programs in effect in September 2004 and October 2005, asks the Government of Canada to participate in the capital investment of the beef producers of Quebec in their acquisition of Levinoff-Colbex, in the amount of $5 million, which corresponds to the maximum government contribution under the Ruminant Slaughter Equity Assistance Program.

● (1605)

We are delighted that, on November 17, the federal and provincial ministers of Agriculture finally recognized that “the best approach consists of meeting the needs of agricultural producers and the entire sector”.

The financial situation of producers is critical. Many are seriously short of liquidity. Our creditors are knocking on our doors. The Quebec Beef Producers' Federation asks the Government of Canada to act quickly on the solutions proposed so often by producers to give Canada a competitive agricultural policy, one that is flexible at the provincial level, that is simple, transparent and effective, and that takes into account the fluctuations of input costs and market prices.

The government must act quickly. Thank you.

The Chair: Thank you very much.

[*English*]

Mr. Laws, you're on.

Mr. Jim Laws (Executive Director, Canadian Meat Council): I'm the very last one.

I'll go through it as quickly as I can. Thank you very much, and thanks for inviting us to speak to you this afternoon.

I work for the Canadian Meat Council. We are Canada's most important agrifood sector, with sales of approximately $20.3 billion and about 67,000 employees in total.

The Canadian meat processing sector is feeling the pressure of severe competitive disadvantages. Many have labelled the events of the last six months as the perfect storm. The challenges have been enormous. Four Canadian Meat Council members have filed for bankruptcy in the last six months. The Canadian dollar, as you all know, has risen from a low of 65¢ to over $1 in just three years, and it has risen by 21% since the beginning of the year. High oil prices, over $98 a barrel, have raised energy and plastic packaging costs. Feed grains, the foundation of our livestock industry, have reached historic price levels. There are a lot more U.S. meat and food products showing up on our grocery store shelves.

In our diverse trade-dependent and regionally vital livestock and meat industry, the loss of liquidity, profitability, and investor confidence has been swift and profound, at all levels. For those few publicly traded meat processors, the huge drop in their share price over the past six months tells the story.

Canadian meat processing companies have announced major restructuring plans, including cancelling construction projects. They are rethinking their business plans and taking action through consolidations, sales, closures, and attempting to maximize plant throughput by double shifting, to spread out their overhead costs.

At the same time, labour shortages and retention have become major issues for our meat processing sector. Competing for labour has become especially difficult in western Canada, where meat processors cannot afford the wages offered by the booming oil and construction sectors. It has also resulted in much lower plant capacity utilization and annual employee turnover rates of 95% in some plants.

Recent trade disputes over hog feed ingredients and their maximum residue limits have added to the export risks and highlight the need for immediate adoption of international standards by all companies.

Meat processing is serious business. As we have seen with the E. coli recalls this past summer, the misfortunes of one company can have devastating effects on the entire industry. We witnessed that most recently, on November 9, when the USDA's food safety inspection services had a very onerous test and hold inspection of Canadian products at the U.S. border. Luckily, they lifted the hold process. However, the consequences of these new measures will be profound. Some have recently estimated that the added cost of the additional E. coli testing throughout Canada and the United States will add another $50 million a year for that testing parameter.

As you all know, after BSE hit, the beef industry responded by expanding capacity to some 110,000 animals per week, from 70,000 animals per week. Recently, information from Agriculture Canada indicated that kills have fallen to less than 60,000 per week.

In July 2007, Canada's enhanced ruminant feed ban regulations came into effect, and it put tremendous cost on the industry. We estimate that this new regulation is costing the industry an additional $23 million per year, which is much higher than originally estimated by government officials.

We know our industry needs to grow its scale and improve productivity, because the world has changed. The time has come for immediate action to help the industry survive this incredible series of events.

In terms of tax recommendations, we are very grateful for the Government of Canada's recent accelerated capital cost allowance for manufacturing machinery and equipment that was announced in Budget 2007. We believe this particular measure should be extended beyond 2008. In many cases, it takes more than two years to get equipment and processes in place, and the time is too short.

We can certainly do more. We encourage Canada and the provinces to immediately lower the total corporate tax rate to 24%, to compete globally and to track and retain inward investment. We applaud Minister Flaherty's mini-budget package, which was passed a few weeks ago, that promised to start reducing corporate taxes. We need to move quickly. The Bank of Canada should reduce its short-term interest rates by at least 25 basis points to slow the rate of the dollar's climb. Canada should also expand the tax credit refunds for research and development to allow larger corporations the same tax benefits available to smaller Canadian corporations.

● (1610)

In terms of business risk management, Agriculture Canada programs are currently restricted to primary producers. The Government of Canada could be investing in many programs that would benefit the entire meat and livestock sector. For instance, a project called the West Hawk Lake zoning initiative would divide the country into two zones with the Manitoba-Ontario budget, and we are currently being asked, just from the meat sector's standpoint, to fund $100,000 a year for the next five years. Another example is the National Farm Animal Care Council, an important organization that benefits the entire livestock sector. They recently lost their $80,000 annual financial support from government. These are just two examples of green box category programs that would benefit the entire sector.

At the same time, we cautioned the government to watch the countervail risk associated with government programs such as ASRA in Quebec and the $165 million recent announcement by Alberta in their farm recovery program. We know, for example, the growing volume of live swine exports to the United States has caught the attention of the U.S. industry and a new anti-dumping and countervailing duty petition is possible.

Canada's programs, which assist primary producers with interest-free loans, should be expanded to include meat processors to allow them to make capital environmental upgrades. Canadian meat processing plants will need to invest more in scale and automation to maintain their competitive position, but the payback will not come quickly. The current absence of profits makes such capital investment decisions very difficult.

From the environmental perspective, Canadian meat plants are facing tougher provincial water quality standards in many provinces such as Manitoba and Quebec and are being required to make huge investments in waste water treatment that their U.S. counterparts do not face.

The government could also help with respect to training costs. The ability to attract and retain labour in a very tight labour market requires meat processors to invest heavily in training programs at all skill levels. In many cases, companies are being required to provide English as a second language courses for temporary foreign workers and new Canadians, whom they employ in large numbers.

Under regulatory and trade, our beef processors need immediate relief with an emergency two-year $50 million bridge fund for the disposal and storage of ruminant specified risk material. Unfortunately, the current program, cost-shared with the provinces, funds capital but not the ongoing disposal costs, and we believe it should.

Canada's federally inspected meat processing industry is the most regulated of all food processing sectors. It's estimated that federally inspected meat processors collectively pay over $20 million per year in fees—fees such as inspection services, export certificates, label approvals, etc. This constitutes a major disadvantage to Canadian processors. These fees come on top of growing staffing costs to deliver programs like asset-based inspection, which downloads more responsibilities to the packers themselves. This is in sharp contrast to American processors and Canadian provincially inspected processors, who are not subject to these same additional costs. To create a level field internationally, the fees should be removed immediately. However, we thank the committee for recently passing a motion asking the agency to review the fees it charges industry. We appreciate that.

Regulatory amendments and modernization initiatives in such areas as dietary health claims, fortification standards, allergens, method of production claims, ingredient approvals, label approvals, etc., have been stalled for years. We specifically request that the federal government expedite the approval processes for the use of lactates in both cooked and uncooked meats in a timely manner. The government also needs to accelerate the application to allow the use of irradiation of meat and other food safety options for processors. Some of it is Canadian technology not permitted for use in Canada, but our American colleagues to the south are using our technology.

The Canadian Food Inspection Agency should also allocate more resources to review and enforce the regulatory compliance of imports, especially since Canadian manufacturers are burdened with strict label approvals and compliance. Imports to the United States of single-ingredient meat products and some processed products are growing quickly, with few significant regulatory barriers or enforcement action by the CFIA. We all know that U.S. mandatory country-of-origin labelling is coming in 2008.

Lastly, provinces and territories should eliminate all interprovincial barriers to trade, especially those that restrict movement of workers.

Thank you. We look forward to your questions.

● (1615)

The Chair: Mr. McAlpine, do you have anything to add to Mr. Laws? Okay. Thank you very much.

That will lead up to our first set of questions. Seven minutes, Mr. Steckle.

Mr. Paul Steckle (Huron—Bruce, Lib.): Thank you very much, lady and gentlemen, for appearing this afternoon.

As we were listening I was looking around, and I think I'm the only one who was here in 1997. Carol, I don't know whether you were here then. You were somewhere else, perhaps, at that time.

I'm on my second or third round of listening to these kinds of issues. In 1997 we had a crisis in the hog industry. It rather quickly turned around in the spring of 1998, but that is not likely to happen in the hog industry. My own operation is in the hog business, and I quite understand. On the beef industry side, of course, we were here during the 1993 crisis and came through that. We are somewhat being told now that this crisis is even greater than the one in 2003.

We've been given a lot of ideas today, but ultimately, if we do a lending program in the short term, with the parties responsible for repayment, if this crisis goes on—and you have projected probably out 18 months in the short term; if this goes beyond that, even if it goes only 18 months, where is the wherewithal going to come from in the industry? These people are already burdened with huge debt. Since 1997 there's been a huge growth in the hog industry, and in the cattle industry to some degree but not to the same degree. Where are these people going to come up with the money to repay these loans? Sooner or later people are going to walk.

We should have taken lessons a long time ago...and I've been an advocate for supply management, as you all know. If we can't factor in cost of production.... We constantly seem to want to be putting the onus back onto the grain growers, who are now receiving a disproportionate amount of the farm-gate dollar, although we're not saying that, and we don't want to blame those people—and we shouldn't. I don't think we should have cheap pork because we have cheap grain. We should have high grain prices. We should have high meat prices.

I'm sympathetic, but I'm wondering, we went with the SRM notion that we had to be better than the Americans, or we had to be better than anyone else in the world, but who else recognizes that? Who is rewarding us for that? Was the beef industry involved in that decision-making, or was it simply a decision made by government and through the agencies we have looking after that?

I'm frustrated, because we built an industry from 70,000 animals to 100,000. Now we're back at 60,000. Why is it being boxed back into Canada?

I have no answers for you, but I'm asking if we should not be producing a product based on cost of production, and therefore allowing those who produce the grains, produce the inputs...because lowering interest rates or taking command of other factors that are somewhat out of our control is not the answer.

This is a rambling dissertation, but I want you people to respond to some of the concerns. We're all, around this table, frustrated to the same degree.

● (1620)

Mr. Stephen Moffett: I want to respond to the question of why we should lend these producers money if they can't produce for cost of production. If we lend producers money and keep them in business, are we only digging them in deeper?

I can tell you that we have gone through this same discussion and spent a lot of time at it. As I said, this is a very deep crisis, and every time you go through this—I was around in 1998 as well—you ask yourself if it is ever going to get better. Curtiss certainly alluded to there probably being a tremendous crisis just in producers' confidence. They see the dollar and they say this crisis is in big part because of the dollar, and when is it going to get better? You certainly heard some requests for the government to try to do something about the exchange rate.

That being said, obviously if we didn't think this crisis would be over at some point we probably wouldn't be here. We'd be saying let's change our industry, let's send all our weaners to the U.S. The market information we have is that the world market for pork is going to grow. It's going to grow a tremendous amount, and the indication is that Canada certainly is poised to fill a larger share of that bigger market. We feel there definitely is a future in the growth in consumption of pork. We know that every exporting nation in the world is losing money producing pork. To say the situation is so bad it's never going to get better....

We obviously think there is a market out there. We obviously think that Canadians are competitive and are able to fill that market. We just don't want to lose our production capability right now; we want to be able to be here when that situation turns around. It's a liquidity issue for us.

The Chair: I'm going to ask our witnesses to keep their comments as brief as possible so we can have enough time.

Mr. Wildeman, and then Mr. Dessureault.

Mr. Brad Wildeman: I guess my first answer would be that we've grown this industry, and we used to celebrate our ability to export. The reality is that if we were to go to cost of production, that's the end of the export business, that's the end of 60% or, on a net basis, of 40% of all the cattle we produce and almost the same or more in the hog industry. If all Canadians took that position, that we didn't want to trade, we would be a pretty small country with a lot of hinterland and maybe our biggest industry would be eco-tourism. So I think we stand behind the fact....

Secondly, we've been faced with some costs. In spite of the fact that many try to say that the cattle industry asked for SRM disposal, I think if you read a letter—and we have a copy of it—that we wrote back in 2006, to then Minister Strahl, telling him that our goal is harmonization with the U.S.... We heard that again today, on a number of fronts, about trying to harmonize with the U.S. because that's our cost competitor. Unfortunately, that didn't occur, so that's placed an undue burden on our industry at a time when we can least afford it.

My next point would simply be that in 2003—and you were there for that, so I know you understand this—the industry had asked if these BSE disaster payments would be allowed to be used as income to allow this CAIS program to work, but that was never heeded. We predicted then, at that time, that we were just delaying a crisis that was going to come later on, because although we got these payments to producers, we never allowed them to be able to build up the reference margins so that the program everybody told us would work would have an opportunity to work. That was highly unfortunate.

My comment about sustainability is that we've been through an unprecedented period of change. The cattle industry has dealt with grain prices as high as this in the past, and it's dealt with dollars that were close to this high in the past, but never at the same time, in this short of a period. We know that higher grain prices will equal higher prices for proteins, so this is a matter of adjustment. We're not the only country in the world that's facing those. Again, this is a period of adjustment, and we need to adjust the program that was designed by federal and provincial governments to help us through this transition so that the thing works. And if we can make it work and we can get some short-term cash out there, then we think, as the pork industry has said, that there's a tremendous future ahead for our business if we can get though this transition.

● (1625)

The Chair: Mr. Steckle, your time has expired, but, Mr. Dessureault, I'll give you a chance for a brief comment.

[*Translation*]

Mr. Michel Dessureault: I have a different view of the current situation.

For many years in Quebec we have been exploring the option of assisting producers on a cost-of-production basis. For many years we have been telling the Canadian government that it is asking Canadian producers to compete with governments in other countries. I can compete any day with a producer from the U.S. or another country, but not with other governments, not with a farm bill that is as generous as the one that has been around for the past 15 years.

Today, we are here before you because producers have done what they could with what they had. They have dug into their equity. There is no equity left on the farm. We have tried to compete with the U.S. government. As long as the Canadian government fails to establish a genuine agricultural policy that helps producers as much as the policies of other governments do, the industry will not be able to make it through these crises. As long as the Canadian government asks producers to do what it is now asking them to do, things will be extremely difficult. This is why we come before you again and again to tell you that producers are at the end of their rope. They cannot go any further. They have done the best they could.

Moreover, we are in the midst of managing major, unprecedented crises in both the beef and the pork industries.

The Chair: Thank you very much.

Mr. Bellavance, you have seven minutes.

Mr. André Bellavance (Richmond—Arthabaska, BQ): Thank you very much for your testimony.

At present, all exporters are dealing with the repercussions of the rapid rise in the value of the dollar. We hear a great deal about the crisis in the manufacturing industry. In my speeches, and in my comments, I always point out that pork and beef producers, who are exporters as well, are affected by the circumstances. I don't wish to be a pessimist, but if the government's response remains the same for beef and pork producers as it has been for the manufacturing industry, there will not be many solutions put forward to at least attenuate the crisis.

Mr. Dessureault, Mr. Vincent, you were recently interviewed for an article on the industry in crisis, which appeared in the *Journal de Montréal*. I found it very interesting. I asked myself a lot of questions about a chart in the article. According to the Canadian Council of Grocery Distributors, marketers and grocers no longer buy pork and beef originating in the U.S. However, a chart in the article showed that, in Canada, imports of pork meat and products originating in the U.S. increased from 88.4 thousand tonnes in 2001 to 137.8 tonnes in 2006. There has obviously been a huge increase. In 2001, 2002 and 2003, the increase was regular. At the time, the value of the Canadian dollar was not as high.

How do you explain this?

Mr. Jean-Guy Vincent: Whenever we talk about the rise in the Canadian dollar or the drop in the U.S. dollar, we have to see that it makes us less competitive. In the past four years, U.S. pork producers have made money, while in Canada the margins have been far slimmer. This year, we are faced with huge losses. We are seeing an increase in pork production in the U.S., as well as an increase in exports. You gave some figures on this. The question we are asking is this: Is Canada going to remain in the industry? Does the Canadian government want Canada to continue exporting quality pork meat world-wide?

Earlier, we voiced our greatest concerns: the lack of support, and in the current conditions, the risk of seeing our industry's viability disappear. We think there will be renewed demand for these products world-wide, but will we still be there? We should. We shouldn't simply stand back and let U.S. producers take over. The Canadian government has to support those export products.

Take the oil industry—it generates profits, has an influence on the strength of the dollar and has a positive impact on the economy. But we should not drop those who are facing difficulties, such as producers in the pork and beef industry. We are not operating under the same rules of competitiveness. We talked about that earlier. I believe we pointed out all the regulatory requirements that Canadian and Quebec producers have to deal with; the Canadian Pork Council pointed them out as well. But we're letting in products from outside the country that are not subject to the same standards. How can we be competitive under those conditions? I think these are basic issues. If you allow imports that are subject to any old regulation, then you need to support our producers and our economy. Otherwise, you have to change the rules.

● (1630)

Mr. André Bellavance: Mr. Dessureault, in the same article you said that U.S. products were entering Quebec and Canada by the truckload. As Mr. Vincent just said, in addition to repercussions from the strong Canadian dollar and its impact on the economy, you are also facing barriers imposed by the government, which applies regulations like the SRM regulations. But U.S. producers do not have to comply with each and every one of those requirements. Moreover, the U.S. imposed E. coli regulations on Canada, but Canada does not impose those same regulations on the U.S. Thus, we are being doubly, or even triply, penalized.

Mr. Michel Dessureault: Let me say a few words about the growth of beef imports from the U.S. If we compare 2004 and 2005, we see an 18% increase. From 2005 to 2006, we see a 25% increase. Thus, that makes a 43% increase in beef imports from the U.S. alone.

Canada's beef production industry is in a crisis. We have an import quota, and we are ready to play the international trade card. The quota is 76,000 tonnes. In 2003, however, when they shut their doors, 200,000 tonnes were imported into Canada. I don't know what the figure for 2007 will be. The year is not yet over, but the percentage is around 25%. How can Canada allow products from the U.S., our principal trading partner, to come in without any harmonization and without any restrictions?

The Canadian government has issued regulations on BSE. These are anti-trade restrictions. They are preventing us from trading properly with other countries. If the Canadian government wants to eliminate the beef industry in Canada, let it say so, and do so. In Quebec, there are no steer slaughtering operations left. We send truckloads of steer to the U.S for slaughter. There is one slaughterhouse in Ontario. It makes no sense at all. The situation in all Canadian provinces is the same. On the day when everything shuts down and we see yet another crisis, it will be even worse than the one we saw in 2003. The situation is urgent—the government must support this industry and help producers make it through the crisis.

Mr. André Bellavance: Recently, I had an answer from Minister Ritz on the impact of the crisis.

[*English*]

The Chair: You have a very brief amount of time left.

[*Translation*]

Mr. André Bellavance: He said that, in view of the integration of the Canadian and U.S. beef markets, differences in Canadian and U. S. regulations had to be reduced as much as possible.

Mr. Dessureault, do you feel those measures have not been taken?

Mr. Michel Dessureault: As Mr. Wildeman said, we have been asking for harmonization since 2003, but in many areas, we are still waiting. If anything has changed, it is that standards have become even more stringent in Canada. The Canadian sector is unable to export. Yes, the high dollar is not helping, but that is something that we have always managed to handle. Nowadays, we have Canadian abattoirs. What we are talking about is how difficult it is to operate within the Canadian environment, where competition is regulated.

● (1635)

[*English*]

The Chair: *Merci beaucoup.*

Mr. Miller.

Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC): Thank you, Mr. Chairman, and I'd like to thank all of you for coming here today.

There have been some suggestions made around the table about how we need to tackle this, and I think it's important to note that we all have to work together as producers. I'm a producer in my other life, and I know there are a few more in this room. We work together as producers, as producer groups, and as government, and we shouldn't be bickering about it.

One thing I need to point out to Mr. Bellavance—and I'm sure he knows this, but maybe not—is that the SRM ban that was made in Canada was asked for by the industry. It wasn't put in place per se just by government on a whim. That was requested by the industry. Now we have some problems that all hit at the same time, like the high dollar and what have you, that have compounded things. We need to work together. As Mr. Laws said, the motion we have to deal with inspection fees is only one thing. We have to work together to come up with more ideas like that, which can possibly work.

We're always limited for time here, but I have some specific questions to some specific people here, and maybe I could just put them out there. One thing I want to know, and this is for both the pork and the beef industry, is this. What kind of advertising is there to try to increase consumption and that kind of thing? That's going to tie in with another question I have for both of you on the amount of beef and pork consumed per capita in Canada. I know at the time of the BSE crisis, in the early years of BSE, we actually increased our consumption of beef per capita. I'd like to know whether those figures are staying fairly on par. I'd like some comments on that.

This will be specifically to Mr. Wildeman or Mr. Masswohl. Was there any study—I'll call it that—or investigation into maybe moving more towards forage finishing? This goes to the high price of feeds. At one time, that's where most of the cattle in the country were finished, on grass with a little bit of grain.

Also, on better ways to use the byproducts from the biofuel industry...because I think society today wants alternative fuels, and I think governments are obliged to go down that road. I don't think there's any turning around.

I have another question, maybe directed toward Mr. McAlpine or Mr. Laws. From the retail side, as far as profit levels out there are concerned, I think we can all agree in this room that I don't think we've seen beef or pork prices in the stores go down. At least my wife hasn't told me she's seen that lately. Is there something along those lines we can maybe tackle?

On slaughter facilities, and this is maybe towards Mr. Dessureault because it was part of his comments, back in the BSE crisis, government basically tried to build up our packing industry, to no avail at the time. Because of circumstances and what have you—and it's human nature, if we can get another cent per pound as a cattle producer or as a hog finisher we're going to take it. Anyway, at the end of the day, our packing industry is leaving quickly. We can't go pointing fingers, and I don't have all the answers, but as a politician—we were in opposition in those days, but I still supported that we had to do it—I find it very disheartening that packing is now leaving us, and it doesn't seem to matter what we do.

So there are a lot of questions there, but I'll let somebody start off.

The Chair: Yes, there are a lot of questions there. We don't have all day, and Larry used half his time just asking the questions. Please keep your comments as brief as possible so I can make sure I can keep things fair around the table for all our members.

Mr. Littlejohn.

Mr. Curtiss Littlejohn: Mr. Miller, those are great questions. At the Canadian Pork Council, we invest in Canada Pork International and Pork Marketing Canada. We do a lot and spend a lot on promoting, not only internationally but also here in Canada. In Ontario, we've gone a step further and we've come out with a homegrown Ontario program that people are now asking for. At the end of the day, when you export 60% of your product, you have to get out there and you have to compete.

On your comment on using the byproducts of the ethanol industry, regarding DDGs, five years ago in hog feeding in Canada we used virtually none. Today there are many rations that include up to 15%. The hog industry in Canada is one of the most competitive agricultural industries we have. I'll go head to head with anybody in the world. You guys give me a level playing field. You're the government.

We should be on the record here too. We do not support subsidies for ethanol production. It's an energy source. It should be able to stand on its own two feet.

Our packing industry is struggling. There's no doubt there. I believe with the technology that I've seen around the world, our packing industry will be able to compete with anybody.

I'll turn this over to Jim.

● (1640)

Mr. Jim Laws: Fair enough. That's exactly what we were asking for—some help for industries to get larger-scale...and to get the equipment they need. If you get a chance to tour a packing plant, you'll notice that there's still lots of manual labour.

So there's still lots of opportunity, but nevertheless it takes a lot of money, and we appreciate the government's capital cost allowance depreciation.

Concerning the comments about retail, I'm not qualified to comment, but I do the shopping. I was at Loeb here yesterday in Ottawa, and there was extra lean ground beef for $4.41 a kilogram or $2 a pound. There were lots of features on beef, and there's really incredibly cheap pork in the store. I pick it up and think, this is too inexpensive. If you wanted to call in someone from the George Morris Centre, which looks at that type of data on a regular basis, I'm sure they would say the same thing.

The Chair: Mr. Wildeman, and then Mr. Vincent.

Mr. Brad Wildeman: First I'd like to state for the record that the industry did not ask for what we got on SRMs. I have a letter—it was widely circulated—written February 10, 2006, to then Minister of Agriculture Strahl asking for two things: firstly, don't do anything on the SRM ban unless we can harmonize it with the U.S., because we knew it would place us at a significant competitive disadvantage in a country that was classified in the same risk category as us; secondly, if we did have to move, we would go to the short list and to an outcome-based approach.

Neither one of those things has occurred. That's what has caused this problem we had. Secondly, the time to implement it was so drawn out because of the fed-prov agreements and the lack of clarity —I should let CMC talk about this—that we were never in a position to do it.

So I would disagree that we asked for this. We asked for what was necessary, we asked for harmonization, and we asked for the minimum, and we got a lot more than we asked for, which is maybe consistent with the idea that you shouldn't get what you wish for sometimes.

Secondly, forage finishing is certainly going on. Economics are going to drive that, so we're seeing a lot more of it. Actually, there is quite a difference in the cost of forage versus grain right now, so we're seeing new programs come out. It likely takes a couple of years to do that, as we have to change our production methods to do it, but economics will drive it.

On the byproduct side, there's no question there's a lot of research going on. I've been in that game for 16 years. We've done a lot of research ourselves. We feed a lot of byproduct and have for a long period of time. But there are a couple of things I'd point out.

First, there's some new funding available now, which will kick off a very significant and major research project on feeding of byproducts, that just got approved in the last few days, so I think you'll see a lot of new outcomes.

Second, we've indicated in our biofuel strategy, which we presented to this committee several months ago, that we require some new research. We think there are new grain varieties out there that can help the ethanol industry to produce more but that could also supply the kinds of byproducts that have the highest nutritional levels. So we need to do those things as well.

Finally, I'd just say that if there were one silver bullet, we would have figured it out, but I think there's a suite of things that we need to do to make this industry competitive. I think we've pointed that out.

The Chair: You may make a very quick comment.

[*Translation*]

Mr. Jean-Guy Vincent: We are essentially talking about demand. Canadian products enjoy a good reputation among pork exporting countries. Nevertheless, we are concerned as to how long it would take us to get our markets back if we lost them.

I also wanted to say that if you really want to promote Canadian pork, then it should be labelled as such so that people know what they are getting. That is something that needs to be studied.

In addition, at the World Pork Conference, which was held in China in September, it was clear that, internationally speaking, the American and Chinese producers are the only ones who are making any money. Everybody else is running losses because, rather than basing prices on productions costs, retailers are influenced by dumping practices. Producers from around the world were unanimous that retailers should set their prices based on production costs.

● (1645)

[*English*]

The Chair: Thank you. I think Mr. Wildeman is going to have all of us checking our CCA correspondence for the last three years to see what he said. My recollection is like Larry's.

Mr. Atamanenko.

[*Translation*]

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): Thank you.

Mr. Dessureault, you mentioned the competitive approach by the American government and suggested that we adopt the same approach in Canada. Clearly, we have to play hardball.

[*English*]

This whole idea is that we're not competing against producers, rather we're competing in governments. I think this is a question and I've thought about it. How do we get tough? If we do, do we have the support of industry?

That's a question, because often the answer is that if you get tough with the Americans, our producers are going to suffer. Yet in a report we brought out, I think Larry's last recommendation was on food security, and we had one there on institutional buying.

The answers we always get from the government and the minister are that we have these agreements and we can't overstep our bounds because we've got equal access; we have to give equal access to products coming from outside the country. It seems we do that in all sectors, and it seems it's been happening for a long time. I know that even before I got into this business, I asked why we were always playing by the rules; nobody else is.

My question is this. If the minister and the department and the government decided to get tough with the Americans in this case or others, would industry stand by them? If so, what are the concrete steps? We've talked a lot. We go around and around the table, but what are the concrete steps in the immediate future that we can put into place so that folks don't go out of business in the next two or three months? Is it that we should waive the inspection fees? Is it some injection, and what kind, while we look at long-term solutions?

I'll just throw that out and see if we can get some answers before time runs out. Thank you.

The Chair: Go ahead, Mr. McAlpine.

Mr. Rory McAlpine (Vice-President, Government and Industry Relations, Maple Leaf Foods Inc.): Thank you, Mr. Chairman.

I can perhaps make a comment on the first issue of playing tough with the Americans. The one thing that has been mentioned here is the growing tide of imported U.S. meat. We certainly see it in the pork sector. It's coming in large volumes, particularly the trailerloads that come in on feature for weekend specials and so on. Absolutely there's a risk; we have to be careful in that trade relationship, but at a minimum we should expect regulatory compliance with respect to that produce. I think you'll often see non-compliant labels on some of that meat coming in.

There's a clear set of requirements in terms of how meat is to be labelled. It's a combined responsibility of the packer and the retailer, but the combination of the information on the label has to be consistent. We don't believe that's always the case, and that is at a minimum what we should expect. In the current public environment with the concerns about imported food safety and the problems with China and so on, I don't think the retailers want to be in the situation of putting out product that doesn't have the correct labelling and the country-of-origin identification, as is required by the meat inspection regulations.

Thank you.

The Chair: Go ahead, Mr. Dessureault.

[*Translation*]

Mr. Michel Dessureault: We are working hard, together with our producers, to ensure that Canadian products are properly labelled and traceable. Livestock identification at the farm lies at the heart of any great labelling and tracing system. Since 2002, Quebec producers have practised livestock identification on all animals from the moment they are born until the time they are sent to the slaughterhouse.

The same system exists elsewhere in Canada and is in the process of being strengthened. It allows Canadian beef producers to be truly competitive on the international market. Canadian beef producers primarily sell cattle that are younger than 20 months. Japan, which has stringent criteria in place, has insisted that it only wants animals younger than 20 months. In Quebec, were we asked to, we could provide the age of all of our marketable livestock. We could do the same across Canada, if need be.

Setting up such a system, however, requires support. Yet in Quebec, our system was entirely funded by our producers, with a little help from the provincial government. They got no help from the federal government. Federal funding went elsewhere. Federal support is provided in Canada, but it has not attained its objectives. I support clear labelling, and I believe it should also communicate the quality of Canadian products.

Our discussions often lead us to the infamous topic of countervailing duties. How is it that the U.S. can have an agriculture support program worth tens of billions of dollars without anybody batting an eyelid, yet Canada runs into difficulties if our government provides a few million dollars to help its beef and pork industries? We have to sit down at the table and come up with some solutions.

It is the same government, the same international organizations and the same WTO. When has the Canadian government ever attempted to take legal action against the United States for dumping by selling pork in Canada at ludicrous prices? We often see the same problem with veal. Quebec is a hub for the veal industry in Canada. Why is it that veal is being imported when we produce it here in Canada? It can be imported. The answer is because there is not enough control at our borders.

● (1650)

[*English*]

The Chair: Mr. Moffett.

Mr. Stephen Moffett: Thanks, Mr. Chairman.

From my point of view, this is kind of a fine line when you ask, “How do we get tough?”

We've talked for a long time, for example, about American farmers being allowed to use carbadox and we aren't. We're not allowed to use it, yet the meat that's grown with carbadox in the U.S. comes into Canada and we decide that it's safe. That's a grey area for us. We're hesitant to go down that road because we obviously have products that may be unavailable in other countries. We play by the rules; in Canada, that tends to be the way we do it, and I'm proud to be a Canadian. But I would go farther than that and say that we do very much need to start to get a little more tough.

Several of the other speakers have mentioned a lot of the cost-recovery fees and that we need to make the effort to level the playing field, and we need to get tough. That's going to cost us a little bit of money, but it's just not justified to be charging us the cost-recovery fees that our direct competitor doesn't have to pay.

We need to get tough on things like the Canada-Korea free trade agreement. The Americans have an advantage in Korea that we don't have, and we need to get a little tougher with some of those things. We need to get a little tougher with our access into Russia, for example. Americans, again, have access into Russia and into the free trade. You guys can explain this better than I can, but I know it's a real issue.

We need to get a little tougher on some of those things. We need to just work hard at some of those things.

The Chair: Thank you.

To follow up on what Alex was asking about on the regulatory burden and what we can do differently, what is this costing us on a per head basis? It's all coming out of the marketplace.

[*Translation*]

Mr. Michel Dessureault: The regulatory burden for cull cattle costs us between and $35 and $50 a head, and that does not include the extra labour costs involved.

[*English*]

The Chair: Is that on hogs, Canada versus the U.S., as an example?

Mr. Curtiss Littlejohn: If you look at it very quickly, we have estimated about $30 million in plant inspection fees and border crossing fees. That's maybe $1.50 or $2 a hog.

The Chair: Thank you.

Mr. St. Amand.

Mr. Lloyd St. Amand (Brant, Lib.): Thank you, Mr. Chair.

With respect to the hog industry, the background notes we've received reflect that over the last two years there have been 800,000 fewer hogs in Canada than was the case two years ago. Are there more or less the same number of hog producers now as two years ago?

The Chair: Just to remind everybody, we're in the five-minute round now, so please keep your questions shorter and your answers even more brief.

Mr. Stephen Moffett: Okay. Thanks, Mr. Chairman.

The hog numbers in Canada have steadily increased since I got involved back in the 1970s. For the first time in the last couple of years, our sow numbers are actually starting to drop. We see that just as a function of the economic times, the change in the dollar, and—

Mr. Lloyd St. Amand: I understand that, but I'm wondering whether there are the same number of hog producers now, or has that number also declined?

Mr. Stephen Moffett: I think the number of hog producers is certainly dramatically declining, and again, that's a long-term trend. Every time we go through a downturn, we lose producers. There are times when we lose more producers than we do hogs. The trend is that the smaller producers tend to drop out, although that's not always the case. We certainly have cases where large producers go down as well.

● (1655)

Mr. Lloyd St. Amand: Thank you.

Mr. Littlejohn has already touched on this, indicating that two of three hogs in Canada are exported, as I understand it, principally to the United States and to Japan. Are we at all close to making inroads into other international markets, or is there a heck of a lot of work yet to done?

Mr. Jim Laws: I'm the meat guy, but I'm not necessarily the export expert. Certainly from my recollection we exported to well over 100 countries last year for pork and about 65 for beef. I guess some of the challenges we faced were with some major markets. For instance, when Romania joined the EU there were some complications there. They reverted to EU standards, so that was a major market gone for us.

We mentioned—we didn't specify it—that China, for instance, was a pretty important market to us, and growing in terms of the value of the meat they were buying from Canada. They decided to get pretty tough on testing Canadian meat. They put zero tolerance on ractopamine, which is PayLean. It has been used for many, many years in the United States, and just recently introduced in Canada in the last year. It has caused a lot of problems for Canadian exporters that were trying to gain access to that potentially very lucrative market.

Mr. Curtiss Littlejohn: The volatility of the market is amazing. Romania went from no market eight or nine years ago to one of our fifth or sixth largest markets, and when it joined the EU it disappeared. Trying to find those replacement markets in the world trade that we're in today is very difficult. We're watching a situation with our trade talks, as they go on now, where there's a potential that the U.S. may gain access to the EU in larger quantities than we have, and that's just not right. If you want to get tough, there's a spot in which to get tough.

Mr. Jim Laws: We certainly see that as well. There are some packers that feel it would be well worth spending the money, if some Canadian packers could invest the money to come up to European Union standards and meet those standards, and then gain access to that market. That is provided we get a good WTO agreement, where they're also forced to lower their tariffs and give us some access.

Mr. Lloyd St. Amand: Mr. Laws, in your presentation you've made mention of a couple of things: the welcome news about the accelerated capital cost allowance, fair enough, and the welcome news about the corporate tax rate decrease. I see those as more medium-term items of relief, and I want to make sure your message is being heard by us. As I understand it, there are a number of hog producers currently for whom a corporate tax rate decrease is not going to help much, because the profit is not there and they don't have the resources to buy new equipment, so the accelerated capital cost is not going to help.

I simply want to know on an immediate basis—so that we're clear—what is it that ideally would be done within the next two months for hog producers?

Mr. Jim Laws: From our standpoint, for pork processors...the immediate relief for all the meat sector would be elimination of the inspection fees at the plants. That would be a very helpful thing.

On the beef side, it is some help to expand the program that currently exists to allow eligibility for disposal costs as specified risk materials, because that, unfortunately, is being handled by each province. The rules are not the same in each province, and most provinces are not providing any money for the disposal component. They provided money for capital expenditure, but not disposal, which is certainly a very significant cost to packers.

So those two items....

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

Mr. Storseth.

Mr. Brian Storseth (Westlock—St. Paul, CPC): Thank you very much, Mr. Chair.

I want to follow up on a couple of questions that were asked, and I'll ask Mr. Wildeman first.

In parallel with our industry, compared with that of the U.S., where's the disparity? Where is the cost so much higher on our side compared with their side?

Mr. Brad Wildeman: Right now, I think the significant thing is feed. We acknowledge that the dollar has changed. Here's the two biggest things. The dollar has affected the price. A producer in Nebraska, for example, who sold the same animal would receive about $160 more per head than we do. That's all exchange related, and some freight.

Secondly, it's the feed cost thing, where our feed costs are somewhat higher than corn. There's a long answer for it, but the very short one is that as corn production jumped up and took a lot of acres out of wheat and barley, it drove international markets high—we don't grow corn, we grow wheat and barley out west; it drove the prices crazy, so we're dealing with that. We think that within the next year or two those things will come back in line, but those are the two big factors.

● (1700)

Mr. Brian Storseth: If it isn't a phenomenon with the feed costs, what is industry's plan to move forward at that point? Does the CCA have a plan to move forward if, as you said, the feed costs aren't simply a phenomenon that's occurring right now, if we return to general pricing?

Mr. Brad Wildeman: I think Mr. Miller raised that a little bit. There are different feeding strategies that we can do, so clearly feeding more forage is an option, and changing some of the production things.

We're also doing a lot of work on redefining our industry and repositioning our industry, what we call the Canadian beef advantage. There's a lot of work going on there to reposition our product in the U.S. for country-of-origin labelling, but also around the world, to try to get some higher value for that.

We still believe in free trade, so we're certainly not talking about imposing any import restrictions. Remember, prior to 2002, for every pound of beef we brought into Canada from the U.S., we exported eight. Now we export six. So there's a long way to go.

We talked about getting tough. I think the answer is to get serious about trinational harmonization talks that have been going on for a long time, and then we need to get over to some of these international markets together and start demanding what's rightfully ours.

But to beat up on the Americans I don't think is what we think is the right thing to do. We think that serious talks about harmonization, which have been going on for several years, have to be finalized.

Mr. Brian Storseth: In terms of harmonization, one thing that struck me a little bit in listening to you today—and I've met with many of your members—was the difference between what the CCA asked for in the SRM and what you actually got. You told the chair that you got between $35 and $40 a head.

Would you say we're overregulated at this point with our industry?

Mr. Brad Wildeman: Yes. Again, talking about SRM, we wanted to put in an SRM ban that was similar to the ban in the United States because our classifications are the same. At one time we believed that was to be the case. Unfortunately, not only did we move ahead of them more quickly but we also imposed a much longer list than what they were proposing.

Secondly, yes, the devil's in the details. It has raised costs considerably that we took this comprehensive approach and also that it was interpreted this way. It's making it very difficult. And part of that $160 is because of that.

Mr. Brian Storseth: Perhaps I can ask a little bit more of a broad question now.

One thing that I think we have to work on, and that we have talked a little bit about today, is opening up international markets and making ourselves more competitive on the international stage.

To anyone who wants to answer, which markets do you perceive us needing to open up most quickly that will have the most value for both of these industries, and what progress have you seen on that in the last couple of years?

I'll leave that out there. I'd like to ask a bunch more questions, but....

Mr. Stephen Moffett: I'll give you a quick answer on that. I mentioned the Korean market and the Russian market. I think these two should be in our grasp and should probably be priorities.

The meat guys might have more insight on this than I do.

Mr. Jim Laws: Certainly it would be the Asian countries. For instance, with Korea, now that the Americans have a deal, we want the same deal. Otherwise we won't get the same preferential access.

Japan, as well, has a pretty stringent tariff system and safeguard mechanism that they've put in place. We'd like to see that negotiated away at the WTO, or, if that doesn't come to play, negotiated separately with them. It's pretty important. There are a lot of people over there.

That's where we think it would certainly be to our advantage.

[*Translation*]

Mr. Jean-Guy Vincent: When we talk about regulations and we think about consumers who want regulations, we introduce regulations to protect them. At the same time, consumers do not buy these products, because they are too expensive. That is what we are talking about when we talk about domestic and international competitivity. If there are regulations in place to protect consumers, we should be protecting them all the way. Let's set some rules about importation standards.

Mr. St. Amand was talking about the international market. The Canadian Pork Council has a consultant. We asked MARCON-DDM to do a study. We asked it to analyze the entire export market and the importance of this market for Canada, and to make some suggestions as to how to protect it. We could send you the results of this research, which was done by Mr. Jean Dumas.

● (1705)

[*English*]

The Chair: Please do. We'd like to see a copy of that.

Monsieur Roy.

[*Translation*]

Mr. Jean-Yves Roy (Haute-Gaspésie—La Mitis—Matane—Matapédia, BQ): Thank you, Mr. Chairman.

I would like to come back to what you were saying, Mr. Vincent. We actually import more and more meat from the United States, but we are much more demanding than the Americans about the production and the quality of the product. That means that we allow into Canada products for which the regulatory requirements are much less stringent and that consumers are much less protected because we import these products.

Did I understand correctly?

Mr. Jean-Guy Vincent: Yes. We're not talking just about pork, but about all imported products. Once we impose rules to protect the consumer, why not impose the same rules for consumer protection on imported products?

Mr. Jean-Yves Roy: For our part, we do not do that just for products for domestic consumption. We want to export a high-quality product that is recognized on the international market. Consequently, our requirements are more stringent. That is our message. For years, pork producers benefited from the fact that pork produced in Canada and Quebec was of higher quality. It is true that the meat was of higher quality. Are we still enjoying that benefit today on the international market?

Mr. Jean-Guy Vincent: Yes, we have these advantages, our product is recognized. But at the present time, we have to support our hog industry in Canada. That is what we are saying.

At the World Conference in China, all the countries in the world recognized this fact. Once retailers base their prices and the sale of the product on a dumped product, how can the other countries compete? That is why there is a concern in Canada and Quebec that we will no longer be in the game once the drop in production occurs, and at that point, two countries will be exporting.

Mr. Jean-Yves Roy: Yes, but the trend at the moment—and this is my concern—is not about the quality. I have to be careful here, I do not want to generalize. We really are in more of a price market than in a quality market at the moment. That concerns me in that there is a movement in Quebec, and I can see it happening, that people are more interested in quality. But is the same true elsewhere in the world? I do not think so, except perhaps in Japan, where quality is extremely important, and perhaps in Europe. But elsewhere in the world, that is not the case.

Mr. Jean-Guy Vincent: In terms of Canada's export volume as compared to the world production, I think there is a great deal of room to sell our Canadian products throughout the world. That is why it is important for the Government of Canada to maintain our production at a level such that... Producers have invested a great deal to achieve this high-quality product.

Mr. Jean-Yves Roy: Yes.

I have a very simple question for Mr. Dessureault. Are producers paying the inspection costs in the United States?

Mr. Michel Dessureault: I have no idea.

Mr. Jean-Yves Roy: You have no idea.

Essentially, you are saying that we are not competitive because we are the ones paying for inspection costs, to the tune of approximately $30 million. I cannot remember who talked about this. Do U.S. producers pay for inspection costs themselves?

A voice: No.

Mr. Jean-Yves Roy: No. Yet here, Canadian producers are the ones paying. Is that what you are telling us?

A voice: Yes.

Mr. Jean-Yves Roy: Okay. That answers my question. If this is the case, the government should make an effort. If U.S. producers are not paying for inspection costs, I do not see why Canadian producers should be expected to. That is essentially your request concerning inspection costs. Okay.

Thank you, Mr. Chair.

[*English*]

The Chair: *Merci beaucoup.*

Mrs. Skelton.

Hon. Carol Skelton (Saskatoon—Rosetown—Biggar, CPC): Mr. Littlejohn, you mentioned in your presentation that U.S. production is increasing rapidly in hog production. Is that correct?

Mr. Curtiss Littlejohn: Not production, no.

Hon. Carol Skelton: I thought you had mentioned that. I guess I misunderstood.

I was told the other day by a group of producers that—

● (1710)

Mr. Curtiss Littlejohn: I did mention that sow slaughter has increased.

Hon. Carol Skelton: I thought you said pork production.

I heard from a group of producers last week. Are the Americans increasing about 10% per month, or is that 10% a year in their production? What is that number?

Mr. Curtiss Littlejohn: In the last twelve months they've been up about 4%, but conversations I actually had this morning on my drive in...American producers are now losing $20 to $22 per head, and they're starting into a liquidation in their sow herd also.

Hon. Carol Skelton: Okay.

Mr. Moffett, you mentioned there were four producers in Saskatchewan producing over $3 million worth of hogs a year. Is that correct?

Mr. Stephen Moffett: Maybe I can clarify that. What I indicated was we were concerned about the caps on the CAIS program and the greenhouse program.

Hon. Carol Skelton: Okay, I understand that, but either it's pork producers in Saskatchewan who produce over $3 million a year—

Mr. Stephen Moffett: They would produce about three-quarters of the hogs in Saskatchewan, and those producers would find themselves over the cap and then obviously not protected on all of their operations.

Hon. Carol Skelton: How many producers are there in Saskatchewan?

Mr. Stephen Moffett: I don't know that.

Hon. Carol Skelton: Maybe three-quarters...well, okay, I can rough it.

Mr. Vincent, why are the slaughtering plants only running one shift a day?

[*Translation*]

Mr. Jean-Guy Vincent: It's because the packing plant owners are the ones who decide. As producers, we ask them to be much more efficient and to run two work shifts.

In a study carried out at the George Morris Centre, Mr. Kevin Grier did a cost analysis of packing plants in Canada, the United States, and more specifically in Quebec. He recommends that all of the packing plants in Canada run two shifts. This is a fact.

[*English*]

Hon. Carol Skelton: I'd like to know whether you feel harmonization between the provinces would help all your industries. Do you think getting rid of a lot of the provincial rules and regulations would help all your industries across this country?

The Chair: We'll have Mr. McAlpine.

Mr. Rory McAlpine: I can make a comment just with respect to labour. Certainly, a company like ours, which has operations in different provinces, is subject to different labour regulations in every province, and there is a compliance cost to that.

The other thing I could mention right now is the labour shortage. The foreign worker program has become extremely important to the meat processing industry, yet we're dealing with its application province by province. It's a national program, but every province sets slightly different rules, particularly in relation to unskilled labour. Again, it's been very frustrating trying to find a common approach that will rapidly get the approvals we need to bring in labour in all provinces.

Alberta is a particular problem. The backlog in Alberta is just enormous.

The Chair: Go ahead, Mr. Moffett.

Mr. Stephen Moffett: A lot of the discussion earlier was about harmonization of regulations and so on. Most often we talk about harmonization with other countries, with other competitors, but I would say that on our part, we are very concerned about trying to standardize the situation from one province to another. One of the reasons we're very anxious to get this kind of program through the federal government is because it's then available to all producers.

It's a little bit of an issue that some provinces are a little bit more able than others to support their producers. Certainly, from a government program point of view, harmonization is a big issue for us.

The Chair: Does anybody else want to comment on it?

Go ahead, Brad.

Mr. Brad Wildeman: I'd just say quickly that these provincially inspected plants.... Of course, “regulation” is a big word, and I guess it depends on what part of those regulations you're talking about having harmonized. But I know in BSE, provincially regulated plants played a very important role. They serve a different segment of the industry, and they did a lot for us to help in the cull cow situation.

Certainly, when you have different regulations between provinces in other areas—and we are talking about this right now with respect to high-risk material—you can put tremendous undue pressure on some of these small plants. We've seen a number of these small plants close because the provincial regulations were different between provinces.

The Chair: Thank you, Ms. Skelton.

Mr. Regan, you're up.

● (1715)

Hon. Geoff Regan (Halifax West, Lib.): Thank you. *Merci beaucoup, monsieur le président.*

Thank you to the witnesses.

I was saying to someone earlier that I come from a riding, Halifax West, that is primarily suburban, and it also contains a few small fishing villages. But the one thing people all have in common there, like the rest of us, is that they like to eat. And they like to eat good protein, and good pork and beef are among those things, of course. Most of them I think would prefer to have the confidence of knowing that it's well-produced Canadian product that meets Canadian standards in many ways. That's important to people.

This whole issue is one that should concern all Canadians. In the same way that the dollar—in this case, it isn't just the dollar, because obviously the cost of grain is a huge element of this—is hurting a lot of industries, as we've heard, I can tell you that the fishery is hit hard by this as well, along with agriculture and forestry, and so on, certainly in my province and across the country.

Let me ask you about what you're proposing. I think you've talked about a new program, and I'd like a clearer understanding of how much that's going to cost over the long term, in your view. For instance, if you're talking about a loan program, obviously you want to avoid it being countervailable. We don't want the Americans saying it's a subsidy. So if we're going to have a loan program, how are farmers going to pay that back when they're already having problems with their existing debts? And as we go on, how much do you see this costing per year?

Mr. Stephen Moffett: The answer to the first question—and this is a very common question, and I think it's important that we answer it—is you're right, we've asked for a loan program as opposed to some kind of an ad hoc payment, and essentially that's because of the concerns about CVD. I'm a producer and I'm suffering the same stress everybody else is, and I would very much prefer if you'd write me a cheque and I didn't have to pay it back. But having said that, because of the CVD issues, we, as the Pork Council—and we work very hard at this—really see that as the only viable way to go ahead and provide the liquidity to producers that they need.

You're very correct in saying that. Producers often say, well, gee, don't give me a loan, that just gives me a liability on my balance sheet, but don't forget, you're going to give me that liability on my balance, but you're also going to give me the cash, so I'm going to take that cash and I'm going to pay my feed bill. Many producers right now are at the point where we think two weeks from now.... There are producers who don't have money to buy feed. I got a call from a guy in my province who said there's a producer who can't buy feed. We're thinking maybe some of us will chip in and get the guy a little bit of feed, but obviously we can't support him.

That's the issue. We need to get cash in that guy's hand so he can buy feed and he can meet his payroll in order to keep going. Having said that, six months from now, if the prices turn around and he obviously has to pay that back...if you didn't give him that cash, he still would have that feed bill and six months from now he still has to pay it back. So from a balance sheet point of view, you're not making him better off, or you're not making him worse, you're just making him more liquid. You're giving him more liquidity and the ability to buy feed to feed his pigs and carry on with business.

Mr. Brad Wildeman: It's a tough question to answer, because it all depends. But if you look at it...and we tried to do an estimate to the maximum cost. We think there are about five million cows in Canada, and if everybody took it, that's about $500 million. If you think there's about the equivalent amount of feeder cattle in Canada, and if we're talking about our ask, about $150 a head, that's likely $750 million. So it's $1.25 billion.

However, we estimate that a relatively small percentage of producers would actually take that, probably 50% or less. So it would be something less than that. Again, a lot of this money is money that producers are expecting to get from programs, business risk management programs, that are in place but simply take too long to administer. So a good portion of this is money that will likely be coming to them eventually anyway. This is a matter of getting it out there now when it can do some good, so that they can make rational decisions about the future.

The Chair: You costed everything out as to what it is for the cattle industry, but what would be the cost for the hogs?

● (1720)

Mr. Stephen Moffett: We've been asked that question, and I'm not sure we know exactly, but we're probably thinking somewhere in the same range. We know there will be something like a $700 million loss in the hog industry for 2007, and CAIS would cover a third of that, so obviously there's a need for about two-thirds of that amount of money. If we go into 2008, it's going to be something beyond that.

James, I'm not sure, but it's somewhere between half a billion and $1 billion. I would think $1 billion would be the extreme. We certainly think it would be less than that.

The Chair: Monsieur Lauzon.

Mr. Guy Lauzon (Stormont—Dundas—South Glengarry, CPC): Thank you very much, Mr. Chair.

Welcome, gentlemen. I'm glad you took the time, on very short notice, I understand, to come today.

One of the things that I think Mr. Wildeman alluded to and I think through all your conversation.... It seems that we've been dealing with the CAIS program, and right now, as you mentioned, CAIS sometimes doesn't meet the needs quickly enough. There are some obvious shortcomings with CAIS. So that message got through under BSE, under different problems that we've had over the years.

The current agriculture minister—as did the former agriculture minister—is trying to address that with our Growing Forward program, which I would imagine you're all familiar with.

What I'd like to know is.... We're going through this problem now and we have to address it now, there's no question about that, but five years from now, if you're looking into the future—and we have the Growing Forward up and we've gone through this trough, and hopefully you've had some good years—do you think the Growing Forward program would trigger solutions quicker?

Mr. Brad Wildeman: I'm not an administrator, but my answer would be that I think it can. I think the foundations of the program are realistic, and I think it's workable.

Right now it isn't getting the job done, quite frankly. I think part of the main reason is that, at least on the cattle side, we've fiddled with it to try to get these other disasters to fit in there, and it didn't work very well, firstly. That has confused the program. It slowed down the payment schedule.

Secondly, they're dealing with a budget. It's pretty hard to deal with an agricultural problem and still make the number, whatever that number may be. So we've had some serious frustration, for example, with the way they try to estimate out what the sales value of a particular animal might be. For example, right now, while we're looking at interim cash advances, they're using last year's values for cattle. Well, simply, they're probably overestimating those by a third, and then it doesn't trigger any payments. This is what's causing the frustration.

The foundations will work. In our paper we talk about the things it takes to make it work. I think if we work together we can get this thing to work. But there has to be some flexibility, and we haven't seen that yet.

Mr. Guy Lauzon: Well, that's it. This is a framework, and what we're hoping for is to get.... That's what the minister is looking for. That's what we're doing now, steadying this, so that if we are faced with a crisis two, three, or four years down the road, we'll be able to trigger some help a little quicker.

Mr. Laws.

The Chair: I think Mr. Laws and Mr. Dessureault want to get in on this.

Mr. Jim Laws: In terms of the long term, we made these comments as well at the agricultural policy framework.... If you look back, you will see that the vast majority of the money that Agriculture Canada spends goes toward business risk management and farm income support.

But we need to be more strategic in the future and look at other programs that benefit the entire agrifood sector. At the same time, don't stop, perhaps, some adjustment within the industry. We think things like West Hawk Lake or inspection fees, things that apply to everybody, should take some of that money. And it's certainly not included in the Growing Forward program. It seems as though the food processing sector has been left out of those discussions.

[*Translation*]

The Chair: Mr. Dessureault.

Mr. Michel Dessureault: In my opinion, a program as wide in scope as the CAIS will never give farms what they need. A program based on farm earnings will never perform during difficult periods, because of input costs, fertilizers, energy, feed, and the relative value of the dollar. All of these are factors during times of crisis.

Programs based on earnings are completely out of touch with the reality on the farm. Five years from now, producers will come back and say that the program is not up to par. It only works during high-profit years. When profits are up, we do not need an assistance program.

To our mind, we need programs that truly factor in production costs, that take production costs directly into account, as is done in Alberta. This would perhaps provide one way of rebounding during a crisis.

● (1725)

The Chair: Thank you.

[*English*]

Your time has expired, Mr. Lauzon.

We have a little bit of time left. I'm going to give each opposition party a chance to have one supplemental question.

Mr. Steckle.

Be short and to the point, please, Paul.

Mr. Paul Steckle: Quickly to the point, we were having a little discussion here, because we need to put something on the table. We need to go from this meeting knowing what it is you really want from us.

I believe that in the long term, unless we as a country, as a nation, believe in a national food strategy, unless we, as governments of any stripe, whoever they are, accept that principle, that we believe in the security of our food system here as much as we believe in a national defence policy.... If we don't ever come to that point, we'll never come to support agriculture, because we can import it. You know, and all of us know, we can import anything we want, and probably a lot cheaper than we can grow it here.

Now, either we get on with this issue of a strategy or we get on with importing it. We have a choice to make and I think the time is now.

The Chair: Thanks.

Mr. Littlejohn.

Mr. Curtiss Littlejohn: I think we can compete with anybody anywhere in the world, given a level playing field. But you asked what it is we want and you want a simple answer. For the red meat industry, we need cash by Christmas.

The Chair: I wrote to Santa Claus.

Monsieur Bellavance.

[*Translation*]

Mr. André Bellavance: We have returned yet again to the famous CAIS.

Mr. Vincent, in the document submitted by the Fédération des producteurs de porcs du Québec, you talk about changes that should be made to the CAIS, in order to make it work.

You are most certainly aware of changes made to the CAIS pursuant to the New Agriculture Policy Framework, entitled *Growing Forward*. Do you believe that what the government is proposing will meet current needs? Will changes to the CAIS resolve these problems?

Mr. Dessureault was saying that the program is based on margins, and does not take into account production costs. In your opinion, have you been heard by the governments, has your call been heeded?

Mr. Jean-Guy Vincent: I believe that a lot of improvements have to be made in order to address producers' wishes. I think there's still a lot of work to do.

As Mr. Dessureault was saying earlier, we need programs that take into account what truly goes on at the farm and fluctuating production costs. The programs should not be based on margins. Because of the way things are now being done, problems are surfacing, and in the end, we are left with nothing. This is the current state of affairs.

These programs need to be significantly improved.

[*English*]

The Chair: Mr. Moffett.

Mr. Stephen Moffett: I won't add very much. Jean-Guy certainly hit the nail on the head. We agree with that wholeheartedly.

The CAIS program has a lot of attributes and has been good, but it will not respond to this kind of crisis. That's why we've asked for changes to the program. Some of them are not extremely costly, but they're certainly significant.

Beyond that, we've asked for some kind of cash injection, which needs to be out before Christmas, as Curtiss said.

The Chair: Mr. Atamanenko.

Mr. Alex Atamanenko: Mr. Wildeman, on harmonization, we either lower our standards and keep importing beef in this case, or we raise our standards, which obviously presents problems. So what's the best approach?

Second, as for the pork industry and the cattle industry, we've mentioned that we need help by Christmas. If we eliminated inspection fees and had immediate loan guarantees and money provided to processors for disposal, would that help in the short run?

● (1730)

The Chair: Gentlemen.

Mr. Brad Wildeman: To your first question, we don't think that lowering the standard or imposing more import barriers will help anybody. In fact, the cattle industry would argue that our standard isn't lowered, and the meat coming in here.... There may be some mislabelling issues and other things that CMC needs to deal with, but that's not the issue.

I think your list is pretty close. I'd add that unless we get inside our present business risk management programs and make the changes we recommend in our paper, it unfortunately won't get the job done.

Immediate cash is good, but we need to make these other changes internally. We can take some time after that to make sure we get it right, so let's get the cash out and then get this program right.

The Chair: Mr. Littlejohn.

Mr. Curtiss Littlejohn: I think you hit the nail on the head: we need a short-term solution. Getting the fees waived for our processing partners would be an amazing thing. Loan guarantees for the hog loan program or the beef program would give guys something they could bank on—they could go to their bankers.

I think you slipped and meant cash for producers, not cash for processors.

Mr. Alex Atamanenko: No, they talked about disposal.

Mr. Curtiss Littlejohn: You slipped—cash for producers.

Mr. Alex Atamanenko: Yes.

The Chair: Thank you, Alex.

I have a couple of questions. I'm using my prerogative as the chair.

First, there are some moratoriums in place on hog expansion in this country. I believe Quebec had a moratorium in place, and Manitoba currently has one in place. I had producer X tell me at first they were mad as hell that it was in, and now they say they're kind of thankful it was because they didn't grow their business and would be losing more money.

Has that affected the business? Is that why we're seeing a decline in inventory right now in the hog business?

Secondly, is that affecting our competitiveness at the plants on the hog side?

Mr. Stephen Moffett: Jean-Guy is probably more up to date on the moratorium in Quebec, but I think it's over. It is possible now to build a barn in Quebec.

I'm not exactly up to date on the status of the moratorium in Manitoba, but there's no question it's a real issue, from a competitiveness point of view. More and more restrictions are being put on us on where we're allowed to build, what we have to do, and, from an environmental point of view, what we have to put in place. Some of it is fair and some of it is probably even required, but again, we come back to this harmonization.

I think farmers are stewards of the land and want to do the right thing, but it has to be reasonable and within a competitive cost. So to be able to site a barn is a real issue, and it's a competitiveness issue.

The Chair: Mr. Laws.

Mr. Jim Laws: It's not a limitation for us. We can access enough live animals. There are plenty of them still heading to the United States.

The Chair: Mr. Vincent.

[*Translation*]

Mr. Jean-Guy Vincent: I beg your pardon, I did not understand the question.

Mr. Jean-Yves Roy: He's talking about a moratorium on hog farms. He would like to know what impact that would have on industry at this time.

Mr. Jean-Guy Vincent: If I am not mistaken, the moratorium was in 2002. At the end of the day, the effect of a moratorium is felt in the prices and costs that we are getting today. Furthermore, in 2005, production fell in Quebec due to disease. Vaccination helped, but we are of the opinion that many producers will pull out of the sector if no measures are taken for next year. As our producers are often farm families, this will mean a rural exodus. If you want to maintain vibrant rural communities, you have to start by helping pork producers, beef producers, and indeed all producers. It is important that the agriculture industry remain present in our rural areas.

[*English*]

The Chair: Madam Hansen, do you want to add to that?

Mrs. Nathalie Hansen (Public and Governmental Relations, Communications Services, Fédération des producteurs de porcs du Québec): No, thank you.

The Chair: Mr. Laws.

Mr. Jim Laws: Just to clarify for my honourable colleague Mr. Curtiss Littlejohn, we're not from the packing industry. We were actually hoping the money would go to the renderers. They need the money to dispose of the specified risk material. That would pull the whole thing through.

The Chair: I have one final question. I ask that you answer this in writing and submit it, since our time has expired.

We're talking about competitiveness here. I've already framed the question of what help you need. We talked about some of the issues of competitiveness, but we never put it into a grand aggregate. You talk about the $160 basis difference between Canada and the U.S. right now on a fat steer. There's the $35 to $40 in the packing plant that we're losing on the regulations. There's the SRM disposal and whatever cost is tied to that as lost product value when we lose those credits in the kill chain.

There's the cost gain issue, and that's true for hogs. The Hutterite colonies in my area of Manitoba are now taking their hogs down to Iowa to feed. They're renting barns and moving their piglets down there, their weaners. Some guys in our area are taking their cattle down south to feed as well. It's cheaper in Iowa than it is here.

I want to get my head around what the exact cost is. I don't expect answers right now. If you could submit them, I would appreciate that very much.

I thank you all for coming in. We are going to do a report and table it in the House. I think we had a good discussion here today. Hopefully our researchers will have some time to put this together in short order. We'll find the time to discuss it and add a meeting if we have to.

With that, I'll entertain a motion to adjourn.

● (1735)

Mr. Guy Lauzon: I so move.

The Chair: The meeting is adjourned.

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