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—
Chair

Mr. James Bezan

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• (1535)

[English]

The Chair (Mr. James Bezan (Selkirk—Interlake, CPC)): We'll get the meeting under way and welcome all our witnesses to the table as we continue our study on the *Growing Forward* agricultural policy framework.

We welcome to the table this afternoon David Marit, from the Saskatchewan Association of Rural Municipalities; from the Dairy Producers of Canada, no stranger here, Jacques Laforge; from the Chicken Farmers of Canada, David Fuller; from the Canadian Egg Marketing Agency, Harold Froese; from the Canadian Hatching Egg Producers, we have Errol Halkai. Welcome. From the Canadian Co-operative Association we are joined by Carol Hunter and Lynne Markell.

I welcome all of you to the table.

I understand from the supply management groups that Jacques and Harold will be making the opening comments.

I ask that everybody keep their comments under or as close as possible to ten minutes so we can get in as much questioning as possible.

Mr. Marit, would you go first?

Mr. David Marit (President, Saskatchewan Association of Rural Municipalities): Thank you, Mr. Chair.

My name is David Marit. I'm president of the Saskatchewan Association of Rural Municipalities.

First of all, I would like to thank the Standing Committee on Agriculture and Agri-food for inviting us here to present our views. I also commend the committee for studying this very important issue.

I'll give you a little history about myself: I'm a grain farmer from the south central part of Saskatchewan, and we have a mixed grain operation.

I'm pleased to have the opportunity to make this presentation on behalf of SARM. SARM represents all 296 rural municipalities in Saskatchewan and acts as the common voice of rural Saskatchewan. In addition, we are mandated by our act of incorporation to act on behalf of Saskatchewan's agricultural producers.

Current agriculture business risk management programs, especially the Canadian agricultural income stabilization program, are ineffective, complex, and costly. There's an overdue demand for a disaster framework to compensate producers who are negatively affected by circumstances beyond their control, such as drought or

flood, and we're glad to see this being addressed. We are encouraged by the federal and provincial governments' commitment to addressing these issues and to developing a new and renewed set of programs under APF 2.

Announcements in March of funding to address increases in the cost of production were welcome news, but we must address this in the long term. BRM programs should be simple to administer, both for the producer and the government, to ensure the timeliness of payments. Current complexities on both ends result in frustration, confusion, continual delays in payment distribution, and excessive costs. Income stabilization programs need to be effective, timely, and bankable. In addition, production costs for the primary producer must be taken into account for all BRM programs. We agree with the statement in the standing committee's report that the primary producer should be the focus of BRM policies.

The current CAIS program is not bankable, which makes it difficult for producers to make annual plans or to attain financing, as lenders and institutions cannot define what financial coverage producers will receive.

There is an extreme delay in payments, as the process is unnecessarily complicated and time-consuming to administer. Producers are currently still receiving payments from 2005, and some are still appealing 2003 and 2004. This is unacceptable, as producers have financial obligations, and as CAIS payments take longer, interest on farm costs increases.

In addition, the program is costly for producers, who often need accountants or lawyers to apply. It is also costly for the government, as administration requires a large staff who spend a significant amount of time processing applications. I recognize that the government has taken steps to do address this; I encourage them to work to further simplify the process.

The current program contains several complex details and problems, such as defining what claims are eligible. One example of this is the inability to claim feed grains used on cattle ranches and dairy farms. While this creates inequity in the industry, it can lead to time delays, underpayments, and overpayments, all of which have a significant impact on producers' financial capabilities.

There is currently a crisis in the livestock sector, as I'm sure most of you know today. The current CAIS program does not help livestock producers, as the cost of feed has gone up, as has the value of the Canadian dollar, driving the prices of cattle and hogs down and making it very difficult for producers to turn a profit. The problem is that with consecutive negative returns, producers' reference margins are decreasing or have disappeared; meanwhile, the cost to raise an animal has drastically increased. As AgriStability is still a margin-based program based on an Olympic average, in periods of very low prices for agriculture commodities farm reference margins have been consistently reduced. It is becoming increasingly difficult for farmers facing such circumstances to trigger a payment because of the depressed margins that are their reality.

Producers are often victims of the increased cost of doing business, yet the program works against them. The entire suite of BRM programs has to address this situation in the long term, but I would add on a related note that this matter requires urgent attention in the short term in the livestock sector.

The new AgriInvest program for producer savings accounts will help restore some predictability into the BRM framework. It is difficult to comment on this topic because there are few details available. We have heard that producers will be able to contribute 1.5% of their allowable net sales to the account, to a maximum of \$22,500 per year, with a total cap of \$1.5 million.

Until we know what the potential details are, it is difficult to comment on these numbers. However, we believe there should be no trigger necessary for a producer to access these funds. Producers should be responsible enough to access the money when they need it. Our main concern with this program is that it will be merely a cost-savings measure to the government, with the producers picking up the remainder of the cost for the first 15%, which is what CAIS was previously paying out.

We recognize that the CAIS program, now AgriStability, will still be in effect, but the AgriInvest program will be much more utilized, as it covers the first 15% of losses. Therefore, it is very important that this program be established properly to benefit producers.

The Saskatchewan Crop Insurance Corporation insures producers in Saskatchewan under a federal cost-sharing formula. While overall premiums decreased and coverage increased for 2007, the program remains inferior to both Manitoba and Alberta programs.

We realize this is provincial jurisdiction, and while different provinces have different circumstances and issues, all Canadian producers should be on a level playing field. A shift in cost-sharing arrangements or increased federal funding into provincial programs could help address these gaps and increase fairness for all Canadian producers.

An efficient production insurance that covers the cost of production—in other words, more than 80% coverage, as is currently the maximum—would reduce the demands on other programs. The idea of extension of production insurance to livestock and improved programs for forage would benefit some producers; however, the program must be viable, economical, and effective. Such a program, as well as any other new programs, should be tested and proven, as

well as be supported by the industry, before they are universally implemented.

SARM is concerned that livestock programs will be phased in over time and eventually replace farmer compensation with insurance programs, which would essentially be governments offloading the burden. This would result in a significant added cost to producers, who would pay premiums to insure against disease outbreaks, which are rare and unpredictable.

Lastly, if there were a sufficient crop insurance program to cover losses and cost of production in poor years, there would be no need for these other programs.

On AgriRecovery, we have several concerns. First, however, we are pleased the government has recognized that a long-term disaster program is essential in the new framework, but we have concerns on what is defined as a disaster. "Disaster" in the current framework is defined as "a circumstance that is not covered by existing programs".

In Saskatchewan, the biggest issues this year have been drought in the southwest, flooding in the northeast, and, more recently, cattle prices, as mentioned earlier. It can be argued that all three of these can be covered by existing programs, such as crop insurance and CAIS. The problem is that these existing programs do not sufficiently cover these disasters. CAIS payments are delayed, in the case of consecutive loss years, and a dwindling reference margin means no assistance for that producer. These disasters are unpredictable and out of their individual control, no matter what management measures they may take, and there needs to be a program in place to help compensate for these losses.

In addition, we are concerned with how this program will assess disasters as regional and national. How will the lines be drawn to distinguish where a disaster begins and where it ends? And we need to be certain about which disasters are a federal responsibility and which are to be cost-shared.

We realize there is much to work out, specifically in AgriRecovery, but any program that doesn't address our current disaster situations is a failure. Governments need to recognize the broad range of disasters, and fund the program accordingly.

SARM is committed to working with provincial and federal governments on developing these programs, and we feel it is vital to have producer participation and approval.

SARM is pleased that the standing committee recommended that the government establish a national advisory committee, and we would ask that SARM be invited to sit on the committee.

I would like to close by saying that we are getting more and more calls from our members on this new suite of programs, and we still have few answers. While I stress the need to make sure the programs are going to work and are going to serve producers, there is a need to move forward into the details. I would suggest that the next consultation have some proposed details available, such as if there will be any change in the Olympic average that calculates the reference margin in CAIS, and, in addition, what the contribution levels and triggers for payment will be in the AgriInvest program.

Thank you very much.

● (1540)

The Chair: Thank you, Mr. Marit. Your time was good.

With that, I'll turn it over to Mr. Laforge and Mr. Froese.

Mr. Jacques Laforge (President, Dairy Producers of Canada): Thank you, Mr. Chairman.

I'll make part of the presentation in French and Harold will conclude with the second part.

[*Translation*]

On behalf of dairy, poultry and egg farmers, I thank you for the invitation to appear before the committee on Growing Forward. There has been considerable progress on the development of agricultural policy since we met with this committee during your study on the agricultural policy framework last spring.

Since then, this committee released its report, the government has responded, federal, provincial and territorial ministers have signed an agreement in principle, Growing Forward, and met again in November to move this agreement forward even more.

Dairy, poultry and egg farmers were pleased with the committee's 20th recommendation in their report last June that supply management and its three pillars be recognized as a business risk management program. We worked very hard for this, and we were heard by government. We greatly appreciate it.

It is important and gratifying to farmers who attend committee meetings taking place outside of Ottawa to see that they do have a direct impact on public policy. We thank you and believe that your recommendation helped in securing this important acknowledgement in Growing Forward, which states:

Supply management is a business risk management program for the supply managed elements of agriculture that are governed by their own federal, provincial and territorial agreements—the national marketing plans.

We greatly appreciate that.

We congratulate the federal government on recognizing the recommendation of the Standing Committee on Agriculture and Agri-Food that supply management, together with its three pillars, is inherently a business risk management program. This recognition needs to be included in each implementation agreement that will be signed by the federal minister with his provincial counterparts. We trust that our members can continue to rely on all members of Parliament to ensure that this happens.

A related recommendation on supply management is No. 21, which calls on the government to provide the necessary legislative support for farmer-run, orderly marketing agencies to continue to

work effectively on farmers' behalf in the area of business risk management. This recommendation also calls on the government to negotiate at the WTO to ensure that supply management is maintained. Our business risk management program relies on three interdependent pillars: import controls, producer pricing and production discipline.

This is why domestic policy development cannot be done in isolation of trade negotiations; Canada needs to stand up for supply management at the WTO and ensure that any agreement does not compromise any of the three pillars.

● (1545)

[*English*]

Mr. Harold Froese (Director, Canadian Egg Marketing Agency): Thanks, Jacques.

Disaster coverage is a concern for our sectors. The November 17 announcement of the suite of BRM programming falls short in this area, as a disaster component now known as AgriRecovery will only offer compensation to a collective and not to individual farmers. In many cases of animal disease, collective disasters are avoided through the prompt response of individual farmers, yet for the individual farmer, this is still a disaster.

Our sectors need clarification, as we have been told that we are entirely excluded from AgriInvest, while we are also being told that we may be able to seek 100% coverage through AgriInvest in the case of a disaster. It's our understanding that under CAIS, dairy, poultry, and egg farmers were eligible for all three tiers of the program if they suffered a disaster that dropped their reference margin by more than 30%. Now, even if they suffer a disaster and have a drop in margin of more than 30%, they're excluded from the top 15% of AgriInvest coverage. This would mean that whereas our farmers had the ability to cover 100% of their net income, the best they can now hope for under the new programming is 85%. Department officials must clarify whether supply management farmers will be able to maintain 100% coverage in the case of a disastrous margin drop of more than 30%, and if not, why not.

Further to the suite of BRM programs, we'll use an example in the poultry sector to illustrate our point. Poultry farmers do not receive sufficient compensation through the Health of Animals Act regulations in the event that their flocks are ordered destroyed due to animal disease. The new maximums are insufficient for some of our commodities. This fact was acknowledged by the federal government in the regulatory impact analysis statement that accompanied the amendments. In the past, the industry was told that a phase two compensation program was forthcoming and that the gaps in coverage would be addressed. Phase two, however, continues to elude us. We have recently....

[*Technical difficulties—Editor*]

● (1610)

The Chair: Okay, we're back. Can everybody get back to the table? I think we got it going.

Mr. Froese, you have just under four minutes left.

Mr. Harold Froese: Thank you. I'm not exactly sure where it was lost, but I'll begin at the second paragraph on that page.

Further to the suite of BRM programs, we'll use an example in the poultry sector to illustrate our point. Poultry farmers do not receive sufficient compensation through the Health of Animals Act regulations in the event that their flocks are ordered destroyed due to animal disease. The new maximums are insufficient for some of our commodities. This fact was acknowledged by the federal government in the regulatory impact analysis statement that accompanied the amendments. In the past, the industry was told that a phase two compensation program was forthcoming and that the gaps in coverage would be addressed. Phase two, however, continues to elude us. We have recently been told that the only compensation that will be available to farmers is what currently exists through the BRM suite and the Health of Animals Act, despite the government's own acknowledgement of the current gap in coverage.

In addition to disease outbreaks, cleaning and disinfecting a barn that has housed disease is critical in preventing further spread of the disease. It's also a prerequisite for renewing Canada's disease-free status for trade purposes. Both are for the public good and the industry's benefit. However, current regulations place the responsibility for cleaning and disinfection entirely on the affected farmer. Keep in mind that this is after the farmer has lost his or her livestock and any potential income from that livestock because of disease. This cannot be the basis of a strong disease eradication policy.

It's urgent that the federal government address the shortcomings on matters such as cleaning and disinfecting. A matter as important as this to the Canadian public should not have to be shouldered by an individual farmer or farmers, and this is only one example. Farmers are also being asked to fund other farm programs, such as on-farm food safety, bio-security, and traceability, all of which provide public good and industry benefit. These concerns are not specific to poultry, dairy, and eggs, but exist across all of agriculture.

Finding solutions is even more critical when we look at the breadth of issues confronting Canadian farmers. A farmed animal health pillar is also required. Many of these issues are touched on in the statement of principles for the development of a national farm animal health strategy, to which all of our organizations were signatories. We appreciate the committee's support for the farmed animal organizations' request that the development of such a strategy be part of the new policy framework. We acknowledge your priority for this, Mr. Chairman, by highlighting it in your June media release.

While the government's response to the committee acknowledged the importance of a national animal health strategy with regard to achieving the policy outcomes of *Growing Forward*, we're disappointed that it was not recognized as a necessary pillar of the next generation of agriculture and agrifood policy. We will continue to encourage the government to recognize the breadth of sectors that came together on their own to reach a consensus agreement on the principles for a national farmed animal health strategy.

These programs are being implemented on farms, and that is why we have no problem, as members of CFA, in supporting the federation's "Grown in Canada" proposal—which is also referenced in the committee's recommendation 9—regarding labelling and the

"Product of Canada" designation. The "Grown in Canada" label will allow Canadian farmers to benefit from the significant investments they have made in these on-farm programs. Related to this, we think the government needs to improve its enforcement on truth-in-labelling legislation and regulations.

Dairy, poultry, and egg farmers are pleased to have been part of the process in developing Canada's current ag policy. Although we still have much to achieve and clarify on gaps in coverage for disaster programming and the development of a comprehensive government policy on a farmed animal health strategy, significant progress has been made in the acknowledgement of supply management as a business risk management program.

We look forward to continuing our work with the government on the development of agriculture policy, and would like to thank the committee for hearing our concerns.

• (1615)

The Chair: Thank you.

Madam Hunter.

Ms. Carol Hunter (Executive Director, Canadian Co-operative Association): Good afternoon. I'm Carol Hunter, the executive director of the Canadian Co-operative Association. I'm pleased to be joined by Lynne Markell, who is our government affairs and public policy adviser and who specializes in agricultural policy.

The Canadian Co-operative Association is a national association for cooperatives. We represent more than seven million cooperative and credit union members from over 2,000 organizations. Our members operate in many sectors of the economy, and our members include such cooperatives as Federated Cooperatives Limited; United Farmers of Alberta; Co-op Atlantic; GROWMARK; and three dairy cooperatives: Gay Lea Foods, Scotsburn, and Northumberland Dairy co-op. We work closely with our francophone sister umbrella organization, le Conseil Canadien de la Coopération.

The five-year plan for how Canada's governments and others will work together to ensure a healthy and sustainable agriculture industry is one of the most important pieces of public policy being developed today. The new APF and the supportive programming will impact farmers, rural communities, rural businesses, industries that use agricultural products, and consumers of food. It will also affect Canadian cooperatives and their members. These include all types of agricultural co-ops, credit unions serving rural communities, co-op retail stores distributing food and agricultural supplies, rural energy co-ops, and emerging biofuel co-ops.

During the consultations on the APF, we suggested three pillars for the new APF: public goods and services, strategic growth, and primary producer support. The reason we suggested a primary producer support pillar was to focus serious attention on solutions to the profitability issue for ordinary farmers. Governments need to address the imbalance between farmers and large agri-businesses, as well as between primary producers and other links in the production chain. If both federal and provincial governments concentrate on the producer portion of the industry for the next five years, there is a better chance that the whole agricultural industry can be strengthened.

Canada cannot afford to lose small and medium-sized producers, which sustain rural communities. If we only have larger corporate farms whose profits leave the community, we are in trouble. If we keep losing more agricultural land to urbanization and housing, we are also in trouble. When the world's oil supply peaks and the cost of transporting food from around the globe becomes expensive, we will be in trouble if there are not enough Canadian farmers to grow our domestic food supply.

Governments need to help existing farmers, encourage new farmers to replace retiring ones, and make the primary production side of the agricultural industry stable and viable. In our brief, we recommended seven measures that should be part of the next APF. The first one is development of support and financial investments to enable farmers to move up the value chain and collectively own value-added and processing businesses. The second is adequate resources to assist farmers in developing cooperatives. Thirdly, strengthen mechanisms that give producers bargaining power in the marketplace. Fourthly, support the move into non-food agriculture, such as biofuels, renewable energy, health products, and fibre-based products. Fifthly, share the information from scientific research with groups that work with farmers, so that the information can be used for enterprise development. Sixthly, provide support to help local communities, both rural and urban, organize local food systems to distribute locally grown and processed food. Lastly, we need a federal policy on domestic food sustainability that ensures we meet more of our domestic food needs from Canadian sources.

In terms of the new APF document *Growing Forward*, agreed to by the ministers of agriculture in June, we were very pleased to see cooperatives mentioned as one of the approaches that could be used to enable the sector to be more competitive and innovative. While there is a phrase in the principles section of *Growing Forward* about helping producers improve profitability, there is no emphasis on this in the rest of the document. We have noted that the new APF has been broadened to include the agri-based products industry. One note of caution and concern is whether scarce government funding will be used for this at the expense of support for primary producers. We also think that producers who will be producing the raw materials for the bio-products industry need to be involved in the development and ownership of this new industry.

Moving to your committee's report, we see that you have championed the needs of primary producers and have called for more emphasis on farmers and on primary production. We particularly support your recommendations on a national food supply policy, "buy local" or "buy domestic" campaigns, better labelling, compensation for environmental stewardship, supply

management, marketing agencies, and improved sharing of publicly funded research with the producers. What we have not seen is any discussion of farmer ownership.

• (1620)

If farmers are to increase their incomes and profitability, they must be more involved in other parts of the value chain. They need to have collective ownership of input supplies, marketing, value-added processing, and even retailing to consumers. Without this involvement, they will always be dependent on others who sell to them or buy from them.

Because ownership matters, thousands of farmers have successfully used the collective enterprise model of cooperatives. There are over 1,200 co-ops in Canada—these are agricultural co-ops—and new ones are starting all the time. In 2004, agricultural co-ops had annual revenues of \$14.3 billion, and they returned more than \$220 million in patronage dividends to their members. I would like to finish with what is needed to support producer ownership through cooperatives.

Both the Canadian Federation of Agriculture and the National Farmers Union support cooperatives and have called for resources to help producers learn about, plan, and start agricultural co-ops. Groups wanting to form new agricultural co-ops need three basic things: information, specialized advisory services, and financing. Currently, the federal government is involved in a modest way in supporting new co-op development, as are some provinces. Both CCA and the Conseil canadien de la coopération appreciate the recent funding from Agriculture Canada for the agricultural co-op development initiative. Ag-CDI helps groups of producers start new value-added agricultural and biofuel co-ops. I have brought along some material from this program, and it will be available from the clerk. This profile of 25 co-op groups that we helped shows the breadth of ideas and initiatives amongst farmers.

The broader and generic co-op development initiative, which started five years ago as a partnership between the federal Co-operatives Secretariat and the co-op sector, is up for renewal. CCA and CCC have submitted a proposal to expand and improve this program, which provides co-op advisory services across the country and helps with grants for innovation and research.

Demand for the advisory services has outstripped the inadequate resources of the provincial and regional co-op associations that provide these services on the ground. A budget of \$1 million per year to pay for co-op advisory services in two official languages means that many co-op groups are not getting the help they need to get started. That is why we have proposed a reasonable expansion to \$4 million a year for advisory services and \$2 million a year for a grant program for emerging cooperatives. Our overall request is for \$30 million over five years.

With ownership comes the need to capitalize the business. In today's economy, starting any new co-op costs money, but constructing and starting a new processing plant or biofuels refinery involves millions of dollars. The lack of capital is holding back co-op development. Groups get together and develop a viable business plan, but then find they can't get the financing to start. New co-ops have a hard time because a new co-op does not have a track record in business, their members do not have the money to contribute the large amounts of equity required by lenders—often 50%—and lenders do not understand the cooperative structure. The solutions to this are a range of capital and tax incentive measures, such as a cooperative investment plan; loan guarantees; equity matching grants; improved government lending programs, such as FIMCLA; and specialized co-op lending programs managed by the co-op sector.

CCA and CCC have proposed that the federal government seed a \$70 million co-op development fund over the next five years. This fund would provide patient capital through long-term, low-interest loans to new and expanding co-ops, including agricultural co-ops. You have already heard from the CFA about the need for a federal co-op investment plan that would grant tax credits for individuals investing in their agricultural co-ops. We have been proposing this for several years. The time has now come to put this in the next budget.

The co-op investment plan already exists in Quebec and has proven its worth in that province by leveraging some \$393 million in new investment from 1997 to 2006. It was supported by Mr. Harper in 2005 and was endorsed by the finance committee last year. This kind of hand-up assistance is preferred by farmers, instead of government payments when they are unable to earn enough from the marketplace.

In closing, we would like to reiterate the need for an APF that recognizes the importance of farmer ownership, provides for specialized co-op development services, and addresses the capital needs of farmers through a co-op investment plan.

Thank you.

•(1625)

The Chair: Thank you.

I do apologize for the technical difficulties that we experienced. We lost about 20 to 25 minutes there, so we'll extend as need be. We are going to continue on with seven-minute rounds, though, and we'll start off with Mr. Hubbard.

Hon. Charles Hubbard (Miramichi, Lib.): My thanks to all the presenters.

One thing that goes through my mind when I look at this list and when we hear from the cooperative groups is how many people are involved in these various associations.

Maybe I'll start with you, Jacques. In terms of dairy producers in Canada, what figure do we have? Maybe with that, how does it compare to ten years ago? Could you give us a rough number?

Mr. Jacques Laforge: Is that involving cooperatives?

Hon. Charles Hubbard: No, that's in terms of your producers, in terms of dairy people who are producing.

Mr. Jacques Laforge: Right now, we're at about 14,500 or 14,600 farms. Don't quote me precisely, but I would say we were probably around 18,000 or 19,000 ten years ago.

Hon. Charles Hubbard: For the chicken farmers, what have we seen happening there?

Mr. David Fuller (Chair, Chicken Farmers of Canada): We've actually seen our numbers increase slightly over the years.

Hon. Charles Hubbard: What would your numbers be today?

Mr. David Fuller: They would be just over 2,800.

Hon. Charles Hubbard: How many are there in the Turkey Marketing Agency?

Mr. Mark Davies (Chair, Canadian Turkey Marketing Agency): We're a very small industry. We've seen a slight increase. It's right around the 550 to 560 mark. It has been very steady.

Hon. Charles Hubbard: And with egg marketing?

Mr. Harold Froese: In eggs, we're in the 1,100 to 1,200 range across Canada, and it has stabilized. We have seen it decline in the past, but now it's stabilizing.

Hon. Charles Hubbard: Really, in terms of what the cooperative groups are saying if we look at the future, we're getting into even smaller numbers if we look at what's happened in the last five to ten years.

The cooperative presentations talk about getting more value for product. Certainly they have given illustrations whereby various cooperatives have provided more income to some of our farm groups and individual farmers, yet the dollars that you talk about for promoting and encouraging and developing seem to be a pittance. I sat on the finance committee before, and we've had groups come before us asking for...

What was it you asked for again in terms of an annual...?

Ms. Carol Hunter: It was a patient capital fund of \$70 million, but that would not just be for agricultural cooperatives. That would be under a generic co-op development initiative.

Hon. Charles Hubbard: But that was not over one year, that was over—

Ms. Carol Hunter: The patient capital fund would be over five years, and it's \$30 million for advisory services.

Hon. Charles Hubbard: Our federal government really is putting very little into the promotion of it. We have pork producers on the Hill, and we have the beef people here. If you look at what's happening in those two sectors, you wonder where the money is when you go to the supermarket. It doesn't seem as though those producers are really getting a fair proportion of what product is out there.

In terms of the business risk management, Mr. Chair, some of us have been on this committee for quite a long time. You have been for quite a few years.

What would it cost our government if we expanded it and tried to present it to our government in the way you seem to be suggesting? Has anyone costed what you're suggesting? Would it be \$3 billion, \$4 billion, or \$5 billion annually? What kind of money are we talking about?

Maybe Jacques is going to answer.

• (1630)

Mr. Jacques Laforge: I'm not sure I understand the question.

What we're requesting in here, from a dairy and SM5 perspective, is basically to have strong pillars of supply management in order to keep doing what we're doing. We're not requesting dollars or anything.

When we look at the business risk management, if there's a disaster inside the boundaries in which we operate as SM5, they should be recognized like those in any other commodities. It depends upon which kind of disaster we're talking about. I really cannot put —

Hon. Charles Hubbard: I thought we were hearing that your groups, too, would like to be covered by business risk management. Maybe I didn't hear it right, but I thought you were saying—

The Chair: Do you want to step in?

Mr. Harold Froese: Yes.

In response to that, there are a couple of things. We're looking at the disaster portion of the BRM because we were told that it's where the disaster coverage is going to occur in the future.

There are probably a couple of things from the poultry side. There is a schedule—I don't have it with me—in terms of the numbers that we looked at after the AI experience in the Fraser Valley in 2004. BSE in beef would be another one.

Continuing to enhance all of our on-farm programs will mitigate some of the risk, but the risk is still there. What we're suggesting is that, as a society, when we have those outbreaks like AI or BSE, we have a responsibility to look after those. But to say that it's going to be so much a year or so much in five years.... You can't predict when these things will happen. We hope they never will, but we need to have the mechanisms in place to deal with them.

Hon. Charles Hubbard: Mr. Chair, with that, two different committees have suggested a disaster fund, and we talked about a certain amount—\$1 billion, \$2 billion, or whatever it might be.

With your presentations on going forward, the world today—at least most of our North American world—is governed by oil. Oil has dictated our economy. When we look at your costs of production and

the problems that various livestock owners are having, they're all based on oil. Corn and biofuels are based upon the cost of oil. We're talking about oil at \$100 a barrel, although today a barrel is in the low nineties.

When you look at your future in terms of five years, how is oil going to reflect on your success in terms of our agricultural communities in Canada? Other countries are producing livestock and so forth without having the same demands for the feedstock that your producers are going to need.

What is going to happen in terms of the vision we would have for the next five years? With what price of oil can you still be successful, or will so much of our grains and corn be changed to oil that livestock in this country is going to be so costly that consumers and the world are going to wonder what's going on in North America and in Canada?

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

Would you guys make a short response? Talk about turning straw into gold, too, if you can.

Go ahead, Mr. Fuller.

Mr. David Fuller: It's a very good question, because you're asking the price at which oil is going to start to have ill effects. The question, whether we start talking about oil or ethanol, is whether the demand for the grains is going to continue to develop. We have seen a number of reports saying that this is just a little phase we're going through and that things will start to come back in line. When I say a it's a little phase, I mean five years or ten years. It's not a long-term situation.

Most of the grains, whether in Canada or the U.S., will have some effect around the world. The demand for the grains for the energy sector will have an effect around the world, so the cost of producing livestock is going to go up around the world. What we all want to know is at what point the consumer will start to look at this and stop buying protein, and that is a concern for our industry. We've tried to look at this in a long-term range, but just like everyone else, we'd be looking at a crystal ball. It is very difficult to give you an exact timeframe, but we are very concerned. If you look at the droughts that have been happening around the world, the amount of grain available for both energy and for food production is really going to be the question of concern that we really have to answer.

• (1635)

[Translation]

The Chair: Thank you.

You have 7 minutes, Mr. Bellavance.

Mr. André Bellavance (Richmond—Arthabaska, BQ): If history does repeat itself, I am worried about the agricultural policy framework. I would like to know if you share my concerns.

For the first agricultural policy framework, there was an enormous amount of consultation. In the end, specifically with regard to business risk management, the government imposed its programs. We have now gone through the same exercise for this agricultural policy framework, Growing Forward. There have been a lot of consultations. Everyone agreed that substantial program changes were required. The provinces, the producers, the opposition parties and even members of the Liberal government of the time felt that the Canadian agricultural income stabilization program, the CAIS program, needed to be changed, just to name one.

It is often said that the devil is in the details and that is what we are seeing here. After hearing your evidence today, I wonder whether programs have really been changed in order to address the deficiencies in the first agricultural policy framework.

Mr. Froese, you brought up some interesting points. You say that in AgriStability, the new version of CAIS, maximum program coverage will go from 100% to 85% of net income and that the reduction in coverage will be assumed by Agri-Invest. You also say that those who are part of a supply management program will not get the 15%.

Are you sure about that statement?

[English]

The Chair: Mr. Froese.

Mr. Harold Froese: Thank you for the question. That's the question that we're asking. We're not sure. I think part of it might be because all of the details of the program have not been finalized yet, as well as the funding. But that's a question we're asking because we're hearing mixed messages on that 15%.

[Translation]

Mr. André Bellavance: Mr. Laforge.

Mr. Jacques Laforge: I am saying the same thing. We hear that supply management is going to be treated a little differently in some sections. We want to clarify what would happen in a disaster.

Mr. André Bellavance: What would be the consequences...

Mr. Jacques Laforge: A producer...

Mr. André Bellavance: ...if you did not have access to that 15%?

Mr. Jacques Laforge: In a disaster, a supply management producer would be compensated at 85%, whereas a producer of other commodities would be compensated at 100%. He would have 15% more.

We are keeping our ears open, because we keep hearing about all kinds of ways this could work. We want clarification.

Mr. André Bellavance: So it could happen like last time. When the program was put into effect with all its criteria, it was too late. It was only then that people found out how it worked. The government must be told that people must know the exact amount they will get back before it goes into effect.

• (1640)

Mr. Jacques Laforge: It is true that when the program is in effect, it is too late; it is always more difficult to make changes. The changes must be understood and accepted as fair before they go into effect.

Mr. André Bellavance: Mr. Froese, in the *Canada Gazette*, we learned that the compensation for hatching egg producers has changed a great deal. Mr. Haikal, I think that you could answer that as well.

In the new government regulations published in the *Canada Gazette* a few months ago, compensation for people who have to destroy their flocks in the case of a reportable disease is much less than it was. The government has said that it is going to implement a new program to compensate for the losses that would occur if a producer ever had to slaughter his flock, but nothing has been done on it. At least, I have not heard of a new program. People still have to settle for CAIS, or for Agri-Stability that replaced it. But CAIS does not provide adequate compensation for egg producers. If the replacement is CAIS, we are no further ahead.

[English]

The Chair: Mr. Froese.

Mr. Harold Froese: Yes, thank you.

That really has been our point, because we ran into that situation specifically in eggs and some of the other sectors in 2004 with avian influenza in B.C., where the Health of Animals Act can cover only for the value of the animal. Specifically in egg production, we really appreciate that, but a much bigger portion of it is if you have a big disaster like that, it's difficult to find replacement stock because producers in Canada and the U.S. generally do not produce replacement stock on speculation. So there's that factor.

The other thing is, in order to meet the market demands, you can't have all your eggs being the same size all the time. For example, if the whole flock in the Fraser Valley in B.C. changed at once, all the stores would have available in the first few weeks would be small and medium-sized eggs. We want a cross section of sizes all year, so you have to time the replacement. There's a cost to all of that.

That's why we're asking the question about the disaster portion of BRM, because we were told the Health of Animals Act is only eggs, which is limited. So yes, that's why we need clear rules on what that program's going to be.

The Chair: Mr. Halkai.

Mr. Errol Halkai (General Manager, Canadian Broiler Hatching Egg Marketing Agency): To follow up on that question, in addition to what Harold was saying, we are living the experience right now with a producer in Saskatchewan. We feel that the compensation that is being proposed is not sufficient and we've been told the programs he can rely on currently are the CAIS programs. Initial indications are that they won't come close to covering the losses that he's incurred.

The Chair: Merci.

Mrs. Skelton.

Hon. Carol Skelton (Saskatoon—Rosetown—Biggar, CPC): Thank you very much for being here today.

It is nice to be back on the agriculture committee, which is why I first came to this place.

On September 19, 2007, Minister Ritz wrote a letter to Ambassador Crawford Falconer expressing his concern with the ambassador's text regarding sensitive products. He said, "As you know, Canada has a system of supply management for certain products (dairy, poultry, eggs). That system has worked very well for those producers, and both those producers and the Government of Canada are resolutely committed to maintaining it."

Also, in the Speech from the Throne our government showed very strong support for supply management. What has that done to help your industries? Has our government support helped your industries?

The Chair: Who wants to go first?

Mr. Jacques Laforge: I think those two things together show the international community how important supply management is from an agricultural standpoint in Canada. Basically, farmers can have a decent living from it. I think it shows the international community that Canada is defending its sensitive interests. We need that, and we need more of that. As we get to the end of the negotiations, Canada's sensitivities should be addressed just like any other country's. We're quite pleased that Minister Ritz....

[*Technical difficulties—Editor*]

• (1645)

Hon. Carol Skelton: I would like to ask if there are any comments from any of the others.

Mr. Mark Davies: To follow up on what Jacques said, I think the working relationship we have with the department and the minister has greatly improved. We're in an international forum now, and we're getting down to the crunch on some of these talks. I think Jacques touched on it when he said this is our sensitive product. Every country has their own "supply management". It may not be a system like ours; it may be like it, and it may be something else.

I think this letter to Crawford Falconer shows we're serious about what it means to the country and to the producers. I think it has provided the rest of the negotiating community with Canada's intent, and it's clear what it means to our economy and the country.

Hon. Carol Skelton: In the last line of the letter he said, "However, we will be taking a particularly firm line on these issues". I think this really expresses his concern and our concern about what is happening.

I want to ask you something on biosecurity. You said you were disappointed that the national animal health strategy wasn't recognized as a necessary pillar of the next generation of agriculture and agrifood policy. Do you think this is up to the government to do that, to come in with rules and regulations? Do you not think we should work with the groups to bring in the necessary things?

The Chair: Harold.

Mr. Harold Froese: Thank you.

Yes, and I think the question is even broader than that. A lot of that pertains to emergency preparedness plans that individual

producers, commodities, provinces have. What the national strategy would do.... I think we're maybe seeing the start of it in the traceability working group. And there's a poultry working group. A lot of those programs go across commodities, because many farms have more than one commodity.

We need an integrated system, where the programs have commonalities and the programs can talk to each other. The worst thing is to have an outbreak on a provincial border and the one border a mile away can't talk to the other one in terms of technology. Different levels of government have different responsibilities, so that's why we need—

Hon. Carol Skelton: So the provincial boundaries are a major problem in this whole issue?

Mr. Harold Froese: I was using that as an example. I don't know if they're a problem, but the systems in different provinces and regions need to be able to communicate to each other.

Hon. Carol Skelton: But we've found that over time with what I'd call the disasters there is a problem with provincial regulations. Mr. Marit talked about it with crop insurance and the province of Saskatchewan being different from Alberta and Manitoba.

Are your organizations working right across Canada with all your producers to try to get the provinces to see eye to eye?

• (1650)

Mr. Harold Froese: The short answer would be yes, because we have national programs specifically in the supply-managed sector for all five of the commodities that are national, and then the provinces implement them and work with the provincial regulatory bodies, and other commodities are doing that as well. We need to expand that and then have all levels of government, all commodities, more or less pulling in the same direction.

Hon. Carol Skelton: I was wondering if I would be allowed to table this letter from Minister Ritz in case—

The Chair: Is it in both official languages?

Hon. Carol Skelton: No, I don't have it in both official languages. I can't table it then.

The Chair: Well, do I have consent to table it even though it's only in English?

Hon. Charles Hubbard: No, it wouldn't be right.

Hon. Carol Skelton: Well, hopefully everyone has it anyway.

You mentioned over and over BRMs for primary producers. What suggestions do you have for a non-BRM program in the aspect of *Growing Forward*? Do you have any suggestions?

Mr. Marit left.

The Chair: Yes, Mr. Marit took off. He had to catch a flight.

Mr. Fuller.

Mr. David Fuller: We haven't looked that broadly to have a look at that avenue, to be frank with you.

The Chair: Okay, your time is just about expired.

Mr. Easter, for five minutes, as reluctant as I am to give you that much time.

Hon. Wayne Easter (Malpeque, Lib.): I can have Carol's time, can I?

Thank you, Mr. Chair.

I notice a number of people have mentioned in their submissions the standing committee's report in the spring, and I might say that at least on this side of the committee we're very disappointed in the government's response. We felt we had an all-party committee report and it was basically non-committal and vague on most issues.

I might apologize as well: I was speaking in the House on the hogs and beef crisis, so I didn't get here in time.

Let's be a little bit specific. On the Supply Management Five presentation, are you stating that the disaster coverage under the business risk management program isn't adequate? Are you specifically stating that?

Mr. Jacques Laforge: I don't think we're stating it that way. We're saying there seems to be, and it's not fully understood, a discrepancy between how supply management is treated versus other commodities when it comes to that, and that's what we're trying to find out.

Hon. Wayne Easter: Then is disaster coverage related to health issues? The ones we're talking about will be covered here. Are there any trade implications if they're outside of business risk management?

Does anyone know?

Mr. Mark Davies: None that we're aware of.

Hon. Wayne Easter: If that's the case, why would we have it under business risk management? Canada always seems to be the boy scout. I'll give the United States credit: they get money to their farmers around the WTO agreement in many different ways, as long as the money gets to farmers. If they could do it in environmental programming, they'll do it that way.

If the moneys wouldn't be locked up and seen as payments to farmers under our cap, why wouldn't the government do that type of a program that relates to health and safety as an absolute program, but not necessarily under BRM?

Mr. Jacques Laforge: For me, it's all about whether these programs are green or not green. I know how the U.S. is working some of their programs. I assume these programs are green programs because they're not interfering with the.... But how it's calculated inside the overall APF, I don't know. You have a lot of programs in the EU that are basically stating.... Well, they're part green, part amber. So I don't know how Canada is declaring these features.

• (1655)

Hon. Wayne Easter: These are really issues related to health and safety, Jacques. Having been in the previous government—and that's just the debate in the House today—I think safety nets aren't going to cut it on their own. They never will. We may dream they will. I can

remember when Vanclief made the announcement, "There will be no more ad hoc funding". The average on an annual basis was \$1.5 billion in ad hoc funding. It has to be, or the industry can't survive, given the disasters that happen and so on. So I think we need to look at ways and means of doing it in other ways.

In terms of the SARM presentation, you make mention in your brief—

The Chair: SARM had to go catch a plane.

Hon. Wayne Easter: Okay, then let me turn to the "grown in Canada" issue. I think everywhere we went as a committee, there was a lot of concern raised by producers, and to a great extent you hear it from consumers, that the "product of Canada" definition doesn't cut it. It should be the product that's in the package, not the cost of the product, that is Canadian.

The fact that producers in other countries can use chemicals in products we can't yet that food imported from them can end up on the shelves is a growing issue.

I just came back from China and the food quality conference. It is a growing and important issue. Canadians want to know what they're eating. I think they want to eat a Canadian-grown product.

How do you envisage getting there? I know you mentioned the CFA's "grown in Canada" proposal and you support it. But how are we going to do the A, B, C, D to get there when the government won't even deal with the "product of Canada" question?

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

I'd ask you, Mr. Froese, to keep your comment brief.

Mr. Harold Froese: Thanks, Wayne.

Not to get into the details, following the CFA presentation will be a start. Because of the value of the packaging for a product that's imported, your comments are absolutely valid in terms of other countries capitalizing on that "grown in Canada" name. I think we have to define what that is. When water is part of a product, that also can be a factor. So we need to come up with definitions as to what that "grown in Canada" product is so that the general public will know.

In reading the CFA presentation, you see there's a lot of potential there for enhancing our value-added production in Canada, plus also satisfying the consumers' interests in our food quality.

The Chair: Thank you.

Just so committee members know, we've lost quorum. But we will continue to ask questions.

Ms. Skelton, for the government side.

Hon. Carol Skelton: This last weekend in Prince Edward Island, Parliamentary Secretary Lauzon announced funding for a number of environmental programs. Could you tell me if that funding will help your businesses? Do you know about the funding?

Mr. Jacques Laforge: We haven't discussed that at SM5 and we're not familiar with the details of it.

Hon. Carol Skelton: It was funding announced on the weekend by the parliamentary secretary for environmental programs for farm families and farm businesses. So I was wondering if you'd heard about it and taken notice of it.

I'd like to ask about the cooperative funding. You're asking for \$100 million, am I correct?

Ms. Carol Hunter: Yes, that's \$70 million for a patient capital fund and \$30 million for advisory services and grants to emerging co-ops.

Hon. Carol Skelton: Can you break that down, and what level?

Ms. Carol Hunter: Sure. The \$30 million is envisioned to be a mix of national advisory services as well as provincial advisory services that would be \$6 million a year. There's additional funding for grants to emerging cooperatives, not just agricultural cooperatives, but to all kinds of cooperatives. The \$70 million would be for all kinds of cooperatives as well, not just agricultural cooperatives. I'm not sure how many of you are familiar with the fact that the cooperative file sits within Agriculture Canada, even though there are more than just agricultural cooperatives in Canada.

Hon. Carol Skelton: I understand it very well. I'm from a province where the cooperative movement is very big and very well established. Our credit unions are thriving, and our crops are thriving too.

I want to find out a bit more about them. What other types of co-ops are under Agriculture Canada?

• (1700)

Ms. Carol Hunter: Well, all of them, actually, except credit unions. All the non-financial cooperatives are housed under a responsibility with Minister Ritz. That could be retail cooperatives, worker co-ops, funeral cooperatives for the service sector—everything but credit unions, which are with the Department of Finance. It is a very broad mandate and a big portfolio. There are about 9,000 cooperatives in Canada.

Hon. Carol Skelton: There are 9,000. Saskatchewan hasn't heard about the funeral co-ops, that I know of.

Ms. Carol Hunter: We're coming.

Hon. Carol Skelton: I'd like to go into biosecurity a bit more. That intrigues me. I wonder how we can talk to CFIA and the agriculture minister about the key things you would like to look at on biosecurity. As far as I'm concerned, as a consumer, when I hear about a problem.... You know, you look at whether sales are going to go down, or what's going to happen. What are the key things you want to stress in that?

Mr. Mark Davies: I want the people sitting at this table to be clear that all of our respective agencies—I won't speak for them—and other commodities in Canada have these programs in place. I think there's that inherent belief that Canada's food is safe. And that is continuing. We saw with the avian influenza in 2004 that there

was no change in consumption. In fact in some areas of the country it actually increased. There is the confidence in our products and support for the farmer and the industry.

I think it has become and it's going to become more of a financial burden to implement. That seems to be the issue at present. As stated in our presentation, it's the public good, but at what point does the public have to begin to take their part of the responsibility for the cost of providing this?

We just want to be clear that the biosecurity is in place. It always has been. It has basically come down to the point of proving that this is taking place on a daily basis on farms across the country.

Hon. Carol Skelton: I come from an industry that knows all too well what happens when you're faced with a disaster; it was many years ago.

I too have concerns about the clean-up. Can you give me any figures on how much it would cost after one of these disasters?

Mr. Errol Halkai: As I said earlier, one of our producers in Saskatchewan had avian influenza. His flock was depopulated. As Harold said, it's not the value of the bird. Egg farmers aren't in production for the birds themselves; the marketable product is the eggs. Our farmers are compensated for the birds, so we have an issue with the compensation levels to start with.

But in terms of cleaning and disinfecting, for this one producer—and keep in mind that he no longer has his birds and he has no income—the most recent information we have is that this will cost \$150,000 to \$200,000. That's for one producer. Currently it is entirely the producer's responsibility to clean and disinfect.

The issue is that this is a prerequisite for Canada, to obtain AI-free status before other countries will be able to accept Canadian product. It's a large, large onus and responsibility, financially, on one producer.

The Chair: Merci. Your time has expired.

Monsieur Roy.

[Translation]

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

I want to come back to co-ops. Earlier, you mentioned the example in Quebec. I heard it twice. Are you talking about the Capital régional et coopératif Desjardins that was set up by the Quebec government of the time? The program provides a tax credit like an RRSP. It is run by the Desjardins Credit Unions and the Coopératives de développement régional. Is that what you are referring to?

• (1705)

[English]

Ms. Carol Hunter: That's a different fund in Quebec. The CIP is a co-op investment plan through which a producer would get a tax credit for investing in the cooperative and it's targeted to agricultural and worker co-ops. The venture capital fund is a different fund. It's not just agricultural and producer co-ops.

[Translation]

Mr. Jean-Yves Roy: Quebec tax credits are not just issued to producers. They are available to anyone who wants to buy a share. It costs \$2,500 per year, and the capital must be left in place for seven years. This investment pays off automatically because of the tax credit. I have had some for five years, and they are a good investment. As well as the tax credit, they make money for me. It has been very successful. You mentioned \$397 million from 1997 to 2006.

The government had to set limits on cooperatives because their success was going through the roof. It was costing the government a lot as people paid less tax. The government had to impose limits.

So you want the federal government to do the same thing for cooperatives and to establish standards. That could provide a tax credit, even though it would be less than an RRSP provides. That is the sort of thing you want, right?

[English]

Ms. Carol Hunter: The average investment for cooperatives, actually with the Quebec model, was \$182,000. That was raised with the Quebec model and the average investment that each producer made was only about \$3,400. But with that modest amount of income, it was able to leverage significant moneys. So that, I think, is the argument for leverage. It's a long-term investment in the agricultural enterprise.

Research has also shown that cooperatives stay in business longer than other kinds of businesses. They take longer to start, as they have to mobilize the community capital and other forms of capital, but once they're in business they actually stay in business much longer. We do have research from Quebec on the longevity of cooperatives, but they don't have access to traditional capital markets. So the CIP, co-op investment plan, is a unique program for cooperatives that can offset that pressure without having to go to public markets, like Saskatchewan Wheat Pool did, and become a publicly traded company.

[Translation]

Mr. Jean-Yves Roy: Thank you, madam.

I would like to come back to the egg and poultry producers.

I have a very important question to ask you. More and more, in some other kinds of production, a concentration develops in distribution, where there are only big players, and it is happening pretty much everywhere. Here in Canada, there are four large distributors. They are large grocery companies and large wholesalers. Presently, they are putting pressure on some products, including potatoes. The distributor wants to buy the product and remove the producer's name. Then it becomes his product, thank you very much.

Are you under this or any other pressure for eggs and poultry?

[English]

The Chair: Mr. Davies.

Mr. Mark Davies: Thank you for the question.

I'll let the others speak to this, but it varies across the country. Where Mr. Fuller and I reside, we are co-op-based. It's the model we work under. There was in the past a private company there that has since exited the industry. Ontario is much more diverse. Quebec, of course, is a co-op, and out west it's more privately owned, I guess. There's a co-op out there. Dave would know more about that.

There is a concentration to a certain degree, but we don't have an industry that allows room for a lot of players because of the size of our industry. When we compare ourselves to our neighbours to the south, we're one-tenth of that. We don't have that to the same level of concern. It just has to find its proper level right now. There's still a huge co-operative movement and involvement in the industry, but it does vary.

Mr. David Fuller: Just to comment, when I look at the chicken industry, there are four major key players. Two of the four major key players are co-ops. There's a good, strong cooperative movement in the poultry industry from one end of the country right to the other, and the cooperative has been extremely strong in our industry. We have not seen it shrinking in size. We have actually seen it going the other way.

• (1710)

[Translation]

Mr. Jean-Yves Roy: More and more, when you go to the grocery store, you want to know where the product comes from. Take the example of Sobeys. Sobeys buys your product and puts it in Sobeys packaging lickety-split. No one knows where it comes from.

Are large concerns requiring you to use their packaging, meaning that the consumer no longer know where the product comes from? That is my question to you.

[English]

The Chair: Mr. Roy's time has expired, so please give a quick response.

Mr. David Fuller: There's no question that the major buyers of our product would like to put their own brand name on. It doesn't matter which one they have. Either of the two major players in Canada have their own major brand, and there's no question that they are putting more pressure on, that they want to put their own product name on their own product.

That, of course, is having an impact on the primary processing industry of poultry. Because their name is now no longer on that product, it is now the major retailer's name that wants their name on that product.

The Chair: Thank you.

Mr. St. Denis.

Mr. Brent St. Denis (Algoma—Manitoulin—Kapusking, Lib.): Thank you, Mr. Chair.

Thank you all for being here. I recognize that a few had to leave earlier. It has been quite the travel day for people, so thank you for being here.

I have a northern Ontario riding, but like a lot of rural areas across the country, no doubt areas that you come from, we're seeing a rebirth of local agriculture. I think Ms. Hunter mentioned it in her remarks. This is for anyone, but maybe to Carol first.

We are seeing a rebirth of local agriculture. Not only is the consumer becoming more conscious of the safety of food and there's more certainty about food that you can drive to acquire, if you can.... Even in northern Ontario, where I'm from, we are seeing that happen.

I have written to both the federal Minister of Agriculture and Agri-Food and, in the case of Ontario, the Ontario minister asking them to look at policies that prevent the growth of local agriculture. For example, hospitals are not buying their carrots locally and instead buying them from far away. That's not to be against the carrots from far away, but there's a transportation cost, a contribution to climate change, and so on.

Could you tell me a little bit about local agriculture as you're seeing it? Because the consumer is interested, and I think there's a potential there for our communities.

Ms. Carol Hunter: Certainly. Consumer research from Ipsos Reid does demonstrate that consumers do want to know where the products come from that they're eating. So the demand among consumers for local products has been demonstrated.

We are certainly in agriculture seeing a renaissance of small niche market agricultural cooperatives, not the large multinational businesses. Farmers markets and community-supported agriculture where consumers pay upfront to producers to buy a certain amount of product are proliferating.

The buy local is something that we support, certainly. It's not only knowing where it has come from but that it's Canadian-owned, because of the loss of so many businesses to offshore interests. There really is a growth across the country for small local markets—from Newfoundland and the blueberry industry, right through to Victoria.

Mr. Brent St. Denis: I think historically there has been a resistance by the large food chain wholesalers and retailers to buying locally, probably because of volume and consistency concerns and the ability to fulfill contracts, given that it's a micro-market. Is that resistance still there, or are you finding that there is a willingness to consider more local product in the big chain stores?

Ms. Carol Hunter: There is that resistance there because they have to pay for shelf space, but we do know that with one of our members, Federated Co-operatives, which owns 300 retailers across the west, their first policy is to buy Canadian. If they can't get it in Canada, then they try to buy it from a cooperative, and the third one is source it elsewhere, if they can't get it from Canada. So some of the cooperatives are very intentional in where they source the product from, as long as the reliability and the quality is there, because that has to be there as well.

Mr. Brent St. Denis: Are there any other comments?

Mrs. Lynne Markell (Advisor, Government Affairs and Public Policy, Canadian Co-operative Association): In our agricultural

co-op development program we have offered people some help and some grants to be able to help start new co-ops. One of the wonderful examples is what is happening on Vancouver Island, where not only the farmers but also consumers got together to develop a new kind of system.

One of the things they had to do was bypass the large retailers and go directly to restaurants. They've been going to hospitals and asking what people need that they can provide. They're then starting to give the co-ops orders; they say they need potatoes wrapped in a certain size of bag or they need these herbs or whatever. They are starting to develop a system that goes all the way from the customer—the restaurant, the hospital, the school—back down to the producer who says this is what the new customer wants.

It is definitely an issue. Mr. Easter knows about the issue of the co-op slaughterhouse in P.E.I. They're producing good Atlantic beef and they're having difficulty getting that product into the non-co-op stores. The co-op stores are buying it, but the non-co-op stores still seem to be wanting to select and buy centrally and then ship out to the regions, which is so ridiculous when you've got something being produced right in the region, in the Maritimes, and it could easily go to the large retail stores in the Maritimes.

• (1715)

The Chair: Thank you. Your time has expired, and just while we were having fun.

Mr. Miller.

Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC): As you've heard, Growing Forward is hoping to enable a little more federal or provincial or territorial flexibility. With what you've seen so far of the flexibility that could be in here, how does that differ from the first agricultural policy framework?

Maybe one or two of you could comment on that.

The Chair: Mr. Fuller.

Mr. David Fuller: To be frank with you, concerning the talk about the flexibility, some areas are still grey for us. We need some clarity in those areas and we've raised a couple of those areas.

Once we have clarity in those areas, we need to find out if they have given us more flexibility or if they have given us some limited flexibility. That is the first one.

Mr. Larry Miller: Could you enlarge on those areas, Mr. Fuller?

Mr. David Fuller: In our presentation we talked about one of them, which is the old CAIS program. Another one is the Health of Animals Act. There is an issue there.

So there are some issues we have to have some clarity on and which we have to move forward on before we can say this one has provided more flexibility because these areas are of concern to our organizations. We tried to have those addressed from the last one, and at this point there is still a little bit of grey there and we need to have some more clarification on those.

Mr. Larry Miller: The CFA has a flexible program, I believe. They were here the other day. First of all, have any of you heard of that proposal by the CFA? Obviously not.

Mr. Jacques Laforge: AgriFlex?

Mr. Larry Miller: AgriFlex, is that the name of it? Any comments on that proposal and how it might affect any of your sectors?

Mr. Jacques Laforge: At this point, none of us have seen it.

Mr. Larry Miller: Okay.

When we had CFA in—

The Chair: Did you want to say something?

Mr. Jacques Laforge: When these programs, like flexibility, are developed SM5 is not necessarily... Because we're under supply management, we're not consulted on all the fine details. It's a lot more the non-supply-management commodities that are looking for safety nets. And whenever they are finalized, that's when we're exposed to it a little bit. That's how we operate. That's a fact of life.

There might be a lot of details here that other commodities have worked on that haven't touched us. That's why we would not have all those details. It's not that we don't follow it or whatever, it's just that is how they develop.

A lot of changes have taken place in the last six months that we have to catch up on, on a daily basis. AgriInvest is one example. I operate out of commodities. The last mail-out I received to fill out my CAIS program for the other entities and so on stated AgriInvest, but it said they would tell us later on how it works. Farmers don't have the details. It's more talk at the government and the farm organization level.

• (1720)

The Chair: I think Mr. Halkai wanted to jump in too.

Mr. Errol Halkai: I just wanted to clarify for the committee as well that traditionally supply management has considered supply management to be its business management tool. That's why Jacques is saying we don't know the details of it, because a lot of the program development has been geared to other commodities outside of supply management.

Our supply management is a market-risk-based program, but we still need protection from disease or disaster, and this is where supply management needs coverage for its requirements too. I just want to make the distinction that supply management still considers supply management to be its primary business risk management tool, but we do need some programs to assist us in disease and disaster coverage.

Mr. Larry Miller: I have just a couple of questions on supply management. First of all, I would like to know the total value of all quota held in Canada, in all of them. The estimated outstanding debt in Canadian agriculture is approximately \$50 billion, and I wonder

how much of that share belongs to supply-managed producers. You can think about that one, if anybody knows.

The NFU and CFA were here the other day. The NFU, the National Farmers Union, released a report just in the last week or so criticizing not so much the Ontario provincial government as specifically the Ministry of Agriculture. I would like to hear some comments on that.

The Chair: Mr. Miller's time has expired, so I ask that you keep your replies brief.

Mr. Jacques Laforge: I'm not aware of the Ontario criticism.

Mr. Larry Miller: Name somebody, then, Mr. Laforge.

The Chair: Your time has expired, sir.

Is there anybody from Ontario? I don't think so. There was his question on debt and quota value.

Mr. Jacques Laforge: I don't think there's ever been a calculation made on what the total quota is worth. For example, in dairy, if you calculate the total value of the quota, it doesn't exist. If you calculate what a minuscule amount of quota is trading for on a monthly basis or on a yearly basis, we probably could get you that number fairly easily, because there is quota exchanged and so on.

That quota is a very volatile thing. If we say the total is worth so much, and 15% decide to go out of production tomorrow for some reason, the quota would be worth zero. We could talk about this subject for two days or two weeks, about what's happening. I'm not trying to ignore it. I'm just saying that's a fact of life.

Mr. Larry Miller: Maybe we could get that information.

The Chair: Maybe if you want to submit that, Mr. Laforge, from SM5, addressing those specific questions that Mr. Miller raised, it would be good.

I have a few questions I wanted to raise myself before we go to the second round.

I was a big proponent of making sure we had the pillar identified before the national farm animal health strategy. I know that all the SM5 groups participate in the Canadian Animal Health Coalition. Are things still moving along fairly well through that organization, in their representation to the minister? Have we made any headway? If we can't get it through as a pillar or as a main principle within the Growing Forward component, are there other ways we can look at it, possibly under avian flu? It does seem to target certain producers or rather regional areas, unlike BSE, which hit the entire country, leading to trade disputes that happened with so many of our trading partners.

Is it possible to fit this in under the agriculture insurance section of *Growing Forward*? That might possibly be a way to deal with this issue and protect farmers, who need that so desperately.

Mr. Jacques Laforge: Yes, I think that would be quite possible. As for the animal health work that has been done, we're quite pleased with where dairy is heading. There were a lot of comments made about this in the questions around the table. One thing I want to raise, though, is that from one commodity to the next...if it's avian flu, you have to isolate it, and you have to deal with it.

I'll tell you that in livestock, in bovine, if you ever have an outbreak of foot and mouth disease, there's nobody who can compensate. Two hypothetical systems have been run to show what it would do in North America. Cattle move around. I keep dairy cows on my farm for more than three months. They're there for eight or nine years quite often.

That shows why we need those kinds of things. We need them fast, and we need to be able to deal with those issues accurately, because they could wipe out half of the dairy production in Canada, especially just when you look at how cattle move around at auctions and so on.

We're quite pleased with the way it's moving. It should be concluded, and we should have a very clear program on what to expect in the case of a crisis.

• (1725)

The Chair: The one thing I've always admired about farmers and supply management has been their desire to adapt technology quickly, to use it to the best of their benefits and improve their profitability. Many grain farmers have gone down that path, as well.

One of the components of *Growing Forward* is research and development. We haven't heard a lot about that through our hearings this fall. I was wondering if you had any comments about what needs to be done in research and development, what role government plays, and where we want to be heading in the future.

David.

Mr. David Fuller: First and foremost, one of the things that we must have under research and development is we must have the scientists. Government needs to have a program in place that will allow scientists to go through college here and be able to work in up-to-date facilities in this country. We need to have up-to-date facilities with skilled scientists who can continue to push our research and development.

It's important for the government to continue to maintain the ability for people to work here—that's important—instead of having our people exported outside of the country and that work being done there. It gives our farmers here an advantage. If the technology is here, we can adapt it quicker. Canada is different from other countries. The climate is different, the regions are different, and we need to do things here that adapt to this country. We need to keep our people here. That's most important.

Mr. Jacques Laforge: In the case of dairy, we've also been working and investing directly in research for the last 10 or 15 years. We've created some networks in mastitis, CLA, and so on, and also the nutritional aspect of it. We did it in partnership with Agriculture Canada and the private industry out there. It has worked out pretty well. We've received some payback out of it, so that's pretty good.

The Chair: Good.

Let's seek Carol and Lynne here to talk about cooperatives. I've always felt that cooperatives in rural Canada have a major role to play, especially in agriculture. Often we talk about it from the marketing side, the retail side, but there are a few smaller cooperatives that are out there to buy agricultural inputs. I believe that farmers want to really capitalize on the opportunity to buy in volume and get better deals. If you look at the disparity happening right now in fertilizer in Canada, especially in western Canada, versus the U.S. on Canadian-made fertilizer—they can buy it down there quite a bit cheaper—I think there's a real role for them to play.

When farmers want to look at offsetting some of the concentration that's happening in the industry to empower themselves—we always talk about integration—instead of being top-down, this is a chance to be from the bottom up, if you want to integrate from the producer level.

Does the Co-operatives Association have an active recruitment program on the ground for producers? If they contact you for information on how to form a co-op, what types of co-ops do they want to form? New Generation Co-ops is something that is available in some provinces. I was just wondering if you provide those types of consultations to producers.

Ms. Carol Hunter: Yes, we do, and we do it through a large Canadian network of provincial co-op associations. We have about 19 partners that talk to producers, such as the Ontario Co-operative Association. They're on the ground, right at the community level. We provide those advisory services through the current program known as the cooperative development initiative and the Ag-CDI, the agricultural co-op development initiative.

The challenge is that the ability to provide those services is very limited. Because it's only \$1 million a year for co-op advisory services to 19 organizations across the country, you have a situation now that a province the size of Alberta gets \$60,000 a year to help all cooperatives get formed on the ground. That's why we really are reinforcing the need for an expanded and renewed co-op development initiative, so that people on the ground can get access to those services.

• (1730)

The Chair: Good.

Wayne, André, Larry, do you guys have any follow-up questions?

Hon. Wayne Easter: On the co-op one first, I think this is something that's really, really worrisome. What Alberta is doing is a good thing—there's no question about that—in terms of putting money into co-ops. They're also putting money into beef and hogs. But it's increasingly creating distortions across the country. Other provinces either may not have the financial clout that Alberta has or the deep pockets. And when the federal government isn't stepping up to the plate, we really have a problem, in terms of the different position of producers and people who want to form co-ops in their province, or do anything else for that matter. There's a tremendous discrepancy as a result.

My question to you, to the co-ops, is this. I think you'd said in your remarks that you required \$30 million over five years in the agriculture sector. What are the consequences if you don't get that money?

Ms. Carol Hunter: They're very profound, because the \$30 million is still a very limited amount of money for advisory services. The consequences would be that producers, as well as other people wanting to start cooperatives, would not have access to the specialized advisory services they need. The membership structure is different and the capital structure is different, so they need access to those specialized services in the communities.

Quite simply, there would not be a stimulation of the cooperative model in communities with people promoting that model. We would see more of other kinds of business models in the ascendancy. The cooperative model would not be reinforced because of the inability to communicate what it is and provide those specialized services on the ground.

We've seen in Quebec, for example, how strong their cooperative economy is because of an enabling environment with government that recognizes, and has historically recognized, the value of cooperatives. On a pan-Canadian level, we really need to stimulate a mixed economy, with cooperatives as one pillar of a mixed economy.

Hon. Wayne Easter: It's crucial then that the federal government step up to the plate.

Did you say that Alberta put in \$60 million?

Ms. Carol Hunter: I don't believe so.

Hon. Wayne Easter: How much was it?

Ms. Carol Hunter: The example was that under the current co-op developments initiative, with only \$1 million per year for advisory services spread out across the country, only \$60,000 is available in Alberta.

Hon. Wayne Easter: The second question relates to Larry's question to Jacques about the flexibility. I don't know whether you folks are having the same problem we're having.

With the *Growing Forward* document—and maybe Larry has access to documents that we don't—the fact of the matter is that we have nothing concrete to work from. You people are meeting here on *Growing Forward*. We've seen the documents that were sent out last spring. We've heard a few statements from the minister where he's talking about flexibility. But keep in mind he also said an absolute no to the Ontario farm proposal for business risk management as a companion program.

So my question is really—or maybe the chair, the parliamentary secretary, or somebody can tell us—when are we going to have some documentation? Do you folks have any documentation? The devil is always in the details. Do you have anything concrete that you're working from that is crucial to our next five-year development plan in agriculture? Or are you just operating from smoke and mirrors like we are?

The Chair: Are you referring to AgriFlex or *Growing Forward*?

Hon. Wayne Easter: I'm referring to the whole *Growing Forward* proposal. It's the whole CAIS program with a new name. It's no different. Let's be honest here.

Mr. Jacques Laforge: I think what we have is the start of documents that we've looked at. I know CFA is engaged in a lot more technical discussions. You just had the federal-provincial-

territorial meeting. People are dialoguing, but we haven't seen any final paper or how it's going to work exactly as a total package, because one affects the other. Everybody has a pretty good idea, but it's not finalized. That's how we view it, I guess.

• (1735)

The Chair: You have about 20 seconds left.

Hon. Wayne Easter: It's tough to make recommendations. The best thing we have to go on is the standing committee's report from the spring, in which we made 30-some recommendations. The government as much as said no to most of them—vague and uncertain.

I'd like to have something concrete from the Government of Canada that would give us an idea of where they're really intending to go, rather than the various contradictory messages we're getting from the government.

The Chair: Your time has expired.

Does anybody have a comment they want to make on that?

As Mr. Easter is well aware, the *Growing Forward* documentation is still in negotiations between the provinces and the feds. That information is being shared with the major farm groups, as they're participating in it as well through the CFA.

André.

[*Translation*]

Mr. André Bellavance: Mrs. Skelton spoke earlier and it was not about *Growing Forward*. But she spoke for several minutes on another subject, so I am going to expand on the Conservative government's specific support of supply management. You are here and you follow what is going on in Geneva closely, as we do, though perhaps not as closely as you. I imagine that your antennas are well tuned and that we are receiving information. At the moment, those negotiations are moving forward more rapidly than they have done for some time. The pressures are getting stronger and stronger.

The government has acted, but let us not believe that it is because of divine intervention. The opposition parties and agricultural producers have done a great deal. We are happy with the results. But the real result will be seen when an agreement is reached that provides no penalties for supply management producers. That is the real result.

Have you heard that the iMinister of Agriculture and Agri-Food and the Minister of International Trade will not sign any agreement at the WTO that contains concessions on supply management?

Mr. Jacques Laforge: No, I have not heard anything to that effect. Negotiations are going on, but we have not heard the current minister, or his predecessor, say that he will not sign.

We have had many discussions with all political parties, including those who have been in power in the last three or four years. The negotiations have been going on for a long time. No one in power has ever said that he will not sign.

It is political, of course. We get very good support from all political parties, including the opposition parties. Our yardstick will be the method and the tools used to defend the position and to achieve a positive result once the details of the agreement are finalized. We want to be assured that all possible ways of defending and repositioning vulnerable products are used to the utmost. When you negotiate, you want to get everything you can. All avenues must be explored. That is what we want to be assured of.

Speaking of exploring avenues, here are two good ones: sending a letter to Falconer, and asking that supply management be included in the Speech from the Throne. We do not want to stop there. We want good strategies to show the international community that Canada's stand on supply management is firm.

Mr. André Bellavance: Mr. Duceppe has asked for supply management to be included in the Speech from the Throne. The strategy involves putting as much pressure as possible on the government so that the negotiations reflect its recent decision. We did not demand that for nothing.

The Minister of Agriculture and Agri-Food and the Minister of International Trade have never said that they will not sign any agreement at the WTO that affects supply management, even if the consequences for our producers would not be disastrous. But we have heard the Minister of International Trade and the previous Minister of Agriculture and Agri-Food say that Canada does not want to be the only country not signing the WTO agreement. So we have to be very vigilant and watch what is going on at the moment.

Do you agree?

• (1740)

Mr. Jacques Laforge: Yes, I agree completely. This is a negotiation that we cannot take for granted. Our interests must be defended.

Mr. André Bellavance: No resting on our laurels.

Mr. Jacques Laforge: Not at all. We all have a role to play.

Mr. André Bellavance: I am going back to risk management. Earlier, we mentioned some programs. I think that Wayne is right when he says that we talk about it in committee, we talk about it outside the committee, but we do not know all the details. We have indications that suggest that we will be moving to one modality or the other, but we are not sure. I repeat that I am afraid that the government is going to impose programs at some stage. All that we would be able to do then would be what we do when we get programs imposed on us that do not work for us: try to point out the problem.

We would prefer to deal with these irritants by knowing the details before they are implemented. The disaster program is one that

concerns me a little. Provincial ministers and the federal government have decided to extend present programs for a year, so we know even fewer details of the major disasters program.

What do you expect from a disaster program? With the mad cow crisis, dairy producers were dealing with a major disaster. Avian flu is also a problem. What do you expect from a program of this kind?
[English]

The Chair: Most of Mr. Bellavance's time has expired, but do you want to answer his questions?

Mr. David Fuller: I have a whole book to go through here.

I think what we're looking for out of the disaster program is that the individual farmer is not financially hurt because of a disaster. Some of these disasters have been put on individual businessmen in agriculture, and it is unfair for that to happen. We need to look at this collectively and as an industry. We need to work it so programs are available. If there's a disaster for an individual or in an individual area, the program must have enough flexibility to be able to accommodate that. Right now the program does not have that flexibility.

The Chair: Mr. Halkai.

Mr. Errol Halkai: The government did recognize that there were gaps in the risk programs available for supply management through the Health of Animals Act. It recognized that in some commodities the compensation payments through the Health of Animals Act needed to be augmented.

From what we know now, the current program, CAIS, will likely not assist our producers to 100%. We have questions about whether the new program will provide less coverage than the current CAIS program. We already know that the CAIS program is not going to provide some of our producers adequate coverage. On what we're looking at in the new BRM—the AgriInvest and AgriRecovery—if it's true that supply management will not be eligible for the top 15% where we are currently, that's even less coverage than we have now.

The Chair: Thank you very much.

I apologize again for the technical difficulties we experienced today, and I appreciate you sticking with us. As you can see, a number of people have come and gone because of the travel conditions, but I appreciate the testimony you've provided today and your forthright answers to the questions. This will help us formulate our final report that will go to the minister this winter.

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

An hon. member: I so move.

The Chair: The meeting is adjourned.

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