House of Commons
CANADA

Standing Committee on Agriculture and Agri-Food

AGRI • NUMBER 012 • 2nd SESSION • 39th PARLIAMENT

EVIDENCE

Tuesday, February 5, 2008

Chair

Mr. James Bezan

Also available on the Parliament of Canada Web Site at the following address:

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● (0905)

[*English*]

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

We kick off our study today on high input costs facing Canadian farmers. I'm really glad we have with us today Bob Friesen—no stranger to the committee—with the Canadian Federation of Agriculture; James Mann and Glenn Caleval with the Farmers of North America Inc.; Pierre Lemieux and Gilbert Lavoie from UPA; and Richard Phillips and Leo Meyer from the Grain Growers of Canada.

I welcome all of you and thank you for taking the time out to come to committee and present. This is an important study. For the last few months we've been hearing about this issue, about where the price of input costs is going, particularly for fertilizer as we're coming up onto the spring season.

With that, I'm going to open it up to opening comments. Please keep your comments under ten minutes—and we'll hold you to that—so we can have plenty of time for discussion around the committee table.

Mr. Friesen, would you kick us off, please?

Mr. Bob Friesen (President, Canadian Federation of Agriculture): Thank you very much, Mr. Chair. It certainly is a pleasure to be invited to this hearing, together with the other colleagues at the end of the table.

I will keep my comments brief. As you know, when we start talking about input costs there is a lot of information, and I will certainly be willing to answer any questions you might have.

All of you are also familiar with how profit margins are calculated at the farm gate. That of course is gross revenue, which is price per unit times volume minus input costs. I would like to applaud this committee for recognizing the importance of input costs. I would also like to applaud this government for the announcement they made this spring when they applied $400 million to the concept of the cost of production. We know it wasn't calculated based on cost of production, and of course the cheques are always smaller than we would like them to be once they get to the farmer, but for the first time in a very long time it recognized in a material way the impact that cost of production has on farmers' margins. We often just relate it to price, but certainly input cost has an awful lot to do with that.

The input cost and the different dynamics with regard to input cost also change from sector to sector. Of course, if you have the grains and oilseeds sector, you're talking about fertilizer, which is 46% of a grain farmer's input costs. You have pesticides, which are 33% of a grain farmer's input costs, and of course fuel, and we know where all those have gone when it comes to cost escalation.

When we look at livestock, of course feed is a huge contribution to a livestock producer's input costs, as well as the regulatory system, although that could apply to all other farmers.

Then when you come to horticulture, it's labour. Labour comprises about 40% to 60% of a horticulture producer's input costs.

The different areas in the different input costs of course vary from sector to sector, so I'll take a very brief look at all of those. Then we don't just look at escalation. We also look at what is happening to those costs in the countries we compete with. In this case, it's easy of course to look at the U.S. When you look at the horticulture industry, it could be other countries we have to compete with, and then labour becomes even more important.

As I mentioned earlier, when we talk about grains and oilseeds, fertilizer and pesticides are a huge input cost. You may be familiar with the study that KAP, Keystone Agricultural Producers, commissioned and was done by PricewaterhouseCoopers, talking about the fertilizer price increase as well as the variation between what farmers in Manitoba and Saskatchewan are paying and what farmers in North Dakota are paying. But that document also identifies fuel and fertilizer, saying that a 1¢ increase per litre in fuel ends up being a $28 million increase in Canada for Canadian farmers; a 1¢ increase per kilogram of fertilizer represents a $61 million aggregate increase for Canadian farmers. Of course if you do the mathematics on that, it ends up being quite a huge cost.

We have to recognize that we have an open border with the U.S., so our farmers also compete with U.S. farmers. The KAP study also shows that the price disparity in fertilizer, according to the Thomsen research company, was 1% in 2004; it went up to 10% in 2006 and then PricewaterhouseCoopers further shows that the price disparity between Manitoba and Saskatchewan and North Dakota in 2007 was on average 33%, and as high as 63% for anhydrous. Keep in mind that we do compete against these farmers.

Then of course you also have the issue of pesticides, and I know that FNA and Mr. Mann are going to talk more about the OUI and GROU and NAFTA labelling. I will be prepared to answer questions on those. Suffice it to say that our position on that has always been that you don't take away one tool and add a new one. You keep the tools in place, all the tools in the toolbox that farmers need. Again, we think running OUI concurrently with GROU and with NAFTA labelling makes a lot of sense, and I know we'll get more into that later on.

● (0910)

As I said earlier, in the horticulture industry 40% to 60% of their input costs are labour. That's between $4,000 and $5,000 per acre. Using Ontario as an example, where the wage in the horticulture sector is $8.58 per hour for non-foreign workers, you add another $3 per hour on for foreign workers, and that's over $11 an hour for horticulture labour. And they compete against imports, where labour in some of those countries is between $2 and $10 a day. So that's a significant contribution to their input costs.

Then, briefly, in the livestock industry, we all know that grains and oilseeds farmers are finally getting what they deserve. We absolutely are not critical of the fact that they're getting what they deserve, but of course the increase in feed has become quite a burden to the livestock industry. Now, we still claim that if our dollar were quite a bit lower compared to the U.S. dollar and if there weren't record slaughter numbers in the U.S., our hog industry could still compete, even paying what they are paying for feed.

Suffice it to say that hog producers are competing against U.S. hog producers and against a U.S. industry that was built on cross-subsidization and protectionism, due to the trade challenges that they have submitted against Canada. Our hog industry was built on a 65-cent dollar and globalization. So that has put a lot of pressure on our industry.

To keep under ten minutes, Mr. Chair, I will leave it at that. I do have some graphs, but unfortunately I can't pass them out because they didn't come back from the translators on time. We can offer them to you within the next couple of days. They also clearly show, using a price index, what has happened to input costs and how fast input costs have gone up, how our price index remained fairly level or went down, and then of course in 2007, especially for the grains and oilseeds sector, there was a sharp increase. We're just waiting for some media article that says that farmers' income has doubled or tripled, without looking at the effect of the escalation in input costs.

Again, it would be my pleasure to answer any questions that will come from around the table.

Thank you.

The Chair: Thank you, Mr. Friesen.

Mr. Phillips.

Mr. Richard Phillips (Executive Director, Grain Growers of Canada): Good morning. My name is Richard Phillips. I'm the executive director of the Grain Growers of Canada, and my wife and I still maintain a grain farm in Saskatchewan.

With me today is a director of the Grain Growers of Canada, Mr. Leo Meyer. Leo is a grains and oilseeds farmer from the Peace River area. He's also a director of the Alberta Oat, Rye, & Triticale Association. In addition to raising his six children, he finds time to farm about 14,000 acres of land and is well aware of the input costs up in the Peace River area.

Following on what Bob said, fertilizer, pesticides, fuel, seed, transportation, repairs, wages...there are a lot of input costs for farmers when putting out our crops. Most of these, we feel, are greatly influenced by supply and demand, and as we look at what's happening with the biofuels and with the growth in the demand from India, from China, from Brazil, we think that we're in a new era when there is going to be more global competition, even for the inputs we have available.

For years, on the food side, we've had burdensome supplies in the EU and the U.S., and I think as we look around now there has been—for many, many years people have talked about this—how many days the food supply is inching down, down, down. It doesn't take much in the increase in demand and suddenly these food supplies, the stocks, reserves, are gone, and as a result of that demand we're seeing grain prices going up.

With the grain prices going up, you see people wanting to increase production, as for example, in the U.S. where corn acres have gone up about 10 million acres in the last couple of years. Fertilizer-intensive...there's a huge demand for fertilizer down there. Here are some rough numbers for you. From India we've seen increases of imports of urea fertilizer from one million to six million tonnes, just in the last three years. We see Brazil, estimated at another 25% increase in the coming years. China is increasing imports.

So when we see rising fertilizer prices, do we want to pay higher fertilizer prices as farmers? Absolutely not. Is it a function of being gouged? It's hard to know that sometimes. Bob and I have both had meetings with the fertilizer industry, looking at their demand side, and there is a lot of global competition for the fertilizer that is produced here in North America. So that's one of the main factors that we see driving that up.

Leo wanted to mention one option that we have as farmers, and that is on the pricing.

● (0915)

Mr. Leo Meyer (Director, Grain Growers of Canada): Thank you, Richard, and thank you, Mr. Chair.

A point to be made here on the issue of fertilizer and what may now need to change is of course that we might change how we buy fertilizer. I think the days of going to buy fertilizer at seeding time are coming to an end. The supply situation might not allow you to do that, because those nutrients might not be available when you need them. So farmers will have to change the way they purchase and store fertilizers in advance of needing them for seeding. Quite often in the period between the end of October, November, December, and the first part of January, there is a timeframe when farmers can acquire fertilizers significantly cheaper than they do at seeding time. That is I think a very significant issue to be looked at at this time, which we maybe haven't done in the past as much as we should.

In the past this type of specific engagement was more of a tax consideration. People had to purchase inputs in order for a tax consideration, but now it clearly becomes another issue, and that's assured supply and better prices.

Mr. Richard Phillips: Just in closing on the fertilizer point, what we see is a huge demand for this fertilizer around the world, and as Canadian producers, we're going to be competing to keep those products here in Canada. What can the committee do? What can the government do? I think if there's anything that could be done to stimulate the production, if there are new mines that people are looking at, if there are incentives that could be put in place for more production.... I don't think we're going to have a situation in which we're going to try to limit the exports of fertilizer. I don't think the Government of Canada is going to go to the companies and say they can no longer sell to China. If we can't decrease the demand for fertilizer, then we're going to have to increase the supply. That would be what we would see coming down the road.

The other piece we would briefly like to touch on is grain transportation. We've done a lot of work on this file with the Grain Growers of Canada. We would like to thank all members of this committee for the work they've done in getting Bill C-8 through the House quickly. As you know, when Bill C-8 gets through the Senate, one component of it is the promise that there will be a level-of-service review of the railways 30 days following. Grain transportation is one of the larger costs that we also have in western Canada for all of the export commodities. So we want to see things going forward like the level-of-service review. We would be quite interested in seeing a costing review also of the railways, and anything that could be done to enhance competition on those rail lines would be well received by the producers. Again, with supply and demand, if there are only two suppliers, then you pay the price. So whatever can be done to increase competition of the railways and increase the supply of fertilizer would be steps in the right direction for this committee.

Thank you.

● (0920)

The Chair: Thank you, Mr. Phillips.

From *Union des producteurs agricoles*, Monsieur Lavoie.

[*Translation*]

Mr. Gilbert Lavoie (Economist, Research and Agricultural Policy Branch, Union des producteurs agricoles): Good morning. I'm accompanied by Mr. Pierre Lemieux, who is First Vice-President of the Union des producteurs agricoles. He is a dairy producer and maple syrup producer.

My name is Gilbert Lavoie. I am senior economist with the Union des producteurs agricoles. Like the Canadian Federation of Agriculture, we've prepared a brief document to submit to you today. Unfortunately, given the short deadlines, we did not have the time to have it translated. We've nevertheless submitted a copy of it to the clerk so that it can be translated and circulated to committee members.

I won't introduce the Union des producteurs agricoles because I believe you know it quite well. It represents all production groups, in all specialties and all regions.

The Union des producteurs agricoles wants to thank you for providing it with a forum so that it can talk about the impact of the high input costs being borne by Canadian agricultural producers. Our brief does not focus specifically on the increase in the price index, but rather on the impact of that increase on the competitiveness of the Canadian agricultural sector.

I know there are demand and cost increase factors, but the factor that has probably caused a sudden increase in input costs is undoubtedly the cost of a barrel of oil or the cost of energy, which has resulted in an increase in the cost of other inputs, be they fertilizers, agricultural fuel and pesticides, because their production entails a very high energy cost.

This has also had an impact on demand for grain products, particularly from Americans who, as you are no doubt aware, have a very dynamic policy regarding the development of their grain corn-based ethanol industry. That, of course, has resulted in increasing feed revenues for the meat industry and positive income for grain producers.

To the extent that these increases are observed globally—a point that was raised by the Canadian Federation of Agriculture—apart from ensuring that the cost of inputs is fair for consumers, one of the factors in making it more difficult for the Canadian agricultural sector to cope with all these increases is that the Canadian dollar, as a result of Canada's major oil reserves, is directly influenced by the rising cost of oil. That has caused a sharp rise in our dollar. There should be a relative decline in the cost of the inputs that we buy. However, there has been a very major impact on the incomes that producers can earn from the market, in view of the fact that we operate in a North American market and that the vast majority of our products are transacted in U.S. dollars.

In our brief, we analyze the changes in the Canadian dollar from 2002 to the present together with with changes in the price of oil. The two curves must be looked at a number of times because they are juxtaposed.

Ultimately, increased fuel costs have had an impact on input costs, but also on the exchange rate. We want to talk to you about these impacts.

We should expect to see agricultural input costs decline. Unfortunately, according to the Canadian Federation of Agriculture, the reverse is occurring. The gap between us and the Americans is increasing. As our dollar has greater purchasing power, we should normally see the gap closing and have a relative advantage in this area. That's one factor that we did not have the time to examine more closely, but we would like to do so. Are our input costs set at the right level, having regard to the impact of the Canadian dollar? Is that reflected in our purchasing power?

Furthermore, Agriculture and Agri-Food Canada clearly showed this in one of its publications. In its publication of August 11, 2006, the department examined the impact of the exchange rate of the Canadian dollar on grain prices in Canada. That publication clearly shows that, if we had retained an exchange rate of $1.30 or 65¢, the price of grain corn would not be $180 this morning, but probably $240. Why? Because when you convert the U.S. dollar to Canadian dollars, the replacement value or the market, the increase in the dollar has resulted in a relative drop of approximately $40 a tonne of corn. I have taken the example of corn because it's the main grain in Quebec, but the same impact is being felt with other grains.

This logic also applies when our producers sell their products. The increase in the dollar has had a significant impact on the base price.

● (0925)

In the case of live hogs, for example, which are often transacted in U.S. dollars, when the market was at $100 in the United States and the exchange rate for our dollar was $1.30, that amounted to CDN $130. However, as our dollar has achieved parity, the same $100 represents CDN $100. So that's a relative loss of $30 per hog sold.

We examined foregone income taking into account the positive impact on feed input costs in the hog sector and the negative impact on sales. We obtained $20 to $25 less per hog. For 2007 alone, that represents foregone income of $200 million in net income or in reduced margin. Canada-wide, the effect is in the order of $600 million.

You might think that the strength of the Canadian dollar only affects our exports, but it also enables our food distributors to import products. That has a substitution effect on domestic products in our own markets. What illustrates this phenomenon more clearly is that the strength of the dollar increases the price of pork meat imports. Even if we were in more local markets, the attraction of foreign products would also be greater.

The impact on export markets is known and well documented. The higher dollar hits the main exporting sectors hard. A study conducted by a woman at the University of North Dakota, in the United States, states that, every time the dollar appreciates by one percentage point, the export volume to the United States declines by 0.2%. In the short term, that represents $1.5 billion in lost export value. She explains that the effect of the higher dollar is not immediate and that that effect will be increasingly bad and significant. She talks about a $4 billion impact on the Canadian agricultural sector.

The other important factor regarding the rising dollar, which was mentioned by the Canadian Federation of Agriculture, is the importance of cheap inputs and appropriate regulations in achieving better flow in our exports and limiting impact. One need only think of all the impact of SRIs and non-reciprocity in our trade with the Americans.

How have risk management programs reacted to this situation? The strategic framework was not designed to solve these kinds of problems. All the provincial ministers of agriculture acknowledged that at the October meeting, when they announced that they wanted to put an action plan in place to assist the meat industry, which is probably the hardest hit. I would also include the produce sector.

Net income was nil, even negative for Canada in 2007, and Canadian farm indebtedness is increasing significantly, whereas it is declining proportionately in the United States. This puts us in a tougher competitive position. Some provinces have started to announce programs to help the sector overcome this crisis. I'm thinking, for example, of Quebec, Alberta and Ontario.

We have seen little to date since the Agriculture ministers' decision to put an action plan in place to help the industry. The provinces have partly taken over this responsibility from the federal government. We expect the Government of Canada to send a clear signal to the industry in order to help it adjust.

We have two more specific requests. The first concerns the cattle, hog and produce sectors, among others. We would like an emergency transitional program to be announced to assist producers in overcoming this crisis. The Canadian Federation of Agriculture, with Agri-Flexibility, among other things, has been making demands for a long time now. The Producers Association of Ontario and other provinces have also requested a program to correct the historical margins of the CAIS program to take this very sudden structural change into account. However, this is transitional assistance. We're also requesting a serious adjustment program to help the sectors improve their profitability and efficiency.

As regards the second request, it would be good for the Government of Canada to ensure that farm input costs reflect our greater purchasing power as a result of our higher dollar.

● (0930)

Thank you.

[*English*]

The Chair: Merci, Monsieur Lavoie.

Mr. Caleval, you have the floor.

Mr. Glenn Caleval (Vice-President, Farmers of North America Inc.): Thank you, Mr. Chairman.

I'd like to begin with two apologies to the committee. The first apology is that I am not able to speak in French.

[*Translation*]

My vocabulary is very limited and my grammar is not very good.

[*English*]

So we're all better off if I stick to English.

The second apology is that I won't be able to circulate our documents today because we just got them prepared and there are some serious typos, but I will arrange to have them couriered to you tomorrow when I arrive back in Saskatoon.

Mr. Chairman, I want to thank you for your forceful support of the own use import program during the forum at agriculture days in the last election, and Mr. Deputy Chairman, for your continuing support, and the members of the NDP—in fact, for a letter directly from the leader of the NDP.

I'm in a very odd position, in that I'm going to be talking to you throughout my ten minutes about a single issue, because it is so vital, and it is an issue that, from all appearances, is entirely non-partisan, because it's gotten support from every member of every major political party. With due respect to the Bloc, I haven't communicated with you, again because of my deficiencies in the French language.

But despite that support, it does not have the understanding it requires of how important it is and what it can do for input costs. I believe there are some really simple reasons why this is happening.

So let me acknowledge that some of what I'm going to say today is quite serious by parliamentary standards, and some of it will seem less than diplomatic. The two particular pieces of testimony that I'm talking about in that context.... The evidence is compelling that this committee has been misled. I know what that phrase means in parliamentary terms. I used to work here twenty years ago.

I believe the Minister of Agriculture has been misled. I believe some farm organization elected officials have been misled. To agree that this has happened intentionally I'll leave for others to decide. The fact of its existence is not a matter of opinion, which I hope to outline.

The second point, which is perhaps less than diplomatic, is that the reason this extensive—in fact, I would say almost bizarrely complete —effort at misleading information matters is that there is an enormous amount of farmers' money at stake. On the low end, we are talking about $500 million a year. We haven't been able to calculate the high end, because when you take into account animal health costs, which are a very significant part of livestock operators' costs, particularly in the pork industry, we haven't been able to calculate the impacts of the generic animal health products yet. So on the high end, I would not be surprised to find out it's going to be $1 billion a year.

When you're talking about a minimum of $500 million a year, people are willing to invest a lot of time, a lot of resources, and a lot of tactics to hang onto that money.

As I go through this you'll see that what we're asking for is not something that involves government taxpayer funds; it doesn't involve support programs. We leave those issues to the competent policy organizations, many of which are represented here today. What we're talking about is allowing fair competition, actual competition, on inputs as much as our farmers are required to compete on their outputs. Despite what the chemical and animal health lobbies and the PMRA and their collaborators would have you believe, the issue is not particularly complicated. This committee can have a dramatic and in fact historic impact on farm input costs in Canada with very simple actions.

I'll be clear at the outset about what we're asking you to do, and I'll repeat it at the end. What we're asking you first, as a matter of urgency, is to demand in your report that the PMRA immediately start receiving and evaluating applications under the own use import program. That is what the law says they're supposed to do today. They're ignoring that law. They are claiming that various organizations, including the Canadian Federation of Agriculture and even FNA, support the fact that they have suspended that program. That is false. We have always said we will support you in proceeding with your new alternatives, but you must allow OUI to run at the same time.

This committee, in a unanimous report to the House, directed that the own use import program remain active for a minimum of two years while they test their alternatives. That report was adopted by Parliament. PMRA found a way to defy the will of Parliament by "suspending" that program, and saying "Yeah, but it's not gone." In other words, it exists only on paper to this day, and it's costing farmers tens of millions of dollars.

● (0935)

FNA has submitted applications for four new chemicals twice in a row, 2006 and 2007. Each of those years, those new chemicals would have saved farmers a minimum of $67 million. We're trying to resubmit them again this year. I can give you the exact chemicals: dicamba, clethodim. I'll supply the written applications to you when I courier the package back.

The point is that we know that PMRA has cost the farmers a minimum of $134 million so far, and if they fail to do their job and evaluate those applications according to the regulations in time for this season, it will cost us another $67 million.

So the first thing we ask you is, as a matter of urgency, demand that PMRA start evaluating the applications. The second thing we ask you, and this is new, is to pull the own use import provisions out of regulations and put them into legislation. If you do this, you will have a lasting impact on reducing input costs for farmers in this country going forward, for a minimum of half a billion dollars a year, without spending a dime of taxpayers' money. All that you will be doing is insisting that farmers be allowed to benefit from the gains that competition can provide as well as suffer the vagaries that competition can deliver.

Honourable members, I've just completed a round of direct personal consultations with a number of farm organizations. From those consultations, I can report that there is even profound misinformation among them and in fact a breakdown of accountability throughout the system, from farm leaders to the Minister of Agriculture. And I don't mean that the minister isn't being accountable; I'm saying the system has broken down.

I have attached a review that will be sent to you of the position of farm organizations, which will surprise some members. For example, I attended the annual convention in Brandon of the Manitoba Canola Growers Association, a member of the Grain Growers of Canada through the Canadian Canola Growers Association. The members there clearly insisted on their own active resolution that is on the books, not only supporting an active own use import program, but also calling for it to be extended for year-round applicability. The president advised them that the reason they had ignored their active resolution was that they had been informed by their officials in Ottawa that the issue was too complicated. So an active resolution was ignored.

I can tell you that I had a meeting with the Saskatchewan Pulse Growers Association, where the president indicated that his information was that if one chemical was approved under GROU, then any competitive generics in that chemical class could be brought into Canada to compete with it. This is false; it is simply not true. It must be the identical brand.

Now, there are rumours going around that PMRA is trying to play around the edges to adjust it and to bring in a brand that is a registered account. If that's true, that's great. We would love it if they actually said they're going to make the GROU program OUI, with less bureaucracy. That's not what they're doing. In fact, honourable members, if you bring them before the committee and ask them the straight question, is the GROU program designed to increase the entry of generic chemicals into Canada, the straight answer will be no. It was explicitly designed to prevent the entry of generic chemicals competing in Canada. They won't lie to you about that. That's what its purpose is.

And speaking of the Canadian Federation of Agriculture, I'd say that the minister has been misled. I have correspondence from the Minister of Agriculture stating that PMRA's actions in suspending the own use import program were supported by the Canadian Federation of Agriculture. You can ask the president of the CFA, who's here, whether or not that is a true statement. Now, I know that the piece of correspondence was written by PMRA, or at least was drafted by them for the minister's correspondence unit, because I recognized the identical language from them.

The serious importance of this—and I'm going to speed up a little bit here—is that you really can have a dramatic impact. You really can—

The Chair: Can I actually get you to slow down? I know you want to speed up, but speak more slowly for our interpreters, so they can keep up.

Thank you.

Mr. Glenn Caleval: I apologize.

Because it's a single program, because it can be made to look complex, it is easy for it to fall off the table. But it is a single program that can have a profound effect on operations, on input costs. The fact is all of the issues that have been put against it, and the so called trade-offs of GROU, harmonization, NAFTA labelling, those things are false trade-offs. It is not a matter of either we have harmonization, NAFTA labelling, or we get competition from generics now. We can have both, and both issues of harmonization have been priorities of the government from day one. This is not something that PMRA and CropLife Canada served up as an alternative to getting rid of GROU. They already existed long before they decided to try to review GROU. We shouldn't be put into a false situation.

On the animal health side, by the way, it's much more severe. I know a farm family from Ontario who had a large hog operation—these weren't just small guys on the edge of survival—and they lost everything in their hog operation. He showed me receipts that show his price for a vaccine called RespiSure was $20,000 a year more than what he would have paid an hour south of the border. On the vaccines issue it is a bit more iffy, but there is no allowance right now for competition in that sector. These are huge costs for hog producers, and they're not insignificant for cattle people, who right now are not riding a high wave either.

I would like to end with a very sincere observation, and I hope you will ask me some questions about perhaps some of the things you've heard that have made you think it's not a very serious issue. The sincere observation is that the future of farming is under construction. This committee can decide whether or not it's going to be a house that farmers can live in, or a factory that produces profits for shareholders in mostly other places. Both options have their pluses and minuses. But either you're on the construction crew, or make way for the bulldozer and do it consciously.

I sincerely thank this committee for taking up this issue. I sincerely hope you will pepper me with the hardest and toughest questions you can on this issue, because it truly matters probably more than any one single thing you can do. My president, Mr. Mann, will talk to you about fertilizer at your leisure, but it's going to be a heck of a lot harder nut to crack. This is something where the tools are there. The tools are simple. They are recognized. They have sound science behind them. We've used them before and the sky hasn't fallen in. It is something you can actually do, not just study or talk about.

Thank you, members.

● (0940)

The Chair: Thank you.

I can assure you that there are no softballs in here, it's all hardballs and fastballs.

To start off pitching will be Mr. Steckle, seven minutes please.

Mr. Paul Steckle (Huron—Bruce, Lib.): Thank you very much, gentlemen—I believe it's all gentlemen this morning at the table—for appearing.

It is very timely. It seems that every time we approach the spring seeding season, we're into this whole input cost issue. I'd like to pose a lot of questions to you, Glen, because it's an issue that's near and dear to my heart. But I want to start on another area, because I sort of see my questions along this line.

Looking at where fertilizer costs have gone over the last four years, from 2002 to 2006, we see an increase of about 7.6% a year. That was up until 2006. Now 2007-08 are going to show remarkably higher numbers and increases, which is going to skew those figures substantially. The argument, of course, is that we have a huge demand for fertilizer throughout the world: potash, ammonium nitrate, and other sources. Costs have increased because of the demand.

That creates, in my mind at least, another problem. If there's demand in India, China, and all of these countries, and Brazil, where they're now producing more product, what is that going to do to prices in the future in terms of the commodity they're producing? We know we need the food, but we won't want to pay for it, so that creates a further problem.

When you have a commodity such as potash in Saskatchewan, half of Saskatchewan sits on top of potash, so there is potash there into eternity. Why have we not developed more mines? The argument will be made that it wasn't profitable. Yet in 2006 the CEO of the Potash Corporation of Saskatchewan took home $11.5 million as a bonus because he was such a good manager. Now, $11.5 million, in the overall scheme of things, is perhaps not a lot of money, but it is a lot of money. That is a lot of money that would help a lot of farmers in terms of reducing their prices. What's he going to get this year and next year for what he's doing?

These are the kinds of things that have farmers questioning what is going on, because there is no competition. We have Cargill, which is a partner with Mosaic, and they have operations both south and north of the border. It doesn't really matter where you buy, whether you're selling your steer or buying potash or whatever you're buying or doing, you're dealing with Cargill. That's the problem today. We are price takers, but we pay the price when it comes to the farm gate. The only place we can't add price is at the farm gate. Everyone else has an opportunity to do that up the chain, right to the plate.

I don't know how we can justify selling potash in the United States of America, when the dollar is at par now, for considerably less money that what we're selling it for here in Canada. To me, there is something wrong. If we, as the government, can't change that.... Glen has given us some opportunity to make some changes. We need to seriously look at what he's suggested this morning. Are we, as politicians, afraid to act? Is the department running the show? The Competition Bureau isn't helping us. We know that. They have no teeth and never will help us until we make some major changes. Are the farm organization leaders helping farmers, or what are we working for today?

I'm confused. We talk about construction and destruction. I think we're in destruction right now, not in construction.

Take it from there, guys. I have a lot of very pointed questions I could ask, but I will put that on the table.

● (0945)

The Chair: We'll go to Mr. Friesen first.

Mr. Bob Friesen: Thank you.

You make some good points. Look at the price index and the cost index, starting in 2002 at 100. You know how much grain and oilseed prices have gone up in 2007. We're looking at starting at 100 in 2002. Oilseeds are at just over 120 for 2007. But the fertilizer started at 100 and has escalated to 160. So again, that is exactly what has happened.

Never accept the argument that the reason fertilizer is going up.... We're again looking at hundreds of dollars per tonne between last fall and this upcoming spring. Natural gas prices have gone down. We met with the Canadian Fertilizer Institute, and they showed us that natural gas prices have gone down. So it's only market demand that is driving up the price, and whatever can be done about that we would certainly welcome.

Now 90% of fertilizer is demanded by developing countries, mainly China, India, and Brazil, but it is clearly only market demand. Over the last five to ten years, 40% of the U.S. fertilizer companies closed down because they claimed that they weren't making enough money. It is only market demand we are up against.

If I may add one other thing—

The Chair: Quickly.

Mr. Bob Friesen: What adds insult to injury is if the price discrepancies that we've seen in the analysis that was commissioned by KAP are correct, it means that our natural resources are subsidizing U.S. farmers.

The Chair: Mr. Caleval.

Mr. Glenn Caleval: Because the phrase is being used multiple times with its own self-contradiction, the phrase being that the price of fertilizer is a function of demand, I want to quickly comment that the facts belie this. For example, at least from the Canadian situation, in terms of the idea that it's being sold for less in the United States than in Canada, there's no more or less demand around the world and in the United States than there is in Canada.

Secondly, farmers in North America can directly speak to how there's something wrong with that statement, because we, as members know, commissioned a ship from Russia, filled it with fertilizer, did all the international negotiations and sourcing and all that, brought that ship across the ocean, put it into the port of Churchill, unloaded it, and delivered it to farmers' sidings for less money than what they're paying here in Canada.

Obviously, if we can incur all of those costs and still deliver to farmers for less money than what's available, something other than demand is at play.

Mr. Paul Steckle: I have a question to Richard before we leave my point of questioning. You mentioned incentives for the producers. I think after hearing this debate and argument, surely you would have changed your mind in terms of whether we should give incentives to the producers of the potash industry to create more mining. I think they have enough money to do it. I don't think they need incentives.

We did that for the packing house industry too, at the same time they were making 400%.

The Chair: Mr. Steckle's time has expired, so we would appreciate a very quick response.

Mr. Richard Phillips: What we don't know is are there other barriers out there? Why have there been no new entrants into the mining industry? Are there barriers out there that can be dealt with to get more competition? Because competition is what brings down the price. And I think FNA would fully agree with us on that one, Paul.

● (0950)

The Chair: On a point of order, Mr. Storseth.

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

I address this to my honourable colleague, and I didn't want to interrupt his questioning. You mentioned the Potash Corporation of Saskatchewan, is that correct? Is that a corporation of the Saskatchewan government? It's controlled by the Government of Saskatchewan?

Hon. Wayne Easter (Malpeque, Lib.): It's a crown corporation.

Mr. Brian Storseth: It's a crown corporation and it's $11.5 million?

Mr. Paul Steckle: The CEO was given a bonus.

A voice: It's no longer a crown corporation. It was privatized.

Mr. Brian Storseth: It was privatized.

The Chair: Fine. That was just a question, which was clarified.

It's the Bloc's turn.

Monsieur Vincent, *sept minutes, si'l vous plait*.

[*Translation*]

Mr. Robert Vincent (Shefford, , BQ): I would like to welcome you and to thank you for telling us about your concerns. We're addressing the same matters in the Standing Committee on Industry, Science and Technology, and your industry is experiencing the same problems.

The increase in the dollar and the price of oil affects all sectors. In addition, in yours, the price of grain and things of that kind have a definite influence. I heard that the government might have to do this or find solutions to that, but what do you, who are in the sector, think are the solutions that the government could find to assist you?

As regards the rising dollar, of course, the Bank of Canada could lower interest rates by a point, a quarter of a point or a half point, but it isn't moving too much in that regard and is leaving the dollar at parity with the U.S. dollar, which is of no help to our industries. What would be the most concrete way the government could find to help you?

A little earlier you talked about the price of grain that will be sold to produce energy. That will increase the price of corn. Unfortunately, consumers will consequently have to face a price increase. Grain for human consumption will cost more. Give us some ideas. How can we help you in concrete terms? That's for everyone.

The Chair: Mr. Lavoie.

Mr. Gilbert Lavoie: Thank you.

Ultimately, we see two aspects to the solution. There is the adjustment. If we talk more specifically about Quebec's situation, we've experienced it, among other things, with the pork industry and Olymel. That got more media coverage. Honestly, we would need an aggressive program that would help our industries adjust to this new situation regarding the Canadian dollar.

Mr. Robert Vincent: You talk about an aggressive program, but what, in your mind, is this aggressive program that should be put in place?

Mr. Gilbert Lavoie: I'll answer in two parts.

First, in view of the financial position of farm businesses, hog and cattle producers need income support soon. Various offensives have been launched through the Canadian Federation of Agriculture through its AgriFlex program and other programs.

I also met recently with the Ontario Federation of Agriculture, which has also made demands for an adjustment to the CAIS program margin. Of course you have to be a strategist with regard to countervailing measures, but those measures will send a signal to help people get through the storm. I even think that the ministers of agriculture acknowledged that in October. So we're waiting for a signal.

Then I can tell you about how we work with regard to adjustment programs. I can tell you about our situation. We need support in this effort. We appointed Mr. Coulombe to conduct a full analysis of the entire industry. We expect him to make specific recommendations on the stages that should be put in place to make our sector more competitive and ready to face these new realities.

Once these measures are known, we expect the Government of Canada will push ahead with the Government of Quebec and set the necessary reforms in motion. That's the kind of more concrete action we expect from the government.

[*English*]

The Chair: Mr. Caleval, you wanted to get in on this, as did Mr. Phillips.

Mr. Mann first, and then Mr. Phillips.

Mr. James Mann (President, Farmers of North America Inc.): If I may, Mr. Chairman, I'll comment with regard to the fertilizer situation, as we are actively involved even at this very minute in negotiations on bringing in additional fertilizer.

Amazingly, to add insult to injury, this fertilizer is coming from the U.S., which had been exported from Canada down to the U.S. and it's coming back to Canada. There's something definitely wrong in the state of the situation when you can make that happen, but it revolves around the amount of competition that exists in the industry and the barriers to entering the market, particularly as we get to the season of use, which really becomes a logistical situation: how do we get the product from other markets into Canada?

That freight leverage is used by the companies in Canada uniformly, and we can guess how that collaboration occurs. But certainly they all behave in the same manner, and there isn't proper competition. When you try to get them to compete with each other, there are things that just do not happen.

Certainly Mr. Meyer pointed out a situation that exists nine years out of ten, in that you have lower input prices, particularly in fertilizer, through the summer. The unfortunate part is that we're suggesting farmers start incurring costs for the following crop year when they're still deep into their operating lines for the current year. If we're going to take advantage of the lower prices that exist simply because of the nature of the way fertilizer companies operate—they have shortages of warehouses and what not during the summer, they have to move that product, and there is more competition available during the summer—if farmers had access to capital or a program that would give them access to operating capital a year in advance, they could take advantage of that program. That is one significant thing that could be done, and how it's accomplished I'm not sure.

The big issue, though, is competition. How that occurs, I'm not sure, but I would suggest that perhaps farmers need to own their own fertilizer plant. Perhaps there are some things that could be done on the cost of the tax burden on natural gas, so that our natural gas costs are lower here in Canada, so that we wouldn't have to avail ourselves of natural gas that comes out of the Middle East or from Russia, which is at a lower cost.

The big issue, just to add a bit of relevance in terms of today's market, is that we are acquiring product that will bring product into Canada at about $80 a tonne less than what the market is here in Canada today. That is, if we can get the transportation system to work well for us.

One of the things we've encountered is a barrier not only to capital to build these mines but a barrier to access to the infrastructure to move that product. We find trucking companies and railways that are very close to these companies that have large volumes, and to get access to service, to get access to their resources to get the product where we need it is a challenge we face day in and day out. If there's something that can be done, if we can make the Competition Bureau more accountable to reacting to refusal to supply and to price maintenance issues, to make sure that when we put out requests for quotations, these companies cannot act in collaboration but have to act competitively, then I think we've gone a long way towards finding some solutions.

● (0955)

The Chair: Mr. Phillips.

Mr. Richard Phillips: We also want to comment on the transportation, as to what exactly you can do.

I think what we need to see is a level of service review, both for the industrial shippers but also for the grain shippers. That costs, just on the income side, certainly western Canadian farmers. There are premium sales out there in the world, but people can't book those sales because we can't be sure to get the railcars, the engines, and the crews to get stuff to port in time for those sales. So level of service is one.

On costing review, we see them running over their estimates of what they need in terms of money, year after year after year. What are the actual costs of running those railways?

Lastly, on competition, maybe we won't see open running rights because there's a lot of lobbying against that, but there's more that can be done on the short-line end of things. Right now, if the railways, for example, on branch lines, abandon a branch line and put it up, a short line can get it. What they're doing is simply not running anything on the trains, so they're not using them. They're not abandoned, they're going to rot away, and they'll never be put up for sale to where competition can come in.

Those are some specific examples of where I think government could take charge.

The Chair: Unfortunately, your time has expired.

We'll go to our next questioner, Mr. Lauzon.

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

Thank you very much for enlightening us, gentlemen. I think you've brought a lot of knowledge to the dilemma.

If I'm getting this message right, increasing competition in transportation and in the production of fertilizers would be very helpful.

Mr. Phillips, you mentioned maybe having more fertilizer produced here in the country, and then you talked about incentives. How can we encourage more competition? What's the big picture that you maybe have in mind?

Mr. Richard Phillips: I'm not sure I have the wisdom of the people around this table on that one. I guess that would take some study and work on what exactly the barriers are. Is there property out there that can be mined that's not being mined, and why isn't it? Are people holding onto properties and paying a charge just to keep it under their control so it can't be made available to other people? I don't have those answers.

Mr. Guy Lauzon: So you're not aware of a lot of research that's been done on that issue.

● (1000)

Mr. Richard Phillips: No.

Mr. Guy Lauzon: I see Mr. Meyer. I was hoping to ask him a question as well.

Mr. Richard Phillips: Go ahead and ask your question first.

Mr. Guy Lauzon: Mr. Meyer, do you have a comment on that?

Mr. Leo Meyer: Yes.

First I would like to point out that in many ways Mr. Mann's comments meet my perspective out there, because we operate on a similar ground floor. It's very important that we realize that when we're discussing this we're not engaging in some type of an artificial engagement and topic in a way that is not possible. So I hope we all come across here and participate in the discussion that is today's reality.

Today's reality is not that small operators can enter the field. What we let happen in the past few years is very simple: a dramatic concentration process. If people were sleeping through that process, welcome to today's reality. The fact is that the concentration process has now brought us here where jurisdictional and regional governments are not able to make much of an impact any more on some of those things.

We deal with global entities, and they apply globalization and global capital. JPMorgan came out a few weeks ago and made a shareholders recommendation globally on Saskatchewan potash. If anybody watched Saskatchewan potash shares go from where they were to the $200-some range after that recommendation, the fact is somebody has to pay for that equity appreciation. In this case it's the people buying the potash.

Potash is probably one of the worst examples. I need to say that at the common level, for some of us to make certain comments, we operate with those entities, so when we use names and what not, we want to say it's to try to make a situation better. We're not on a witch hunt, or whatever we're trying to do.

But on potash, that's probably the saddest thing out there. For 10 to 20 years, potash traded at $150 or $180 a tonne. All of a sudden there's a concentration there. One of the major multinationals bought IMC. Now it's Mosaic, and all of a sudden potash is $400. There isn't that much more expense being incurred to harvest and mine that potash, but one of the crassest examples we see out there is with potash.

With nitrogen we have a different scenario, because natural gas is in abundant supply, unless you talk about offshore factories coming in. The issue there is about shipping and quality control in the shipping process. So we may need to differentiate between increasing production in a different type of nutrient engagement between potash, phosphorous, and nitrogen. It's an issue of transportation and how well those goods can be transported.

The Chair: Mr. Friesen.

Mr. Bob Friesen: Thank you.

Mr. Lauzon, I think you mentioned several things. One is transportation, and of course we supported and thank you for how quickly you brought back Bill C-8 when you came back to the House. We're also asking for a full costing review on the efficiency cap, and have already talked to the minister about that, as a complement to what's being done in Bill C-8.

On fertilizer prices, let's be clear about one thing. The prices aren't high just because fertilizer companies are running 24/7 and there's a big demand. My guess is they would be high even if there was an abundance of fertilizer, because they've seen grain and oilseed prices going up. They know that farmers are going to pay the price. So there's something there that we need to deal with as well.

There's a further complication in fertilizer prices. I think everybody knows that grains and oilseed farmers have a little more cash from 2007, but they had a deep hole and paid a lot of bills in fall 2007. So if a farmer couldn't afford to buy his fertilizer in the fall because he paid other bills, he will have to wait until the last possible moment in the spring before he buys fertilizer. He's looking at an increase of several hundred dollars a tonne, and natural gas prices have gone down. So that's another dynamic that we somehow have to deal with.

Mr. Guy Lauzon: I'll get back to you with a question.

The Chair: You have one minute left.

Mr. Guy Lauzon: I'd like to follow up with Mr. Meyer.

You mentioned buying at the right time of the year for fertilizer. What kind of saving could you effect if we could make that work for you?

Mr. Leo Meyer: I really appreciate the question.

As Bob Friesen and Mr. Mann pointed out earlier, it's very important that we realize it's a significant issue that the majority of farmers simply cannot afford to buy fertilizer. So that's one issue.

● (1005)

Mr. Guy Lauzon: I realize that.

Mr. Leo Meyer: On your specific question, the savings are significant. They can be 30%, 35%, and sometimes 40%.

Mr. Guy Lauzon: That's even more than the increase in NISA.

Mr. Leo Meyer: Absolutely.

The Chair: Monsieur Lemieux wants to get in on this too.

[*Translation*]

Mr. Pierre Lemieux (First Vice-President, , Union des producteurs agricoles): First, I think the Competition Bureau should be reinforced, that a thorough analysis should be conducted of the Competition Act and that it should be seen whether there is some way to give it more teeth, so that the Bureau can take measures to ensure there is adequate competition in the market once again.

Then information should be made available on volumes and on what is available; in other words, we should know a little more. That would enable producers to adopt purchasing strategies. If we start buying everything in the fall, suppliers will adjust. We've already done that back home in Quebec. We established purchasing strategies for grains and inputs, and our suppliers adjusted. All we can do is save on interest: we pay sooner with a little more. Suppliers have the ability to adjust quickly to purchasing strategies that we adopt. Good measures must be taken with regard to information so that people can be more aware of the situations prevailing in the market.

Measures should also be taken regarding research in order to develop new varieties that could produce good yields and be more energy-efficient than some of our current inputs. A very serious look should also be taken at the advisory service that may be offered to producers. Sound advisory service strategies should be developed so that producers can use the inputs as efficiently as possible. In some cases, savings can be made by slightly reducing quantities, without there necessarily being an enormous decline in yield.

[*English*]

The Chair: Merci.

Mr. Atamanenko, it's your time.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): *Je vous remercie d'être venus*. Thank you for being here.

We have this table in front of us that compares average fertilizer and fuel prices between Ontario and Michigan, Ohio, and Indiana for June 2007. If we look at potash, we see that Ontario farmers paid $384.48, whereas in the three American states during that period of time they paid $318.59. In other words, we paid 20.7% more.

In Canada we don't really have a national energy policy. We export natural gas and oil to the United States primarily, but at the same time we pay more at the gas pump for gas. Our prices for natural gas are probably not drastically lower than what people pay south of us. So as a result of the lack of an energy policy.... Our policy has to supply our energy to our neighbour to the south, and we've locked it in with NAFTA. There's all that argument.

We produce potash, and we'll take potash as an example. Our farmers are paying more for it in Canada. We're exporting it to the United States and other places in the world, and we've seen that the testimony has been that one of the reasons for the increase in prices is because of the global demand; the market is regulating the increase in prices.

We're a government committee. You're here because you're hoping that we take some kind of action. Should government be doing something to have a national policy in regard to agriculture that actually tries to, if possible—and I know it's a word that many people don't like to use—regulate the cost of input for our primary producers so that we don't get this bizarre situation where we produce something and our farmers are paid more than their competitors who pay less, who are probably getting more subsidies than we are?

So that's my question, and I'd like to hear some response from you on that. Anybody, please.

● (1010)

The Chair: Who wants to tackle that one first?

Mr. Glenn Caleval: The idea of regulating input costs sounds appealing, but the problem is that, in my view—and now I'm not speaking necessarily for FNA, so my president may overrule me on this—from my own studies on this subject, it's just not practical. You're never going to get there through regulations.

Now, there are certain kinds of regulations that you want to do a couple of things with. Some regulations you want to just get rid of and other regulations are very specifically targeted at barriers to farmers gaining the advantages of competition.

I go back to this concept. If farmers were simply allowed to have access to the gains competition can deliver, they would have a lot of this problem solved. I'm not sure it was made clear in terms of we're talking about the fertilizer situation. For us it's nitrogen and anhydrous. But the biggest barrier for us, so that we can't go full guns and have serious competition instead of supplying 50,000, 60,000 tonnes to the market, which is not enough to make them move, is getting shippers to be willing to ship for us. They are under influence, and this is not illegal influence, but it is real and it is influence that says you guys do not give FNA these cars; you can tell them they're going to have them a month from now. Under the current legislation, the current regulations, that is legal. That kind of behaviour would not be tolerated in the United States. They have a much stricter competition regime.

So I support UAP in terms of saying we need to get more serious about what open competition means. Focus on the idea that if we believe that competition brings benefits and innovation and all of that, it should bring those benefits to farmers. The thing with the own use import program, the issue on animal health.... What can you do for hog producers right now? I'm telling you if you gave them access to exactly the same vaccines that they're using in the United States, you would save a lot of things. You would same some of them $100,000 a year. It is not small potatoes. So there are things you can do on regulations, but the concept of regulating input costs overall I think is too complicated. I think it's fraught with pitfalls and we might end up making the situation worse.

The Chair: I am asking witnesses to keep their comments as brief as possible, because there are other witnesses who want to get in on this discussion as well.

Mr. Phillips, and then Mr. Friesen.

Mr. Richard Phillips: I think I'd concur. I'm not sure we can regulate. For every regulation government creates, farmers will find a way around it—that's just kind of the nature of the beast—or other business people find ways around it.

Some of the work we've done is on harmonizing and opening the borders so there's more price transparency back and forth. So if the committee, through the Competition Bureau, or Agriculture Canada, or whatever, were to be more open and post what retail prices are across the border, I think then you'll see the farmers apply the pressure where pressure needs to be applied. So I would say that's one thing the committee could look at doing.

The Chair: Mr. Friesen, go ahead.

Mr. Bob Friesen: I think you mentioned an energy policy. Let's keep in mind that natural gas prices have gone down and fertilizer has spiked up, and fertilizer companies, because they know that.... You see, when the price of grains and oilseeds was low, a farmer tests his soil, he calculates how much fertilizer he wants to apply, and knows that the law of diminishing returns kicks in quite soon. When the price is higher, they can add more fertilizer to get more yield, and they know that they can still get their investment return out of the fertilizer. But the demand and the price, I think, is what has spiked up the fertilizer prices.

As far as pesticides is concerned, again, we have an open border with everything else with the U.S. when it comes to grains and oilseeds. We've been pushing for an open border on pesticides.

The Chair: You have 30 seconds left, Alex.

Mr. Alex Atamanenko: In regard to transportation, is it the feeling of people here that we have not been tough enough with our two railway companies? We keep hearing this. Should government be playing more of a role to get tough to ensure that we have that competition, especially when it comes to secondary lines and tertiary lines, to get that grain or other products flowing?

The Chair: Mr. Phillips, do you have a short answer?

Mr. Richard Phillips: Yes, we could be a lot tougher yet. We'd be glad to put a submission in to you at a later date on some of the things. I think you would find a lot of the groups signing on to that sort of issue.

The Chair: Thank you.

Your time has expired, Alex.

Alex was quoting some of the numbers and price disparities between Ontario versus Michigan, Iowa, and Indiana. I just want to add that I'm looking at the data book from Agriculture and Agri-Food Canada for 2007 and the numbers in Manitoba versus Minnesota and North Dakota: anhydrous ammonia is 38.5% higher in Manitoba; urea is 12.2% higher; phosphate is 22.1% higher in Manitoba; and potash was the only one that was close, at 3.8%. That's a comparison of fertilizer used in western Canada.

We're going to kick off the second round. We're down to five minutes.

Mr. Easter, go ahead.

● (1015)

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

I'll basically ask a series of questions, and then let's just go to the answers.

Bob, there's been a lot of discussion on this, but you said that our natural resources are subsidizing U.S. farmers. In other words, I think what you're saying is that Canada is selling into the U.S. market at lower prices than in our own domestic market. Correct?

Mr. Bob Friesen: Yes.

Hon. Wayne Easter: That isn't the way it works when we sell beef, hogs, or malting barley, as we'd have had a trade challenge against us in a minute.

I know everybody is saying this is due to supply and demand and competition. I have just one word for that—bullshit. The fact of the matter is that demand is higher in the United States, with their push for ethanol. The real problem, I think, comes down to the way these companies operate, my assumption being be that it has nothing to do with competition, but basically with what the market will bear.

I really firmly believe that we have a competition act that doesn't work. The U.S. has a competition act that works. So I want to know your position on the Competition Act. We've made recommendations on that before, but governments, no matter what political stripe, continue not to deal with the Competition Act in Canada. That's question number one.

Number two, does anybody have any studies on energy pricing at the farm gate in the U.S. versus Canada? The chair mentioned some of them: diesel, diesel-gas, or natural gas.

Can you imagine in the United States, the U.S. government allowing any company to sell a natural resource, be it diesel-gas or natural gas produced in the United States, more cheaply to their competitors than to themselves? Why is that? Does anybody have any answers on that? And why can't our government do the same thing? All we're doing is subsidizing their industrial plants.

Number three, should the government be using monetary policy to force the dollar down? We did it before, if you remember the day after the stock market came down substantially. Stock market holders in New York were affected, and the Bank of Canada moved in, as well as the U.S. banking system, and brought the dollar down, and the market corrected itself. Should we be doing that or should we not? I don't know.

I find it amazing that nobody has mentioned the imbalance between costs in Canada versus the United States. We have cost recovery under the CFIA, but the United States does not. Theirs is subsidized by the government. Should we be dealing with those points? Those are government regulatory costs in Canada that the United States producers do not have. Should we be demanding from those guys over there, and their minister, that they deal with those costs?

The last point I'll mention is related to you, Glenn. You came out with some pretty startling numbers. Can you table those with us? How would you suggest that we facilitate the original intent of GROU, which was to provide greater access to competitively priced chemicals?

So those are five questions.

The Chair: Five questions, and you have a minute and a half to answer them.

Mr. Bob Friesen: I'll answer four of them. I would like to talk about OUI and GROU a little later, though.

I actually did mention regulatory costs, Mr. Easter. Just for the record, I did talk about regulatory costs. In fact, the hog industry will tell you that farmers in Canada pay for an awful lot of regulation that U.S. hog farmers don't. Perhaps that's one of the reasons hog farmers had a record year in the U.S. in 2006. As I mentioned earlier, we're competing against cross-subsidization down there as well.

As far as monetary policy is concerned—and I think Mr. Lavoie referred to this—we calculated when the dollar started going up that for every cent the Canadian dollar strengthens compared with the U. S. dollar, we lose $230 million in export value to the U.S. Weighing that against the benefit of a stronger dollar for the purchases that we have, my guess is that we're still out an awful lot of money from our exports.

The disparity in fuel costs between Canada and the U.S., as per the KAP study, was 12% in 2004, 19% in 2005, and 14% in 2006.

● (1020)

Hon. Wayne Easter: On that point, how does government deal with that fuel disparity? The United States government would not allow that to happen. Why can't we? What have we done wrong?

Mr. Bob Friesen: We asked before for an excise tax rebate across the board.

On your first question, on nitrogen, you're right. I've said that too, and emphasized it. I believe it doesn't matter if there's a lot of fertilizer lying around, because fertilizer companies know that if I get $5 or $6 or $8 per bushel more for whatever grain I produce, I can afford to apply more fertilizer and to buy more. They don't take into consideration how many bills I have to pay from the past, and the hole we have come out of.

On corn production, the fertilizer people are telling us that corn takes nitrogen on a two-to-one ratio more than say wheat does—and you all know how much corn increased in the U.S. compared with wheat and soybeans, which decreased.

The Chair: Time has expired, unfortunately, and we aren't going to get to Mr. Caleval's response.

Mr. Storseth, you have the floor.

Mr. Brian Storseth: Thank you very much, Mr. Chair.

I just want to thank everybody for coming today. It's important that we all recognize that we are here in a non-partisan effort to look at and get some very real suggestions on how we are going to reduce input costs here.

As to Mr. Easter's partisan comments, it's nice that he's found his voice now that he's on that side of the table.

I also believe that we are over-regulating—

Hon. Wayne Easter: You better read the report there, Brian. We challenged the government.

The Chair: Order.

Mr. Brian Storseth: We're over-regulating our industry and we're not putting our farmers on an equal playing field with those in the United States or in other countries we compete with.

This is a key component to things we need to deal with. Mr. Easter is right. We need to deal with some of these CFIA costs. We have addressed that. It was actually my colleague, Mr. Miller, who brought that motion before the committee.

Mr. Atamanenko, I disagree with putting more regulations into it, and I think it's important that somebody correct the record. The Government of Canada, through Bill C-8, has taken tremendous steps that our shipping industry as well as our producers asked for.

Group FOA is very substantive in holding the railways to account, as well as the level-of-service review, which I believe is already being started.

These are only some of the initial steps we need to take. They are some very substantive steps.

I read the Keystone report on fertilizer, and that is something I have some questions for you on. I'm not an interventionist, but the market is supposed to correct things. When the dollar goes up, our input costs should go down and our exports become more expensive. Well, we've seen our exports become more expensive across the board, but on our import costs, that same dollar is not buying any more than it used to. As a matter of fact, the Keystone report shows that it's buying less.

I'd like some very frank recommendations from you, gentlemen, on how we can address that—anhydrous and fertilizer being just two. We need to be proactive on this, or else we're going to get ourselves in a situation where the industry is coming to us saying they need more money and they need it now, just like we're facing with the pork and cattle situation.

I think we should start with Mr. Meyer.

The Chair: Mr. Meyer.

Mr. Leo Meyer: Thank you very much for that.

Just briefly, it's a very sincere discussion we're having here. I'd specifically like to comment on the dollar.

Our currency, and how quickly it rose to a level that we haven't seen before, has surprised a lot of people in the trade. What one can't overlook in this discussion is in fact that a lot of the business we're doing today was done some time ago. Part of a consideration of a price is currency, and when contracting partners make an arrangement they take those different factors for a price consideration into account. I wouldn't be surprised to see that arrangements of some of that fertilizer pricing have been done maybe even a year or a year and a half ago.

As we move forward and the dollar stays strong, I think some of the points you made are becoming more evident and will begin to work. I just allude to the fact that I think it was your Minister of Finance, Mr. Flaherty, who had to call in the people in other areas of our economy and point out to them that the prices weren't coming down.

What you're seeing here is the tail end of the trade and an industry that needs to adjust to the different situation out there in respect of currency, because most of those inputs are actually priced in U.S. dollars.

● (1025)

Mr. Brian Storseth: You bring up a valid point. When you talked about automobiles, for example, it was the outcry of the Canadian public who started going to the United States to get that product that I would contend has created the changes you see now with the selling of cars in Canada, which are, as a matter of fact, up in the month of January. But as Mr. Caleval points out, that's not allowed. We prohibit that here in Canada. So would you not agree that we need to expand that ability and push them as much as we can to get that fair trading system back and forth, just as we did with automobiles?

Mr. Leo Meyer: Yes, no question about it. Allow some time.

Most of those entities realize this, and I think also the buyers and the consumers out there—in this case, the farmers—need to be made aware of it. They have to speak out about that issue more vehemently than they've done in the past.

It's taken some time to allow for that to happen, but I think it's going to happen. So I may be a little bit more confident that way, that actually our stronger dollar, over time, will make a much more significant impact on this.

Mr. Brian Storseth: Thank you.

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

For a very short intervention, Mr. Lemieux.

[*Translation*]

Mr. Pierre Lemieux: The strength of our dollar, which is now worth as much as the U.S. dollar, has consequences. The regulatory aspect has to be considered. The best example is the cattle industry's current situation. Our regulation on hazardous materials is much stricter than that of the United States, which has significant economic consequences for our producers.

There are consequences for production, but there are also consequences that can come back to haunt us if our regulation, at least regarding exports, isn't adjusted or isn't equal to the U.S. regulation.

The Chair: Thank you very much.

Ms. Thaï Thi Lac, go ahead, please.

Mrs. Ève-Mary Thaï Thi Lac (Saint-Hyacinthe—Bagot, BQ): Good morning. Thank you for being here today. I'm sure that all the recommendations and evidence that we've heard this morning will be of great use to the committee.

I'm very sensitive to what the people in the agricultural sector are experiencing, since I myself represent an agricultural riding. I lived on a hog farm for more than seven years. So I'm very concerned by what farmers are experiencing.

They say that the sector is in a crisis in a number of respects. We've indeed talked about supply competition. You indicated that the Competition Act should be reinforced.

My first question is for all the speakers. Has one of the organizations filed a complaint with the Competition Bureau?

[*English*]

The Chair: Who wants to pick it up?

Mr. Glenn Caleval: We have a complaint currently being looked at by the bureau. It's been under investigation for three weeks. It has to do with a refusal-to-supply situation. In order to try to find a way to work with the existing chemical marketers, FNA purchased an actual chemical dealer. As soon as the chemical manufacturers found out we owned it, basically on the same day, we received letters from them all saying that we should go away and they're never going to provide us any product. So we do have an action before the board.

The Chair: Mr. Friesen.

Mr. Bob Friesen: One of our members, Keystone Agricultural Producers, also requested that the Competition Bureau do an analysis on the study that KAP had done. The bureau wrote back and claimed that there wasn't enough information for it to go ahead.

[*Translation*]

The Chair: Mr. Lemieux.

Mr. Pierre Lemieux: We've tried to file complaints, but we've never filed an official complaint. We've examined the Competition Act as it is currently worded. If that act is not given more teeth, it will be very hard to file a complaint and to win. The act must absolutely be enforced.

Mrs. Ève-Mary Thaï Thi Lac: So that's one of your first recommendations to the committee.

Mr. Pierre Lemieux: Yes.

Mrs. Ève-Mary Thaï Thi Lac: Indeed, it's one of the aspects that could have more teeth.

You talked about competition from our neighbours to the south, but I would like you to talk about global competition. I didn't hear you talk much this morning about the competition from other countries than our southern neighbours.

● (1030)

[*English*]

The Chair: Mr. Friesen.

Mr. Bob Friesen: Ninety percent of the demand on fertilizer comes from developing countries. The three countries that are prominent are India, China, and Brazil. As far as doing other things on fertilizer, in response to your question, perhaps the minister should get up and address this issue and draw public attention to the fact that we are sending natural resources down to the U.S. and subsidizing U.S. farmers.

On pesticides, we need an open border instead of always hearing that yes, after the NAFTA agreement, that's great, it works for farmers; however, when it comes to pesticides, we're a sovereign country and we can't harmonize with the U.S. We should harmonize with the U.S.

On fuel, we should have a full rebate on all excise taxes.

The Chair: Mr. Meyer.

Mr. Leo Meyer: Thank you.

I can only add this. What have we done by not being concerned about the concentration process?I think many of those issues we're discussing right now can simply be summarized by the dramatic concentration that has happened in the agri-business sector worldwide. And that our governments and in many ways most jurisdictions were sleeping through that process is actually to a large degree inexcusable.

Mr. James Mann: If I may, Mr. Chairman, I have a thought with regard to what's happened with concentration. We see these industries in the fertilizer business, whether you look at Canpotex or Mosaic, are either operating almost as single-desk sellers on the other side to maintain those prices or in price leadership.

One of the reasons we started as an organization.... It was in the early nineties. The Competition Bureau came to us when Viridian or Sherritt Gordon was being acquired by Agrium.

Claims were made by the companies at that time that they would expand and competition would occur. We fought that application with no success, and today we're in the mess we're in. But having done that.... It was a catalyst to create an organization such as ours. We have 8,000 farmers working together to try to offset that degree of concentration on the other side.

If there is anything that has to do with regulation, we need to strengthen the Competition Bureau. The policies they have may be good, but they need to be acted upon. Something functional needs to come out of what we have in place, something similar to what we have in other jurisdictions we compete against, like the U.S.

The Chair: Thank you. Your time has expired.

Mr. Miller, you have the floor.

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

Thank you to all the witnesses for coming today.

The theme today seems to be about competition in a number of areas. I think we could spend the rest of the day discussing this.

I have to go back. Mr. Storseth touched on it, but Mr. Easter brought up some of the things with CFIA, some of the problems there. We had brought forth a motion to deal with the cost recovery that happens here in Canada but not in the U.S. I'm sure Mr. Easter is too young to have forgotten that he supported that motion, and I think the committee did unanimously. So the government is doing some things. I'm not sure how many times he brought in a motion to that effect in the previous 13 years, but I'll keep looking for it.

There are a number of areas on the competition review, and it's been suggested that government should be doing some things. I agree. I think we should always be looking at ways to improve.

Could we give some examples? I'm going to use the Competition Bureau. What changes would any of you suggest we look at to tighten up the way competition goes on? In particular, fertilizer right now is hot and heavy, but it can deal with a lot more than just an agricultural product. I'll throw that out to whoever would like to tackle that one first.

Mr. Caleval.

Mr. Glenn Caleval: If you're looking at it as general competition policy, there's a concept called “innocent collusion”. In other words, nobody is claiming these people are purposely being illegal or colluding. They're not sitting down in a boardroom somewhere. But the simple outcome of the situation, the way an industry is structured or because of the concentration, or whatever it is, the evidence we can see from the output is that there is insufficient competition.

In the United States they deal with that by breaking them up. They don't accuse them of collusion; they say there's too much concentration and they're going to be broken up. In Canada, if you embrace the idea of innocent collusion with the specific goal of increasing competition, you're going to achieve a lot.

● (1035)

Mr. Larry Miller: Anybody else?

Bob.

Mr. Bob Friesen: We met with the Competition Bureau quite a few years ago. They claimed they were doing everything right and everything was perfect. It was tough to penetrate that defence.

One of the things.... This is not necessarily on fertilizer. It may apply to fertilizer. Perhaps these gentlemen could articulate that. We do know there are cases of tied selling in Canada. If you want a company to buy your product, you have to buy your inputs from it and you can't get out of it. I would like the Competition Bureau to look at that as well.

Mr. Larry Miller: It sounds like better beef and the slaughter industry.

Does anybody else in here have any distinct suggestions for making changes to the competition...?

Mr. Lemieux.

[*Translation*]

Mr. Pierre Lemieux: The theme today is producers' net income; that's what we're trying to improve. What we find unfair now are inputs, but there are also other factors. The goal is to improve producers' net income and to save Canada's agricultural industry.

The competition information component must absolutely be developed. What information can we request from businesses to enable them to judge present trade rules? We could take a number of measures in that regard.

In a democratic society, you have to have accurate information before you make decisions. The Competition Act has a long way to go with regard to competition.

[*English*]

Mr. Larry Miller: Okay.

Mr. Meyer, western Canada producers always seem to have taken the lead in forming cooperatives—our old wheat pool, the grain car coalition, different things across the country. In your opinion, why hasn't this happened in the fertilizer industry, where a cooperative may have got into that line to help itself? Have you any opinion?

Mr. Leo Meyer: Actually there are the odd places where that's existing. There are cooperatives that buy large quantities of inputs and then sell it to their members. However, within this concentration process, we recently saw that a lot of farmers went with the newly created entities.

It should be mentioned again that in some of the new on-supply, value-chain type of engagements, we see farmers buying packages. They're not just contracting the production; they also own the contract by their inputs from the same entity. This is an emerging reality: those buying certain products want to make sure that they can participate in the process as long as possible.

That excludes some of the engagements you're probably alluding to. However, I think there's a lot of merit in it. It's not for me to sit here and say what should be happening. But when I look, for instance, at some of my colleagues in my area, they're looking for entities like FNA, which are here today. Many farmers in western Canada are members of FNA. I'm not here to advertise somebody else's engagement, but overall I think it's a valid question. It is also a sad question, because it's difficult to understand how we farmers let so much go that we used to control.

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

Mr. Roger Valley (Kenora, , Lib.): Thank you, Mr. Chair, and my thanks to the witnesses. I was just filling in today, but I've learned a lot already.

You see one of the problems with government, with the Parliament. Two of the last three speakers from the government side only wanted to look back. I was pretty sure all of you today in your presentations wanted to go forward. You're looking for an answer. Something drastic needs to be done if we're going to help.

One of the problems with the rising costs—and Mr. Easter mentioned it—is you find out what the market can bear. We now know how high fertilizer can go at a certain price for a product, and those companies aren't going to change it. It's like the price of gas for a passenger vehicle. They know what somebody will pay now and they're going to charge it. That's a continuing problem and it's only going to get worse.

One of you mentioned—and it was raised by Mr. Lauzon—buying fertilizer at a different time of year. Mr. Meyer, I think you made the comment, fairly so, that a lot of farmers can't afford to buy fertilizer in the fall. Are there any numbers on how many actually do? Is there a percentage, say 25%, of farmers who are able to buy it at a cheaper rate in the fall? Is there any tracking like that at all?

● (1040)

Mr. Leo Meyer: I don't think there's any tracking. Our information comes from the discussions we have as colleagues. Of course, it's often a matter of pride that one farmer can tell another he bought his inputs cheaper because he bought at the right time, which is a sign that he was lucky enough to have the necessary cashflow.

I need to underline to this committee that at that time of year it is difficult to buy next year's inputs, because you haven't even paid the current year's inputs. So how the heck do you think we're so cash rich that we can actually buy two years of inputs at the same time?

As we move forward and get better prices for a longer time, it allows us to get in a better cashflow position. But I don't think that's happening. It isn't next year yet. Before that happens, we need some sustained type of higher product and returns to farmers.

So I don't know if we need to adjust things like cash advances, which is another issue. But cashflow at that time is significant. I don't think it's much more than 10% to 15%.

Mr. Richard Phillips: Just following upon that, one thing we've discussed but which we haven't put forward as a formal proposal was whether cash advances could be moved ahead and made earlier, so that you could take advantage, because even if the fertilizer price is going up, there are local over-supplies from here to there, and there are buying opportunities for producers, who can save significant dollars—more than the cost of borrowing and the cost of capital to do it.

You also have to have bins, of course, to store it, which is another issue.

Mr. Roger Valley: Yes. I was leading up to a direct question on that, because I don't sense a lot of sympathy with a lot of these big companies. If every farmer had the ability to buy his fertilizer in the fall, do you really think the companies would have a lower price in the fall, or would they be gouging, similarly to now?

This question is directed to you or to anyone who wants to answer it. I don't recognize a lot of sympathy for these companies. If we changed this, would they not gouge you in the fall?

Mr. Glenn Caleval: First, on the cashflow issue, it's a transition problem being recognized. It's essentially a first-year problem, because once you've done it, you've simply shifted when you'll bank. You're going to buy those things next year anyway.

It is a serious problem in the first year, but we have managed to move.... We started off with 20% of our fertilizing-buying membership. We have now moved half of it off-season, and it's one of the key strategies we've used to lower their prices.

As for the companies, right now they do drive the prices down in those seasons, because it's the off season. I think that will continue simply because of practical realities. Most of the world is never going to shift to buying off-season, so we'll still probably be able to gain some serious benefits there.

But it's not an ongoing problem. It's a transition problem for which the government could, by moving cash advances or making a loan program for that first year, actually give help to farmers to shift to buying off-season.

Mr. Bob Friesen: Mr. Miller twigged this point. When it comes to empowering farmers to buy some of these inputs, we've submitted what we call a co-op investment plan. That gives the ability to co-ops to generate more investment capital so that farmers can empower themselves, either in the selling market or in the purchasing market. We'd love to go through that with you some time.

There's also been a lot of talk about the regulatory costs. I've used pesticides as an example several times. It costs just as much if not more to register a chemical product in Canada as it does in the U.S., but the U.S. is a much larger market, and therefore we are far short of the options, when it comes to chemical products, that U.S. farmers have.

● (1045)

The Chair: Thank you. Time has expired.

Mrs. Skelton.

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

I listened with great interest. Thank you, Mr. Meyer, for saying what has needed to be said for a long time: that farming has become very big business, and that in the concentration we've lost a lot of our smaller farmers, the kind of farmer who could buy two truckloads of fertilizer in the spring and put it into his drill and put it on the ground.

I want to ask two questions.

I want to ask Mr. Meyer about the storage issue. It's a huge issue with buying the fertilizer in the fall. One thing that always stopped my husband when he looked at when to buy the fertilizer was the storage—the proper storage, the environmental concerns we have now, a lot of new regulations around the environment on agriculture. So it's a big problem and it's interesting. I want to ask Farmers of North America how you overcome that.

I also want to ask each of your groups whether you're asking the government for cash advances or a loan program so that farmers can switch over into pre-year buying or fall buying, or to get out of the cycle. I know a lot of the farmers are involved with the grain companies now, and everything goes through one company. It's something I don't like to see happening, but it's reality; it's the way we've become.

The Chair: Who wants to tackle that?

Mr. Meyer and then Mr. Friesen.

Mr. Leo Meyer: Thank you very much for your questions.

I drive by your farm quite often with my truck, actually, even though I'm from Alberta, since we go and pick up fertilizer in Saskatchewan. Anyway, it's nice to meet you.

The storage issue is a very important question, I think, and I'm glad you're raising it. Storage is an issue, you're right, but there also is a safety issue, which again you pointed out. As we move forward, there are other issues—for instance, is this properly stored, and are we cleaning out the bins properly?

You'll remember that issue where some pets got sick because there was melamine in there. Melamine is a component of fertilizer. The fact is that we have to be conscious of that. This might not be for everybody, but if in fact you have bins—I don't know how technical you want me to be here—you need coated bins. You need specific bins, you can't just use a grain bin. You can't think of this as just a simple thing of getting fertilizer to the farm and dumping it into a bin. That isn't how it works. You have special bins, coated bins. Possibly those who use more should even have a shed to store it in, and load it with a BobCat front-end loader back into a truck at seeding time.

So it is an issue, and I'm glad you raised that. The rest of the comments I'll leave to others.

With respect to advances on some things, organizations should go back and consult with their members on this specific topic. We could maybe come up with some recommendations.

As a farmer, all I can tell you is that the current changes made to the cash advances and how they help farmers are very significant. I thank everybody on the committee who had a hand in making those significant changes. They have been adjusted to the new needs in this business, and I thank you for that.

The Chair: Mr. Friesen, then Mr. Mann.

Mr. Bob Friesen: I certainly think it bears taking a good look at to see if we can adjust the spring cash advance to provide farmers with money. There is one other challenge, though, and this has come about in the livestock sector now, in the hog industry. One thing we've been pushing for is a cash advance and then allowing farmers a longer period of time to pay off that cash advance rather than it having to come off other program payment that a producer is eligible for.

The problem we're seeing now is that the farmer's operating line of credit is maxed out, and the bank, or whoever holds the operating line of credit, typically has all the inventory as security and doesn't want to let go of any of that security to allow security for cash advances.

So that's another challenge we would have to face, and perhaps that would apply in the grain industry as well.

The Chair: Mr. Mann.

Mr. James Mann : I would just comment on buying early and worrying about storage and environmental issues.

In our program, at least, you can acquire the product without having to worry about storage, because you're buying it, and by the time it moves through the system—our fall purchases will actually arrive in late February or March—there are not nearly the issues. The bins have been lowered with the moving of some of the grain, so the grain storage will move into fertilizer storage.

On the issue of ammonium nitrate, we brought that in earlier, through Churchill, for fall application, for the most part, over the top. It is more environmentally sound. Ammonium nitrate doesn't volatilize and doesn't denitrify, as compared with urea, which is the only product available in Canada for that purpose. So there is an environmental benefit to using that product and having it brought in during that time. That is a major issue.

I agree with Bob on the cash advances. If we could shift that down and find some way of getting cash advances, particularly low-cost cash advances...because one of the input costs that we haven't mentioned here is interest. With the amount of debt we're carrying—we've dug ourselves into a hole here—just a small change in interest rates has a huge impact on our cost of production. It is one of our significant input costs.

Again, I'm not sure what government can do in that area, but I do know it shows up on the P and L as being a significant issue.

● (1050)

The Chair: Thank you.

Mr. Boshcoff.

Mr. Ken Boshcoff (Thunder Bay—Rainy River, Lib.): Thank you very much, Mr. Chairman.

You've examined the macro issues, but if you take this down to the farmer level, to the farmer trying to develop new products or get things onto the market through various ways, the cost of inspection and I guess the diligence of inspection on the smaller operator has become a question for some of the people in my riding. For example, the CFIA threatened a baker that he couldn't label his product dinner “rolls”, he had to call them dinner “buns”.

How does someone out there really know how to deal with the complexity of things that they could be ticketed for? It comes down to someone wanting to even develop local products. We have this big push to buy domestic, to help all these people do things at farmers markets and country markets, and yet there's the cost of lab testing, the labelling in official languages, which is quite normal for our country, identifying percentages, those kinds of things; some do, some don't.

Out there, if we actually enforced the law, would we still be able to deliver the local content that we're aspiring to?

Richard, go ahead.

The Chair: Mr. Phillips.

Mr. Richard Phillips: Actually, that flagged an issue. Thank you for the question. It actually follows up with Mrs. Skelton's question as well.

We recently met with the Canadian Association of Agri-Retailers. They were talking about some of the new regulations and provisions for security that are coming in around fertilizer sites, and the costs. Border Services, I think, is in there because of possibilities of terrorist acts, quite frankly.

You say, “What can the government do?” Whatever costs are absorbed in that sector will be passed directly on to farmers, and yet when you look at the port position, the Canadian government put substantial dollars into upgrading ports for these very same issues. But when it comes to the agriculture sector and they have to do the same security measures of fencing, lights, and all the other stuff that goes with that, all those costs then get passed on to the farmers. So there is one issue you could look at, if you guys wanted to put your teeth into something.

Mr. Ken Boshcoff: Can anybody speak to nutritional fact tables and registering labelling?

Mr. Bob Friesen: We haven't looked at nutritional aspects of it, but as you know, we are working on a grown-in-Canada label to identify Canadian products, to clearly brand Canada in Canada as well, on top of what we're doing around the world.

I also want to agree with Richard on the security issue. We in fact wrote the minister a letter asking that he support the request from the agriculture retailers. They're quite willing to put up some money—I believe somewhere around $17 million—but they're asking for a further sum, around $50 million, from government, because they recognize that, much the same as a lot of things farmers do, it's also a public good. So they're saying, “It is a public good to provide the security. We'll pay for some of it, but we need some assistance from governments, because we know the entire amount will eventually accrue back to the farm gate.”

Mr. Ken Boshcoff: Thank you.

The Chair: Before we clear the room here, I have two questions that I want to get answers on.

We're talking about the cost of products today and the disparity we have in the marketplace. I know that FNA talked about prices of not only fertilizers and herbicides, but it also mentioned the animal health products.

I'm a cattle producer, and this is an issue of concern to me. In talking with my local agri-retailers, I find they're at the same disadvantage that they have to take the product as it's being offered in Canada from the manufacturer, and they don't have the opportunity to go and access the product in the U.S. and bring it in at a competitive price. Whether it's ivermectin, whether it's vaccination products, whether we're talking about glysophates, they're at the same disadvantage and feel threatened because they're losing market share, and they don't have the same flexibility. I know that exists.

Now, you were talking about being able to go out and pre-buy your fertilizer and put it into storage. I know that producers in my area, this fall, weren't able to do that. They couldn't price-forward. The agri-retailers were not in a position to give them a pricing on their fertilizer product, couldn't get a commitment from their manufacturers. Up until just recently, there was no opportunity to go in there and make those purchases, if they had the ability to do so. So I just wanted to see if that was common across Canada, or whether it was isolated to Interlake, Manitoba, and see what some of the remedies might be on that.

The second part is that you have alluded to the fact that FNA brought in anhydrous nitrogen, ammonious nitrogen, through Churchill. What are the plans for this year in bringing in product to help your membership?

● (1055)

Mr. Brian Storseth: Mr. Chair, if I could just add something to your most insightful comments, Mr. Friesen commented on something that I think is a very serious issue: tied selling. Can we ask him to give us some documentation? As well, if Mr. Caleval can provide us with the four examples of the chemicals they've applied for, they don't have to be here, but—

The Chair: I believe that's to be circulated with the report when it's all prepared, but you guys can comment.

Mr. Glenn Caleval: I'll take the first two.

In terms of the retailers' access, here are two comments.

First of all, we'd be happy if you could come up with the regulation to let them have that access. We know from experience that they won't exercise the right. People have to understand. I'm not saying they're bad people; they're just doing their job, which is to try to maximize profit, and that's a necessary function in our society. They don't want to have the price go down. It's not in their interest to drive the price down, so even if you give them that right, they're not going to do it. But we encourage you to give them that right. If everybody had the right to go in there, that would be great.

Access to off-season supplies is a problem. The retailers really are suffering. The manufacturers could give them that access, and they just don't. The reason I know that's a real problem is that we've had a number of retailers call us and would love to work with us to get access to some of our supply. That, again, needs a strengthening of the Competition Act. You already have similar provisions in different areas, where companies are compelled not to have tied selling, not to have exclusivity. Those kinds of things could work here.

Mr. Mann.

Mr. James Mann: I'd like to look to the future on two counts. On fertilizer, of course, we're going to look at every logistical possibility because we are dealing with a freight grain with fertilizer. Churchill was an excellent option—reducing rail freight, making use of a port that was close to market—and it worked excellently. We are going to continue to try to utilize that facility as well as other facilities to bring product in.

We are bringing product up the Mississippi, as we speak, for spring use as well, because again there's a significant differential in price. We will use every port we can, and we continue to look at our fertilizer program. We have some that for competitive reasons I can't talk about here today, but there are some significant things in other areas that we are looking at doing to create that additional competition as well as more choice for farmers, so we can create that competition.

When we look to the future, and it has been mentioned a few times around the table here today—and I have to really commend this group for taking a look at input prices, because historically what has happened.... I certainly hope that what has happened with grain prices is here to stay, that it is truly a shift that is here to stay, but I do know that the biggest cure for high prices is high prices. We are seeing massive global production—an increase in fertilizer use, an increase in seeds. We could enter into a situation again of surpluses. What we've seen in the past, as input prices go up to what the market will bear, is they don't go down lock-step. So we end up with farmers having to take on debt, expand their farm operations to utilize the lower margins to still maintain business. We were close to losing a large group of farmers. The action is happening around the kitchen tables, in farm operations, and on what their kids and their families are going to do. I don't think Canada fully realizes the impact it would have had on our family farms and Canadian agriculture if we hadn't seen this large increase in price.

So what we're doing in looking to the future I think is extremely important.

The Chair: Time has expired and there is another committee that needs to use this room.

I do appreciate everyone coming in today to present. We will continue on with this study. We will be taking a short break from it, though. We do have to deal with Bill C-33. We will kick that off on Thursday. The minister is appearing on Thursday. As well, we will be receiving a WTO briefing on Thursday for committee members. I'm hopeful we can get through Bill C-33 relatively quickly, in three or four meetings, and then we can continue on with our study on high input costs.

Mr. Easter.

● (1100)

Hon. Wayne Easter: Mr. Chair, is the motion there for the next meeting?

The Chair: Yes. That's on the agenda.

With that, the meeting is adjourned.

Published under the authority of the Speaker of the House of Commons

Publié en conformité de l'autorité du Président de la Chambre des communes

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