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Chair

Mr. James Bezan

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● (0910)

[*English*]

The Chair (Mr. James Bezan (Selkirk—Interlake, CPC)): I will bring the meeting to order. We have quorum.

We're going to continue with our study on the high input costs facing Canadian farmers.

We have before us today for this meeting, Darrin Qualman, from the National Farmers Union; from the Saskatchewan Association of Rural Municipalities, Ray Orb; from the Animal Nutrition Association of Canada, Paul Wideman; and from CropLife Canada, Jill Maase and Peter MacLeod.

I welcome all of you to the table.

I ask that everybody keep their opening comments under 10 minutes, and then we'll open up the table for a discussion from our members.

Mr. Qualman, could you lead us off?

Mr. Darrin Qualman (Director of Research, National Farmers Union): Thank you, Mr. Chair.

I think you've all received the French and English versions of a four-pager we prepared. I'm not going to read it, but I'm going to refer to some of the graphs in it, so you might want to have it handy.

The National Farmers Union is extremely concerned about high input costs. We've watched them skyrocket. What we're hoping to bring to the attention of the committee members today is that as grain prices go up, we're expecting that input costs will go up very dramatically, such that we are very worried that it will be the fertilizer, chemical, seed, and fuel companies that will really capture most of the windfall from high grain prices.

We've created a four-page brief for the committee members. In that brief we've used graphs and data prepared not by us but by Agriculture and Agri-Food Canada and by the input suppliers themselves. Your copy of that four-pager shows on the front page a graph that Agriculture and Agri-Food Canada produced a couple of years ago. It shows what total expenses have done on Canadian family farms.

If you look at that graph on the front page, you will see that the big middle wedge—our expenses, our input costs—expands over time until it consumes virtually 100% of Canadian farm revenues and pushes net farm income on the bottom down to zero. What we've seen over the last couple of decades is that increasingly the input supply corporations are capturing a larger and larger share, until today they're capturing virtually all of the revenue. That's why farmers' net incomes are zero or negative.

If you turn the page of the four-pager we distributed, you'll see on page 2 a second graph produced by Agriculture and Agri-Food Canada. What's interesting when you read Agriculture and Agri-Food Canada material is that it's clear they know a lot about this problem. They sometimes don't state it as clearly as farmers would like, but they clearly have the data.

In our handout, the second graph from Agriculture and Agri-Food Canada shows the same data, but this time with realized net farm income and with depreciation taken into account. What I want to point out from that graph is that around 1985 net farm income in Canada fell to about zero and has stayed there ever since. It's been negative and it's been positive, but if you add it up, realized net farm income from the markets in Canada between 1985 and today adds to approximately zero.

If you add up farmers' production over that period of time, it adds up to $689 billion, or two-thirds of a trillion dollars. What I'd like committee members to consider as they think about input costs is this: if, over the last couple of decades, farmers produced two-thirds of a trillion dollars in product and kept none of it, who got the two-thirds of a trillion dollars?

That two-thirds of a trillion dollars went to John Deere, Cargill, Agrium, Mosaic, Exxon, and the other input companies that supply farm inputs in Canada. Really that's what the big picture is on this one. The big picture isn't just whether Canadians are paying a little more or a little less than Americans, or whether fertilizer has gone up a little faster than chemicals, or vice versa. The big picture is that the very powerful transnational input companies have positioned themselves to capture 100% of the wealth produced on Canadian farms.

It's not just a farm issue. The other thing we note is that taxpayers in Canada have been called to come forward to generously contribute through farm support programs to try to keep family farmers on the land. As input suppliers have taken that two-thirds of a trillion dollars off our farms, the taxpayers have generously come forward to fill the gap. Over the last 20 years, taxpayers have put in almost $68 billion in farm support payments to try to keep farmers on the land. That's about $9,000 per taxpaying family.

From some views, these farm support programs look as much like transfers to input companies as they do transfers to family farmers. So when you look at the billions in farm support payments that are necessary to paper over the extraction of wealth by the input companies, this is really an issue that's of importance to all Canadians. Everyone who pays taxes should be interested in the fact that farm income is so low, largely as a result of input costs.

The next two graphs I'll refer to, on page 3, were not created by Agriculture and Agri-Food Canada; they were created by fertilizer companies. They're extremely provocative graphs, because what they say and show is that nitrogen prices follow grain prices, and fertilizer prices are linked to grain prices.

The top graph was created by Agrium Inc., one of the biggest North American companies, and the bottom one was created by Yara, one of the biggest European fertilizer companies. They're in complete agreement that their pricing is determined by grain pricing. When grain prices go up, they raise the price of fertilizer.

Well, what would we expect, then? Grain prices are up dramatically. What would we expect fertilizer prices to do? According to Alberta Agriculture, nitrogen prices are up 39% and phosphate prices are up 42% in one year, comparing December 2007 with December 2006. So we see fertilizer prices up approximately 40%, and that's completely predictable, because according to the fertilizer companies, they raise their prices when grain prices go up.

I'll just say one final thing, because I realize I have just 10 minutes. These fertilizer price increases are in response to higher grain prices; they're not in response to higher costs of making fertilizer.

There's a recent quote in our brief from Agrium Inc., and what they say is:

> The combination of record nitrogen prices and only a slight increase in costs due to higher gas prices resulted in record total nitrogen margins of $151 per tonne.

These companies are reaping record margins. The back page of our brief shows they're reaping record profits. Fertilizer company profits right now are five to six times higher than they were over the last decade.

In conclusion, the NFU hopes that the committee members and other parliamentarians can take a large-picture view of this, that they can look at the history of input suppliers and how they've positioned themselves to make themselves the primary beneficiaries of the wealth we create on the land, and now they're making themselves the primary beneficiaries of these grain price increases. We hope they can look into this and that they can speak courageously and clearly about this, and that they can then work with farmers to rebalance the power between farmers and input makers, because it is market power that really determines how the profits are allocated in the system. Because of the imbalance in power, there's an imbalance in profits.

If you had to sum up the farm crisis in one sentence, it would be this: farmers are making too little because others are taking too much.

● (0915)

The Chair: Thank you.

Mr. Orb, could you bring your comments, please?

Mr. Ray Orb (Member of the Board, Saskatchewan Association of Rural Municipalities): Thank you, Mr. Chairman.

I'm honoured to be appearing in front of the standing committee. SARM President Marit sends his regrets due to other commitments.

The Saskatchewan Association of Rural Municipalities is an umbrella association for all of Saskatchewan's 296 rural municipalities. All the agricultural land in Saskatchewan lies within these boundaries.

Some particular issues that SARM would like to highlight in this presentation regarding high input costs include: the difference in fertilizer prices between the United States and Canada; the value of programs such as the own-use import program; and the value we see in trying to harmonize the Canadian regulations that govern these products with countries like the United States to achieve a more level playing field for our producers in the North American context.

My name is Ray Orb. I am a director with SARM and the reeve of the Rural Municipality of Cupar, which is about 80 miles northeast of Regina. My wife and I operate a grain farm and a cow-calf operation, and have done so for 29 years.

During all the years my wife and I have been farming, we have never seen such buoyant grain prices. Many of the commodities, such as flax, canola, rye, and field peas, have recently set records in old crop prices. Because of low-crop carryover and low stocks-to-use ratios, many analysts are forecasting higher prices for new crops as well.

As the standing committee knows, there is a crisis in the livestock industry. Although the hog industry is in a different situation, we think the cattle industry will survive because many of our operators are more diversified in the grain industry and have become used to livestock profitability being more cyclical in nature.

Over the years, many of my colleagues have publicly stated that if farmers are required to sell their commodities at world prices, they must have the right to purchase their inputs at world prices as well.

The rapid increase in fertilizer prices has not gone unnoticed by SARM either. The Agriculture and Agri-Food Canada bi-weekly bulletin from March 2007 estimates that the average price paid for fertilizer in Canada increased by 3.9% due to increased demand and decreased supply. They also indicated that increased fuel and energy prices would add to the cost of fertilizer. This 3.9% increase in fertilizer prices equals about $99 million. They estimate that every one cent per kilogram increase in price adds about $61 million to Canadian farmers' annual fertilizer bill.

As an example, the price for nitrogen fertilizer in my area since December 2007 has increased from $595 a tonne to $605 a tonne—an increase of 2%. However, phosphate fertilizer, which is one of our basic building blocks in growing a good crop, has increased even more rapidly, from $615 a tonne in December to $839 a tonne as of March. This is an increase of 36% in the same time period.

Keystone Agricultural Producers from Manitoba conducted a study from April 15 to May 15, 2007, and compared fertilizer prices at various locations in both Manitoba and North Dakota. The results indicated that average fertilizer prices were 33% higher in Manitoba versus those in North Dakota.

As a specific example, the price of anhydrous ammonia was 63% higher, and liquid phosphate prices were 41% higher in Manitoba than in North Dakota. Their study also discovered that a large amount of the fertilizer being sold in the U.S. is coming from a Canadian source. That begs the question as to why fertilizer companies can use Canadian natural resources to produce fertilizer and sell it at a lower cost to American farmers than to Canadian farmers.

David Rolfe, then Keystone's president, was quoted as saying:

> This is essentially providing a subsidy to American farmers at Canadian farmers' expense, and governments have full responsibility to investigate and correct this situation on behalf of our producers.

SARM agrees with this statement and encourages the federal government to investigate this serious discrepancy on behalf of Canadian farmers.

Farm pesticide prices are also on the rise, and a large price differential exists between similar chemicals sold in Canada versus the United States.

● (0920)

SARM believes the federal government was providing a price management tool for producers that would allow them to import lower-priced U.S. chemicals through the own-use import program. In 2005 the OUI program allowed producers to obtain 3,146 permits to import 5.75 million litres of ClearOut 41 Plus, which is a generic glyphosate.

In July 2007 the OUI program was replaced with a grower request own-use program. At that time it was our understanding that the GROU program was going to simplify both the permit process and a process for establishing program eligibility, and that a larger number of products would be made available for import. This sounded great on the surface; however, we still raised concerns through letters and meetings with Minister Ritz and the Pesticide Management Regulatory Agency that under the new program products needed to be identical, not equivalent in formulation, to qualify. We feared this would exclude many products.

Since the introduction of GROU, we have heard concerns from our members that the program isn't working as it was intended. The list of products eligible for import under the program has dwindled from eight products to now only five. Also, the GROU program requires that all empty containers from imported products be recycled, and manufacturers have established large recycling fees for these containers. In some cases, this has made the end cost of imported products more expensive than their Canadian equivalents, resulting in no benefit to producers from importing.

Because the program has been proven ineffective in its first season of operation, SARM requests that the federal government and the PMRA extend the OUI program until the GROU program can be proven effective.

In a time where the total net income for Canadian farmers has declined substantially over the past 30 years and input costs continue to escalate, programs allowing producers to access lower-priced U.S. chemicals are very much welcome, because Canadian agricultural commodities must compete in a global market and farmers need competitively priced inputs to compete. That is why the savings that have resulted from the OUI program have been so significant for a number of producers.

Saskatchewan farmers and farmers across Canada are at risk of losing millions of dollars if the OUI program is not maintained. We have made a formal request to Minister of Agriculture and Agri-Food Ritz and the Pesticide Management Regulatory Agency that the OUI program be maintained and that farmers be made aware that this program is available to them.

To ensure that our producers maintain a competitive advantage in the world market, we believe that regulations governing farm inputs such as pesticides, fertilizers, and fuel should be harmonized within North America wherever possible. This would allow competitively priced inputs to flow more readily across the borders within North America, and this would in turn ensure that our producers had access to the most competitive prices for their inputs and would lower input costs.

In conclusion, SARM recognizes that the evidence of higher prices for both fertilizer and farm chemicals indicates two anomalies that require further investigation.

First, KAP's study was conducted in 2007, when our Canadian dollar was at 80¢, and they noted a 33% average discrepancy in the price of fertilizer between Manitoba and North Dakota. Now that our dollar has improved, you would think these price discrepancies would have remedied themselves. We are not seeing evidence of that.

Second, since the majority of the fertilizer, especially nitrogen, is produced right in Canada, most of it in Saskatchewan, you would think that Canadian producers would recognize a lower price, but instead, in some cases U.S. producers are paying less.

As stated in the KAP study, PriceWaterhouseCoopers noted some reluctance on the part of dealers to discuss possible factors that may be contributing to price disparities, and SARM has met with the same opposition when attempting to study such disparities. Therefore, SARM would request the following of this committee.

First, SARM would ask the committee to encourage the federal government to study the reasons why these disparities exist between input prices in the United States and Canada to determine whether or not customers, namely farmers, are being placed at a competitive disadvantage because of unfair price-fixing or other factors.

Two, SARM would ask this committee to encourage the federal government to reinstate the OUI program until the GROU program can be proven an effective replacement.

Thank you.

● (0925)

The Chair: Thank you, Mr. Orb.

Mr. Wideman.

Mr. Paul Wideman (Executive Director, Animal Nutrition Association of Canada): Thank you, Mr. Chairman.

I sit on the board of directors of the Animal Nutrition Association of Canada, ANAC for short. I am the president of W-S Feed & Supplies Ltd. , a 40-year-old commercial feed company based in Conestogo in the Waterloo region of Ontario. ANAC is the national trade association of the Canadian feed industry. It represents companies that manufacture commercial livestock and poultry feed, as well as the suppliers of feed-related goods and services.

ANAC appreciates this opportunity to speak to the committee about the critical issue of rising input costs and their impact on farmers and other agricultural stakeholders whose livelihood is linked to that of farmers. The feed industry is certainly one of those stakeholders.

Agricultural producers are our suppliers and our customers as well. It is important to bear in mind that Canadian livestock and poultry producers represent our entire customer base. When they face serious challenges in their business, we face serious challenges in ours.

The major commodities used to make feed are corn and soy. Higher prices for these inputs have also driven up the cost of other protein and energy-driven ingredients used in feed.

Statistics Canada recently reported that between September 2006 and 2007, barley prices in western Canada rose 60%, while corn prices in Ontario increased over 50%. Since September, prices have continued to escalate. Corn cost $170 a tonne in Ontario on Labour Day weekend; it now costs $200. Soybean meal complex has risen from $313 a tonne in September to a current cost of $430.

Feed manufacturers are also paying considerably more for micro-ingredients, the vitamins and trace minerals that add nutritional value to feed. Many of these products are made using fossil fuel production and have surged in cost because of rising global oil prices.

We are an industry paying more for inputs, but we are also a provider of inputs. Our feed is a major input for producers. In fact, it is the largest single cost of animal production. For example, 75% of the cost of raising a hog is the cost of feeding a hog.

Our industry operates with extremely tight margins, and our commodity inputs make up at least 85% of the total cost of making our product. We have to pass on our higher costs to our customers. We have tried to delay passing on some of our costs. For example, when fuel surcharges started showing up, many feed companies didn't pass on the extra cost to farmers right away, hoping it was a short-term trend. But these surcharges have become so prevalent in the transportation industry that we now have to pass these costs on quite quickly.

Some might ask why the feed industry is hurting if it can pass on higher costs. This comes back to the point that the health of our business is inextricably linked to the health of our customers' operations. Rising input costs are causing some farmers to go out of business, and our customer base is shrinking.

In southern Ontario a number of multi-site feed operations have had to close down mills, and the situation is even more serious in western Canada. ANAC estimates that at least 5% of facilities have either shut down or are in the process of closing their doors. We don't believe we have seen the worst of this, because some companies are holding off on closing facilities in the hope that the situation will turn around in a few months. We see little sign of that happening.

As you are well aware, the exchange rate is also having a detrimental impact on livestock producers. The last time we had expensive feed in Canada, in mid-1990, producers could cope better with higher input costs because the lower dollar meant good prices for meat exports.

The exchange rate has affected us as well. A lot of Canadian feed mills located close to the border used to sell a significant amount of feed to the northern U.S. But the sales have essentially stopped now, because of the dollar being at par. This is another factor in the closure of feed mills.

As we all recognize, the solutions to rising input costs are complex. I would like to address a couple of areas where ANAC believes improvements can be made.

There are a number of new technologies and products available around the world that can lower the cost of feed. However, regulations in Canada discourage the use of many novel, alternate ingredients, because the process of getting new products approved is complex and time-consuming.

● (0930)

ANAC recommends amending the regulations governing feed ingredients to ensure that the market can more easily get access to new types of lower-cost ingredients.

Overall, the regulatory regime for the manufacture of feed is out of date. This regime does not allow the feed industry to respond quickly to crises, such as the current high ingredient costs. There are a number of low-cost ingredients that could, in theory, be imported from the U.S., but they are either not approved or would get held up at the border.

Feed is also more expensive in Canada because we have additional food safety requirements included for BSE. The feed industry now understands the importance of these safeguards, and ANAC worked closely with the federal government to establish mechanisms for implementing the BSE safety measures. But complying with these regulations costs more money. At the same time, our producers are competing with imported meat products produced under less stringent rules. There isn't a level playing field.

ANAC would like to see reforms to reduce the cost of compliance while assuring the same high safety standards, and we recommend that the government provide producers with funding to offset the incremental costs associated with the enhanced BSE regulations.

Before closing, I would like to comment on Canada's biofuels strategy. The feed industry believes strongly that relying on corn as the foundation of our strategy was shortsighted. We should focus on biofuels from materials that don't have a direct impact on the food chain, such as wood waste or the byproducts of methane production. The U.S. is moving in that direction in its latest energy bill, exploring fuels from other biomass sources to alleviate the pressure that has been put on the corn industry.

Thank you very much for your attention. I look forward to answering your questions.

The Chair: Thank you.

Jill.

Mrs. Jill Maase (Vice-President, Plant Biotechnology, Government and Public Affairs, CropLife Canada): Thanks.

Mr. Chair and members of the committee, I'm Jill Maase, vice-president of plant biotechnology, government and public affairs, for CropLife Canada. With me is my colleague, Peter MacLeod, vice-president of crop protection chemistry.

We certainly appreciate the opportunity to appear before the standing committee today as you deliberate on the impact of input costs on farmers nationwide.

CropLife Canada is the association representing the developers, manufacturers, and distributors of plant science technology, pesticides and plant biotechnology. Our members aim to be at the leading edge of agricultural innovation by providing valuable inputs to our farmer customers, who in turn, through agriculture, are providing solutions to society's needs and challenges. Food, feed, fuel, industrial products, environmental solutions, and even pharmaceutical products can all be produced from plants, and inputs are needed to grow these innovations and commodities. The committee is very familiar with the benefits that biofuels are bringing to Canada. Our members deliver the grains and oilseeds that are feedstock for today's ethanol and biodiesel production.

Here are some other examples of where plant science technology is taking agriculture today: high-yield, high-starch corn for biofuels; insect-resistant corn; herbicide-resistant soybeans and canola, and no-till agriculture, enabling more efficient weed management and reduced fuel use overall; reduced risk pesticides, ideally suited for integrated pest management; and there are others.

Our products are delivering real value to farmers, the environment, and consumers. For this current study, the standing committee has heard a great deal already from witnesses, such as the PMRA and grower organizations, about the own-use import program and the new grower-requested own-use program taking its place.

CropLife Canada, and my colleague Peter MacLeod, were active in this and participated in the own-use import task force, and we would like to offer some comments on what led up to the task force and how it came up with its final consensus recommendations.

Let's look at the history of the issue. The own-use import program was first conceived as a price discipline mechanism at a time when record low farm income was the norm and farmers were understandably seeking the lowest input cost possible. Many pricing studies were conducted, and some products were cheaper in Canada and some were cheaper in the U.S.

From the start of OUI in 1993 to 2004, only one product was approved for importation through OUI. In 2004 the PMRA allowed intermediaries or agents to act on behalf of farmers on the basis of the chemical equivalency of the product with one registered in Canada. In 2005 permits for over 5.7 million litres of unregistered pesticide were issued and the pesticide imported, and the farmer own-use importation program was now on a commercial scale.

With the program's growth, concerns were raised by a number of stakeholders, including farm groups, our own manufacturers, dealers, environmental NGOs, provincial governments, and grain merchants.

The OUI task force was convened by Health Canada in November 2005 to address these concerns, including: the potential for trade disruption through the use of unregistered pesticides on commodity crops being exported; safety, including being offside with environmental farm plans and other safety measures; farmers having to bear all the liability for the performance of the imported product; an investment chill and the potential to increase the technology gap, something we hear a lot about from farmers; and intermediaries not bearing any Canadian registration costs or responsibility.

The end result was that a permit-based system through OUI overtakes the registration-based system. Our members wondered, which way was it going to be? Why jump through the registration hoops when others get around them?

● (0935)

The OUI task force quickly realized that the issues facing farmers moved well beyond price discipline mechanisms, and those issues included access to the latest technology at the same time as U.S. competitors and the role of regulatory harmonization in achieving this goal; how to fill the technology gap with a greater number of minor-use products; environmental stewardship and the management of containers; intellectual property protection and how it supports new technology development; and improved access to generic products.

CropLife Canada supported the task force consensus because it took the larger perspective of long-term needs of both farmers and the industry. As the standing committee knows, all members of the OUI task force signed on, including the Canadian Federation of Agriculture, other farm groups including Pulse Canada, the Farmers of North America, as well as our industry and government representatives.

This makes it a very powerful document of consensus, delivering recommendations on the following: to initiate a pilot GROU program, where growers identified 12 potential candidate products, and this was done in 2007; access to OUI was continued during the pilot program; stewardship programs, including container management, would be worked out through discussions with our CropLife Canada members, Agriculture Canada, and provincial government representatives; the PMRA would move forward with an improved generic product registration system; and price monitoring would continue by Agriculture Canada.

So where are we today with this?

Now we have the only product approved from the OUI program. It's now registered as a generic product in Canada and is also a candidate for the GROU program for this year. We have some seven products already approved for GROU, as well as another half a dozen under consideration for this year. We have improvements to the generic product registration system now in force. We have CropLife Canada members embracing North American registrations for many new pesticide registrations, and we have a minor-use pesticide program that is bringing in more minor-use products. We have our industry's commitment to provide the necessary data, which is both detailed and expensive to compile, for the Pest Management Regulatory Agency to assess GROU applications and our commitment to collect those containers from farmers. Our industry even supported the extension of the current OUI program until GROU was up and running.

This is, by any measure, tremendous success, in providing growers access to the products they need, expanding the potential for importation of products, and maintaining the health, safety, and environmental protections that Canadians expect. But part and parcel of this success is the implementation of GROU and the winding down of OUI. By having the two programs exist in tandem, there's little incentive for our members to participate in providing the information needed to approve GROU candidate products, to financially support a container stewardship program, and to continue to develop new products for North American registration under joint reviews or with a NAFTA label.

In closing, CropLife Canada members are committed to delivering the best technology to Canadian farmers, and we strongly urge the committee to support the implementation of the GROU program for this coming season and evaluate its success based on the outcome following this season. With the season behind us, farmers and parliamentarians alike will have a better sense of the value of GROU.

Thank you.

● (0940)

The Chair: Thank you, Madam Maase.

With that, we're going to go with seven-minute rounds.

Mr. St. Amand.

Hon. Wayne Easter (Malpeque, Lib.): On a point of order before we start, Mr. Chair, there's another sheet that we've been given. Where did that come from and why do we have it?

I do note that program payments are down substantially from 2006.

The Chair: Yes. That was part of the NFU's submission.

Hon. Wayne Easter: Okay, thanks.

The Chair: Mr. St. Amand, for seven minutes, please.

Mr. Lloyd St. Amand (Brant, Lib.): Thank you very much, Mr. Chair, and thanks to all of you for your presentations to us this morning.

It has long troubled any informed person that while the farmers' share of the cost of food is steadily on the decline, the share of others is increasing all the while. It's not cyclical. As the graph from Mr. Qualman very palpably notes, total expenses being absorbed or being confronted by the farmer are on the increase and there's no ebb and flow. They're just steadily on the increase, as far as I understand the graph.

Simply put, the problem has been identified: the farmer is receiving too little. I suspect farmers are, in many instances, teetering on bankruptcy or insolvency. Of course, the issue is always what you do about it. I appreciate that there have been some recommendations put forward, but if I can ask you, and this is perhaps an unfair question, if any one of you were to be appointed Minister of Agriculture next week—it's not likely to happen, mind you—what, apart from commissioning studies, are the tangible steps you would take to immediately ease the pressure on farmers? Is that at all fair to ask you to...?

● (0945)

The Chair: Mr. Qualman, go ahead.

Mr. Darrin Qualman: Thank you very much for the question. We've heard about own-use importation. Ways of creating competition in the market are a good thing.

There are a number of other things we can do. One, we can get some good data. In the late 1990s, Statistics Canada ceased publishing input cost data in Canada. We had a long go-round with them. If the committee could do something tomorrow, could they please get Statistics Canada to resume that data set that they terminated in the late 1990s? You heard a lot about prices. Everyone's got different prices from different places, and that's because Stats Canada—due to cost-cutting and pressure from the industry—just quit telling us what fertilizer cost and what chemicals cost. So restart that.

Two, we need to look at moving agriculture to less input dependence in this country. Input costs are high and they're going up, but if you're input dependent, that makes you more and more vulnerable. The biggest margins and the most profitable farmers in Canada are often organic producers. Not everyone can go organic and we don't want to push everyone in that direction. But balancing the push to high-input agriculture with a push to alternative input-optimized and organic would be a good thing.

The final thing I'd say is stop the mergers. The reason we got to this point is—

Mr. Lloyd St. Amand: Stop the mergers of what?

Mr. Darrin Qualman: Mergers of input supply companies, mergers of.... We used to have half a dozen machinery companies. Now we've got two and a half. Cattle producers are suffering because we're down to two and a half packers.

Mr. Lloyd St. Amand: Anybody else?

Mrs. Jill Maase: I'd have to say that we really feel that the growers' own-use import program, the new program, is going to provide very good value and more products to farmers.

I'd also like to repeat what I said earlier about our commitment to a faster generic approval of products in Canada. That is now in place, and we've been advocating for that since 1993. Most of the committee members are well familiar with how long it takes to get change with the PMRA, but we're pleased that that's now in place. That will certainly make a big difference.

Mr. Lloyd St. Amand: I'll defer to my colleague, Mr. Boshcoff, for my remaining time.

The Chair: You have about two and a half minutes.

Mr. Ken Boshcoff (Thunder Bay—Rainy River, Lib.): Thank you very much. We've heard previously at these hearings on input costs from groups such as the Canadian Association of Agri-Retailers, and all of you have mentioned fertilizer costs in one way or another. Their concern, of course, is with site security costs forcing their member retailers out of business because of the fencing and security things that have changed.

What will that do to communities if you lose that focal business operation? What does that do to input costs, and is it a likely scenario, and a reasonable one to expect, that if they can't afford to put the security in, they'll pack up?

● (0950)

The Chair: Mr. Orb, do you want to tackle it?

Mr. Ray Orb: Yes, I could address that.

I guess it goes back to the company's cost of production. Some of the information we've been finding is in fact—and I know Mr. Qualman touched on it—mergers of some of these huge companies. Some of these companies have actually bought out their suppliers. They're truly vertically integrated. The third-quarter profits for some of these companies last year were just astronomical.

Fertilizer prices have gone up a lot more. The price of natural gas, which is a base for nitrogen fertilizer, really is quite stable, and it showed in Ag Canada's records, which have tracked anhydrous ammonia in the United States for years.

So what we're saying is we don't mind that these companies are making a profit, because we realize it creates jobs and it creates taxes, but at the same time we're asking it to be reasonable.

Last year, we saw the federal finance minister step in and say to the automakers in Canada, "Let's start lowering the price of your vehicles, because you're way out of line with the prices in the United States." We were surprised that he said that. Maybe we should be asking the finance minister to say, "Look at the ag retailers in Canada, buying your products from Canadian producers and shipping them down to United States customers at a higher price. There's something wrong with the system." We're asking the committee to look at that.

The Chair: Mr. Qualman, very briefly. We're almost out of time.

Mr. Darrin Qualman: If fertilizer companies are coming down here trying to explain high fertilizer prices by the cost of fencing and security, they're just engaging in misdirection.

When you read the presentations they're making to bankers in the United States and to shareholders meetings around the world, they talk about unprecedented large margins, record margins, record profits. There's never been more money in fertilizer. So to somehow blame the high price on the need to build fences is just misdirection.

The Chair: Thank you.

Monsieur Bellavance.

[*Translation*]

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

Thank you for your presentations. It seems that we are discussing input costs quite often in the Agriculture Committee. Unfortunately, we are never talking about a decrease of input costs but always of their going up. This is an issue that we are studying regularly. Your opinions can help us find solutions that we will then submit to the Minister. Maybe there is no magic bullet, but we still discuss and even get information that will allow us to receive some good advice.

You are probably aware of the study sponsored by Keystone Agricultural Producers, KAP, that was recently done by PricewaterhouseCoopers. I am asking myself some questions concerning statistics on fertilizer price increase. That study compares fertilizer prices in Manitoba and Saskatchewan with those in North Dakota. We are living alongside our American neighbours and products can freely cross the border thanks to NAFTA.

What I find intriguing in that study is that the differential was only 1% in 2004. This is a quasi parity. However, in 2006, American prices were 10% lower. In 2007, there is a 33% difference and for anhydrous ammonia, our price was 63% higher. We are no longer on a level playing field with the Americans. Given the rise of the Canadian dollar, our purchasing power should increase and we should be able to buy our products at a lower cost.

How is it that instead of diminishing, the price gap is increasing? As I am not an economist, I find it difficult to understand this. I would like to get your comments on this.

[*English*]

The Chair: Who wants to tackle that?

Mr. Orb.

Mr. Ray Orb: I'll try to answer it.

I have the study here, and we did read the study. The study doesn't really indicate why that has happened.

I guess you have to realize, if you're buying it from the same producer and it is a Canadian producer and they are shipping it down there, they have to add some costs for freight. So you can only assume either of two things: they're using a different price mechanism for producers or end users in the United States than they are in Canada or the retailers are charging more in Canada than they do in the U.S.

To be honest, we have the same problem. We're looking into this. It's quite hard to find prices, sometimes, from American retailers because of the fact that we are Canadians and they may be a little bit leery of giving this information out. Ag Canada seems to have more luck at getting information than we do, so maybe this is a step that Ag Canada could help us with.

● (0955)

The Chair: Go ahead, Mr. Qualman.

Mr. Darrin Qualman: I can second that. We shouldn't have to commission farm organizations to get this kind of data. If Stats Canada and the government collected and published this kind of data, it would really help us as farmers to bargain with those Canadian companies.

The Chair: Actually, for the information of the witnesses, in September 2007 Ag Canada did their farm income, financial conditions, and government assistance data book. In section B they have a bunch of information on the comparison of fertilizer and fuel prices between Manitoba versus Minnesota and North Dakota, as well as between Ontario and Michigan, Iowa, and Indiana. The data are out there, and some of the data have been shared with the committee already. I understand it is available to all farmers, so I suppose you'd better get your hands on a copy.

Go ahead, Mr. Bellavance.

[*Translation*]

Mr. André Bellavance: Of course, I also wish to hear from CropLife Canada.

[*English*]

Mrs. Jill Maase: Sure, I'd be happy to respond. We don't deal in fertilizers. Our mandate and our members are in the areas of pesticides, plant biotechnology, and seed.

I believe you're having the Canadian Fertilizer Institute next week?

The Chair: Yes, it's next week.

Mrs. Jill Maase: It may be more appropriate to ask them that question.

[*Translation*]

Mr. André Bellavance: You are in the same situation as concerns pesticides. You could tell us your opinion about it and the fact that we are supposed to have a better purchasing power with our stronger dollar. There are negative and positive impacts, but it is not helping us to compete with our American neighbours. Are you not in the same situation in your sector?

[*English*]

Mrs. Jill Maase: We certainly do.

There are a couple of points I'd like to make. I think the committee is aware that the costs of registering pesticides in Canada are very high. There are additional costs to registering pesticides in Canada and Canadian-specific studies that our members have to commission and provide for the Pest Management Regulatory Agency before getting Canadian approval, so our cost of entry into the market is higher in Canada, and it is a smaller market.

What we've tried to do about that is a couple of things. Our members have been working very hard to look at getting a NAFTA-wide approval and having a NAFTA label so that products are available in Canada and the U.S. simultaneously. That helps to rebalance availability for farmers on both sides of the border.

As I mentioned earlier, we've also worked hard to get a faster and improved generic approval system here in Canada, which will help as well to improve price competition. We've supported a minor-use program, and while this isn't price specific, we've certainly helped to support a minor-use program through Agriculture Canada to bring in low-volume products that are not terribly economical to register in Canada. Through that program there is an opportunity to build the data set that is required to get the programs registered.

Those are some of the things we've tried to do to bring a competitive array of products to Canada.

[*Translation*]

The Chair: Thank you very much.

Mr. Storseth, the floor is yours.

[*English*]

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

So many questions, so little time.

I want to thank all the witnesses for coming forward. There were some excellent presentations and some good balance and back-and-forth.

I'll start out with the obvious comment that the dollar is up, the cost of what we export is up, but once again the cost of things we import doesn't seem to decrease, as the Keystone Agricultural Producers' report proved.

First of all, Mr. Orb, I very much appreciated your presentation. I actually did put a motion before the committee. Are you aware of the motion I put before the committee?

● (1000)

Mr. Ray Orb: No.

Mr. Brian Storseth: I'll quickly read it for you, because I'd like your opinion on it:

> In the light of testimony from the Pest Management Regulatory Agency as well as industry and farm organizations, that the Standing Committee in Agriculture and Agri-Food recommend that the Own-Use Import Program continue in its existing form indefinitely so as to ensure that farmers have the opportunity to access these products in a price-competitive manner in order to continue to enhance competitiveness in the agri sector.

Are you in favour of that motion?

Mr. Ray Orb: Yes, definitely.

Mr. Brian Storseth: Could you quickly, in 30 seconds or less, explain to the committee the reasons you would be in favour of that?

Mr. Ray Orb: Yes, I'll take a try at that.

I think that program is working well on its own, and our producers were really benefiting from that. At the same time, we're saying we want to have a balance between our companies out of the United States and Canada. We don't want to deter companies from coming here and investing money into research and developing new products, but at the same time we want access to those, and we want more competition.

A good example is the price of glyphosate. Going back probably 15 years, it was $20 a litre and it was unaffordable for most producers. Well, when some of the registrations dropped and there was more competition, it just drove the price down to the point where now it's one of the lowest-priced inputs.

We're in favour of it, yes.

Mr. Brian Storseth: Thank you very much.

In the order of expediency—because I do want to give CropLife Canada an opportunity to respond to this—unfortunately, I'll skip two of our witnesses and go to you, Ms. Maase.

I want to make a couple of comments first. The producers we have in western Canada—and I haven't had an opportunity to travel the country as extensively as some of my colleagues have—are some of the most efficient and some of the best producers, with the best crops and the best products in the world. It's my opinion that the government far too often stands in their way from competing on a level playing field with other countries and other producers around the world.

One such example, in my personal opinion—and I brought this before the committee last time PMRA was here, and I know you were here—is this new GROU program. Look at the paperwork burden that is on our producers to be able to bring some of this in.

Quite frankly, to the layperson, it's extremely onerous on our producers to be able to bring any of these things in through permits. We've once again created a monopoly with the container disposal. I want to be fair and give you the opportunity, because you and I haven't had the opportunity to speak on this yet. Once again, we've given one organization the ability to control all pricing on that, and our producers have to use that. Once again, in my opinion, that is going in the wrong direction for our government and for our producers.

I would like you to quickly speak on the paperwork burden, because PMRA didn't speak on that before.

I'd also just like to give you some quick facts and figures, and then I'll give you the floor. In Alberta alone there were 1,515,879 litres of ClearOut 41 Plus used in 2007. Many of the producers in my area who I've talked to and many of the industry professionals say there's an approximate savings of about $4 a litre. That's about $6 million to Alberta farmers alone in savings.

I have the numbers: from Manitoba, 652,000 litres; from Ontario, 607,000 litres; and from Saskatchewan, 4,524,337 litres for 2,196 permits, for a savings of over $18 million to Saskatchewan farmers.

I would submit that the reason you don't see the price disparity this year that you saw last year is simply because of this program.

I have a problem with the fact that ClearOut 41 Plus, which was under the own-use import program, is listed as being under review in the GROU program. That makes no logical sense to me.

The other comment I would make is on the seven herbicides and chemicals that you have approved and the six that you have under review. I take note in your presentation that you talk about studies showing cheaper inputs, wanting intellectual property protection. I hardly think that's a high priority of some of our producers. Improve access to generic products. Well, we've really yet to see that. I believe from previous testimony we're hoping to really see some of that this year. Access to the latest products is something that really struck me. The seven products that we have approved are all older products, and this isn't giving our producers access to newer technology and newer products so that we can get out on the market and have the same level playing field once again.

Now, don't get me wrong. Most of the guys I talked to are happy with these seven products. They want to see these other six products on here—and, as you know, there are many more. It just seems there is a real barrier in allowing our producers to be on the same level playing field, at the same competitive level.

I haven't even got into anhydrous ammonia and any of these other things we saw coming out of the Keystone Agricultural Producers' report.

Perhaps you could just respond to some of that, Ms. Maase, and I'll give you some time.

• (1005)

Mrs. Jill Maase: I'm going to ask my colleague Peter MacLeod to respond to the first part of your question, and then I'll tackle the container discussion, if that's all right.

Mr. Peter MacLeod (Vice-President, Crop Protection Chemistry, CropLife Canada): Thanks very much.

The Chair: I'm going to ask you to keep your responses brief, because we're getting short on time.

Mr. Peter MacLeod: Okay.

There are many questions, but I'll try to get them in.

Addressing the burden of paperwork for the farmer, the process for the GROU program is very much streamlined, believe it or not. It takes a lot of the onus from the farmer and puts it on our member companies to compile the information and send that to the PMRA to actually get the products approved.

Part of the process in sitting around a table much like this with the farm groups, provincial governments, and some of the federal government revealed that costs were not the key issue for most farmers; it's availability. I think you mentioned this. The availability of new reduced-risk products and minor-use products are one of the key things.

Part of the products—

Mr. Brian Storseth: Mr. MacLeod, I'm sorry to interrupt, but I'm going to give you more time. The chair will be lenient with your answer time.

These farmers are asked to send—maybe I'm wrong, and tell me if I'm wrong—all their applications to some centralized office in Ottawa somewhere. It's not on the prairie, there is hardly access, and it's hardly easier on our producers. I have the application form in here somewhere, and I can show it to the committee. This is not streamlined. Maybe it's streamlined from what it was, but it's certainly not a streamlined process that's easy for the individual farmer to utilize.

I'm sorry, I just wanted to make that comment.

The Chair: Okay.

Brian, I'm not going to let you interject again because we are out of time.

Mr. MacLeod, could you give a very quick response?

Mr. Peter MacLeod: Okay.

We certainly support streamlining that process for the farmer. If a farmer sees an advantage in getting a product cheaper in the U.S., as long as it's approved under the GROU process, our industry supports his having access to that. If it means streamlining the process for the farmer, we would fully support that. It's the government that puts that in place, and we would like to see that shortened as well.

Mr. Brian Storseth: Good.

The Chair: Thank you. Unfortunately, we are out of time.

I'm going to move on to Mr. Atamanenko.

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

Thanks for being here.

I have three questions, and I'll try to be quick.

Darrin, you mentioned price increases in nitrogen and phosphate of around 40%. Obviously we live in a free society, and you can't just come in and regulate prices—or maybe we can. I don't know, but I don't think we can. Is this a result of no competition?

I understand some fertilizer came in from Russia and was sold at a cheaper price. Should we do more of that to try to bring prices down?

The second question is this. Ray, you mentioned the difference between the U.S. and Canada. Has there been any evidence of U.S. government subsidies to American companies that allow them to keep that price down? I'm just wondering if anybody has investigated that and if that's the reason. Is the reason their price is less because of the sheer volume, even though they import ours?

My third question touches on biofuels. Mr. Wideman, you mentioned that Canada should be focused on biofuels from materials that don't have a direct impact on the food chain. This is a concern I share, and I've raised it at this committee. Maybe once we look at the two questions, if we have some time, I'd like a comment from everybody. Are we on the wrong track in regard to biofuels, and should we be going in a different direction?

I'll stop there.

Darrin or Ray.

Mr. Ray Orb: Since my light is on, I'll try to answer.

I'd just like to touch on the biofuel question for a minute. Our organization was quite adamant right from the very beginning as far as Canada getting involved with producers in biofuel plants, and in particular in Saskatchewan it would be ethanol plants. We have some very good models for integrated facilities in Saskatchewan, one of them being Pound-Maker at Lanigan, which is not far from Saskatoon. We really promoted that farmers should become involved with this.

Canada, through Agriculture and the Department of the Environment, did its strategy, and to some degree it was successful. It was successful in promoting this. A lot of this, we believe, has been solely driven by politics in the U.S. We realize some subsidies were put in place, and we're basically not able to compete against those subsidies in this country, as you are aware. We know it's driving the fertilizer prices to some extent because of sheer demand, specifically in corn. As you are aware, corn uses a tremendous volume of nitrogen to grow a crop.

Although it seems positive, we realize there are repercussions in the livestock industry because of high feed costs for animal nutrition and all those things. The spinoff is evident there. We've always promoted integrated facilities where producers, and hopefully farmers, can build their own facilities attached to feedlots, so we see the benefit there as well for the livestock industry.

• (1010)

Mr. Darrin Qualman: Thank you.

The question, Alex, that I hear from you is about competition on the fertilizer side, and we're profoundly lacking in competition there. When you look at the graph we've included in our report, the companies as much as say they raise prices when the price of grain goes up. That's impossible in a competitive market.

I think farmers and parliamentarians need to work together to figure out how to put some competition back in the system, whether it be more pricing information from around North America and around the world, whether it be helping farmers get together and become group buyers—single-desk buyers—for that fertilizer, or whether it be imports.

Mr. Alex Atamanenko: Is there room for maybe encouraging co-ops in that area to assist farmers?

Mr. Darrin Qualman: Well, I think there's room for helping farmers create their own buying co-ops. The current co-ops right now are probably focused on other things, but I think more farmer groups getting together.... More than just cooperatives, though; legislated farmer buying units, in order to put.... If there are four or five fertilizer companies really controlling the North American market, 400,000 or 500,000 farmers all trying to strike a deal to buy fertilizer just isn't going to work.

Mr. Paul Wideman: On the biofuels issue, the investments that have been made into that industry in Canada I think accomplished what the industry wanted. It had a rise on the price of the input costs going in, which to a certain degree was fine.

One of the arguments I would make is that if the U.S. wants to support a strategy of biofuels to reduce its dependency on Mideast oil, then, really, Canada could benefit from that without putting up a single ethanol plant, in that once the U.S. has such a huge demand for ethanol and they have issues of their own capabilities to produce the crop, Canada can ship their corn to the U.S. and it can be made into ethanol there. You're already seeing some of that trend, as so many ethanol plants are popping up in the midwest United States. Iowa is moving from a net exporter of corn to a net importer of corn. So I don't think the Canadian farmer would suffer from lower corn prices if corn prices are being driven off the Chicago Board of Trade price.

What we should focus on, though, is that Canada has a tremendous amount of biomass that can be made into ethanol-based products. We should use those biomass products, for which we have an unquenchable source of supply. We are not anywhere close—in fact, I think Canada's corn production numbers are less than the State of Nebraska, so if we want to become a major player in corn-produced ethanol, I think we had better start moving our country to an area that can grow more corn. I think we need to use the materials that are here.

The other fallacy that the feed industry was presented with was that, oh, the tremendous amount of byproducts that will come out of the ethanol industry will become a cheap source of ingredients to fatten cattle, fatten hogs, grow chickens. The problem is that there is a limitation to how much of that byproduct can be fed to any particular livestock.

You can feed high levels of corn to a chicken and a hog. You can feed only low levels of DDGs, or distiller-dried grains, to those same livestock. So to prevent boredom of the science behind some of this stuff, perhaps out of the biomass—and I don't know enough of the ethanol industry—if we could create a feed source out of something that right now has no value to the agriculture industry, if out of that ethanol plant would come a byproduct that the agriculture industry could use where now it can't, I think that would be a much more meaningful process for us.

● (1015)

Mrs. Jill Maase: For our part, we're in the business of providing farmers with the best tools to be as innovative as possible and get the best value. With respect to biofuels, we are developing crop varieties that have the best critical mass for biofuels. Also, we are developing crops that are high yield. So you're getting more yield per acre, and that helps as well in terms of addressing both food and fuel and the competing interests.

For the longer term, I can't really say whether ethanol from corn is going to be the long-term solution. I would leave that to others to comment on, but I would say that the technology, as I understand it right now, is not mature to take other feedstocks. That is why corn is the preferred feedstock, and soybeans and canola for biodiesel.

The Chair: Thank you very much. Your time has expired.

Mr. Easter, you are up.

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

Thanks, everyone, for coming, especially for the written presentations.

In terms of the discussion that followed the original presentations, I guess it would be fair to say that the approval process is too slow and costly compared with that of our competitors—whether it's for animal nutrition products or chemicals—and that additional cost burden is being transferred to farmers, to say nothing about the excess profits.

The second point I draw from the discussion is that the Competition Act in Canada just doesn't work to protect farmers' interests.

As well, Mr. Orb talked about the profits of companies being astronomical. I wonder, Mr. Chair, if we could direct our research staff to do some work in that area. I believe the NFU has done some in the past, but it could be brought up to date, if that's possible.

I don't want to pile any more work on J.D., but we will anyway.

The Chair: On that point, Mr. Easter—and this is something we can discuss at the end of the meeting—do we want to have a company undertake a review or put together some of the current numbers so that we can put together a better picture of what the input prices are?

We do have the numbers that are coming out of the KAP study, also from the Thomsen Corporation, Ridgetown College, and the University of Guelph, which did the study for Ag Canada.

Maybe we need to undertake our own study to get a clearer picture of where these prices are at right now.

Hon. Wayne Easter: Yes, I would be in agreement with that.

The Chair: Okay. I'll add some time to you.

Go ahead.

Hon. Wayne Easter: Double the time, will you?

The Chair: We are into five-minute rounds.

Hon. Wayne Easter: Darrin, you make a recommendation to act to rebalance market power. I agree with your recommendation, in fact, but we do have a problem in that the government, with Bill C-46 before the House, is going in the opposite direction. That bill basically makes farmers who are elected to the board of directors of the Canadian Wheat Board voiceless. It makes the farmers who elected them voiceless as well. They're denying in that act the necessity to consult with the board. They're also nullifying the requirement to hold a plebiscite on the specific legislation they're trying to put forward.

I'd like your comments on that.

The bottom line is that power and control are being taken from the farm community and being transferred either to the bureaucrats in Ottawa or to the government itself and the ministers. It's being taken away from the farm community.

Perhaps you could comment on that as well.

Mr. Brian Storseth: I have a point of order.

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

Mr. Brian Storseth: It should be noted on the record that this is Mr. Easter's extremely slanted opinion on this. This is just to set the record straight, Mr. Chair.

And could we get the relevance to what the witnesses are actually here to—

● (1020)

The Chair: That is a point. It is about relevance to the study that we're undertaking right now.

I've had a few complaints from witnesses who have appeared. It diminishes our ability as a committee to do our work when we play partisanship. I know we're all partisan politicians—

Hon. Wayne Easter: This isn't partisanship, Mr. Chairman.

The Chair: —but when we make partisan comments and expose.... The witnesses are here to provide their best input and help us in conducting our studies. I do ask all members of this committee to keep the political rhetoric to a minimum so that our witnesses feel comfortable being at the table and sharing with us their positions on the relevant study that's before us right now.

Hon. Wayne Easter: I'd just point out, Mr. Chair, that this is not partisanship. The fact is a legal challenge was put forward to the Speaker in the House over this. Mr. Qualman has a point in his brief about rebalancing market power. This goes to the issue of market power.

So you can answer that, Darrin.

I have a question for Mr. Orb on own-use imports. You didn't mention in your submission—or I didn't catch it if you did—if you have any examples of differences in prices, of what the savings were as a result of own-use imports. I agree, actually, with Brian's point earlier on GROU. It isn't working. Own-use imports seem to be.

What was the net benefit to Canadian farmers of own-use imports?

Mr. Ray Orb: Are you talking about the total program or just the chemical...?

Hon. Wayne Easter: I mean on a product basis. If you're buying Roundup, what's the differential in price? What are chemical companies charging here versus what they would have to drop their prices to or what you could import at?

Mr. Ray Orb: I'm sorry, I don't have that information with me. I was looking at it, but I haven't got it here. We could get the information to you if it would help.

The Chair: I've asked that SARM submit that to the committee as quickly as possible.

Mr. Ray Orb: Okay.

The Chair: We'll have Mr. Qualman, and please keep your comments short, because Mr. Easter's time has just about expired.

Mr. Darrin Qualman: Yes, very briefly, it is a question of power. The problem Canadian farmers are having is that they produce huge profits. The efficiency numbers are incredible. The production numbers are incredible. But the places where profits are made and the places where profits are captured are two different places. We make profits on our farm, but they're captured somewhere else. That's the story we're trying to tell in our brief—the power imbalance between input makers and farmers is such that the input makers get to capture all the profits that formerly went to our farms.

Mr. Easter's point is the right one. If the destruction of the Wheat Board and the Canadian Grain Commission and regulated transport and the seed system and the quality system through the end of KVD further disempowers farmers, that will have a direct effect on profit. Our profit will go down, and the profits of grain companies and other input manufacturers will go up. So it's absolutely a question of power, because that determines the allocation of profit within the system.

The Chair: Thank you. The time has expired.

We'll go to Ms. Skelton.

Hon. Carol Skelton (Saskatoon—Rosetown—Biggar, CPC): To start off with, I'd like to thank each of you for coming today.

I will make a comment. I've had an awful lot of calls from farmers saying they would like to be out from under the Wheat Board and that they need KVD regulations changed to have marketing power so they can grow higher-producing crops on the prairies. That's my comment.

Mr. Wideman, I have a question. You talked about novel and alternate ingredients in your production. What kinds of ingredients are you talking about?

Mr. Paul Wideman: Under the Feeds Act, every ingredient that is used in Canada must be approved by the CFIA for use in commercial feed production. There are a number of products that have been created within the confines of Canada using Canadian research that basically are bogged down waiting for regulatory approval so they can be used, and yet they are being used by competitors in the United States.

For example, there's a whole group of enzyme-based, probiotic-based products. There is no grouping under the Feeds Act for those products. In other words, they fall into a category that nobody ever imagined would exist. So the producers and the manufacturers of those products are struggling to get them registered. Our government looks at them and says, well, they're not a medication and they're not an antibiotic. But they treat them like that and require that they have that kind of research done on them, even though they're naturally occurring bacteria or enzymes.

● (1025)

Hon. Carol Skelton: Is it CFIA that's causing you this problem?

Mr. Paul Wideman: It also falls into Health Canada's realm. For all these products there's a lot of debate about whose playground this is in.

Hon. Carol Skelton: Okay, so it's CFIA and Health Canada that accepts....

Mr. Paul Wideman: That's correct.

Hon. Carol Skelton: Mr. Orb, how many rural people in Saskatchewan does SARM represent?

Mr. Ray Orb: We represent all of rural Saskatchewan, basically, other than Saskatoon and Regina.

Hon. Carol Skelton: Do you know the numbers, though?

Mr. Ray Orb: Is it the farmers you're talking about?

Hon. Carol Skelton: Yes.

Mr. Ray Orb: It is about 50,000 farmers.

Hon. Carol Skelton: It is about 50,000.

Data indicate that pesticide and herbicide prices in 2007 lagged behind that of other input costs, like fertilizer and fuel and stuff. How important is the energy cost in the manufacturing of pesticides and herbicides, and do you think the prices are going to go up for pesticides and herbicides this year?

Mr. Peter MacLeod: As you might recognize, this is a global issue. It's not just in Canada. Prices have been rising all over the world. Oil prices are one issue that's coming into play.

I think the overall global demand for a lot of the ingredients that go into the making of pesticides is for use in other products that are non-pesticide related. So there's certainly a lot of competition for demand elsewhere for these products. We've been hearing about a lot of issues across the world related to pesticides and shortages of availability, just because of the demand globally.

Hon. Carol Skelton: I'll start with Mr. Orb.

Do you think the lack of competition...? Maybe I missed it, but I don't know whether you commented on the lack of competition— Mr. Qualman talked about fertilizer dealers. Is that causing us problems, especially in Saskatchewan, with less population than other provinces?

Mr. Ray Orb: I don't know whether it necessarily has a relationship to the population. Saskatchewan has pretty much half the agricultural land in Canada.

I mentioned this before, and I don't know whether it really answers your question, but we are seeing more integration. Some of these companies are buying other companies up; we know that's happening.

Saskferco, one of the biggest producers of nitrogen in western Canada right now, I believe, which is located just out of Regina, is 50% owned by Mosaic, which is, as you know, a fairly big company that is in turn co-owned by IMC Global and Cargill. They're controlling basically from the production state, when they're taking it out of a mine, to the processing end of it, and from there into the retail system.

That also, we think, controls to some extent the price of nitrogen fertilizer, phosphate, and potash. It takes care of all three, which are the main crop ingredients, for sure.

Hon. Carol Skelton: We have a dealer at home who buys massive amounts and has huge storage sheds. He's a private businessman. He buys his fertilizer and handles a huge amount. He tends to keep the prices down, yet he doesn't contract with his farmers. We're seeing a lot of farmers in Saskatchewan now contracting their products at the start of the year to a grain company and then using it right through.

Is doing the forward contracting causing a lot of problems to our farm families?

Mr. Ray Orb: Are you talking about crop prices?

Hon. Carol Skelton: Yes.

Mr. Ray Orb: No, I wouldn't think it's a problem at all. I know for a fact that farmers are doing it this year to try to hang on to the high grain prices. Sooner or later this bubble, we think, is going to break, at least in the short term.

Some producers are doing this with inputs as well, the problem with that being that farmers are generally short of cash because they're trying to catch up from decades of low profits, so the cash isn't out there. They're having to replace worn-out machinery, having to upgrade some buildings as well, and pay off long-term debt.

Believe it or not, even though the grain prices were high, that affects people who have had a good crop, and last year in Saskatchewan not everybody had a good crop. A good part of our grain belt is dry; probably about 40% is below normal right now. We have lobbied the federal Minister of Agriculture for some time on this. There's a severe drought in the northwest area of the province, and that's a big part of our grain belt. There's still a herd out there, believe it or not.

So farmers are trying to do this, trying to save money by pre-buying, but the cash isn't always there.

● (1030)

The Chair: Time has expired. Thank you very much.

Madame Thaï Thi Lac.

[*Translation*]

Mrs. Ève-Mary Thaï Thi Lac (Saint-Hyacinthe—Bagot, BQ): Good morning. I thank you all for coming to meet with us this morning. This is very much appreciated. My first question is for Mr. Orb.

In one of your recommendations to this Committee, you encourage the federal government to keep OUI in place until the efficiency of GROU can be demonstrated. If there are two similar programs in place at the same time, isn't there a risk that the temporary program will influence the efficiency of the new program?

[*English*]

Mr. Ray Orb: We don't see a danger of it, no. We really believe the OUI program was working before. We realize there were some concerns about the stewardship program to recycle the empty containers, and those, we understand, were taken care of. We had some companies that did this on behalf of farmers, and we thought it was working quite well.

We would see no reason to go through a more cumbersome application form, something that's going to be costly. If it's not cumbersome for farmers but is cumbersome to the retailers, that cost is always passed on to producers. We just think it's a bureaucratic nightmare to put people through that. We think it's totally unnecessary.

[*Translation*]

Mrs. Ève-Mary Thaï Thi Lac: My question is for Ms. Maase.

You have explained to us that seven products had already been approved through GROUT, but that six more products were presently under study. I would like to know what is the average approval time period for novel products.

[*English*]

Mr. Peter MacLeod: The government has set out a time process to evaluate these products. That's a question for them. Our member companies provided the information to the government to evaluate those products, so I'm not really sure why there is a delay. There are seven right now, and my understanding is six other products are still under consideration. I'm not sure where that process is. I know our member companies have provided the government with enough information to make that choice.

The other point I'd like to make is that there's currently one product under the own-use import program, and that product is now currently available for sale in Canada through the normal chain of buying and purchasing pesticides. It's also a candidate under GROU, and I'm not sure why that product would not be available for farmers under GROU for the future either. There should be no reason.

The Chair: Mr. Wideman would like to get in on that.

Mr. Paul Wideman: I think there's also some good information in the feed industry for the question that Ms. Skelton asked about the approval time period for novel products. We would have some data we could put forward to the committee comparing how long it takes for the same product to be approved in the United States, Latin America, Brazil, and Europe versus Canada.

I'd like to say we're even in the middle or near the top, but we are at the bottom as far as the number of days it takes. We take longer than any other country to approve feed ingredients.

We'd love to put those comparisons forward, because I think we want to compare ourselves to other countries in the world.

[*Translation*]

Mrs. Ève-Mary Thaï Thi Lac: I have no other questions.

[*English*]

The Chair: Thank you.

Monsieur Bellavance.

[*Translation*]

Mr. André Bellavance: Mr. Wideman, in your recommendations, you suggest to the government to adopt a biofuels strategy using cellulosic-based feedstocks rather than corn. However, I would like to know if you have an intermediate solution as the technology for ethanol production from cellulosic feedstocks is less developed as it is for corn-based production. Furthermore, fuel price increases are causing problems to your clients and yourself.

When we talk about using biofuel, it is to reduce our dependency to oil. I see a slight contradiction in what you are wishing for. In fact, I can understand what your goal is. Ideally, biofuels should not be made from livestock or human food, but you have certainly been following our discussions on Bill C-33.

What do you suggest until it is really possible to produce ethanol from forestry or agriculture waste? Should we do nothing? Should we wait? What is your opinion?

● (1035)

[*English*]

Mr. Paul Wideman: I think the one thing we want to state clearly is that we feel the investment that's gone into ethanol to this point has not been thrown away. It accomplished what we had wanted it to accomplish, which was to raise the value of some of the products our Canadian farmers sell.

The halfway solution: I think a wait-and-see approach can be done. The technology does have to catch up. Certainly it even needed to catch up to corn production. I don't know if you're aware of some of the statistics, but today we produce far more ethanol from a bushel of corn than we did when the first plant opened in the United States. Technology quickly catches up. I believe that will also continue in other sources of biofuel materials.

I think the crux of all the input cost issues comes down to a lot of what Darrin has been talking about, which is simply a competition. Farmers need to be able to have as many people buying their products as possible, which certainly the ethanol program did. It created another market for a farmer to sell his corn. On the flip side, though, that farmer needs to have the same opportunity to buy his products in the competitive market, and if that playing field is fair, everything is good.

[*Translation*]

The Chair: Thank you very much.

[*English*]

Mr. Lauzon.

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

My comments will be directed to Mr. Wideman. But I welcome all of you and thank you for your presentations. They were very helpful.

Mr. Wideman, I notice under “world feed production” you show that Canada produces 15 million tonnes of commercial feed. Then you show 25 million total Canadian feed production. Can you explain the discrepancy there?

Mr. Paul Wideman: Absolutely. The industry we represent produces commercial feed. The 25 million is the total feed for Canadian meat production. So we only represent 60% of the feed produced in Canada.

Mr. Guy Lauzon: Like Brian, I have all kinds of questions here. I notice that 10 million tonnes of the 25 million tonnes you produce come from on-farm feed production. In most industries there's economy of scale. Is it costing us a little more to do it on the farm as opposed to in a larger mill?

Mr. Paul Wideman: That's an excellent question.

On the input cost of feed into livestock, the commercial feed industry is one avenue by which a farmer can purchase his input cost. He can also produce his feed by himself on his farm by using his own grains. As I said to Darrin earlier this morning, if the commercial feed industry was unfairly margining the feed produced and that was contributing to the net losses of farmers across this country, you would see far more farmers grinding their own feed on the farm. Second, farmers who ground their own feed would be more profitable than farmers who bought from commercial feed mills. I haven't seen any statistics to show that's true. So I don't think it's putting us at a competitive disadvantage to grind on the farm versus commercially. It's competition again.

Mr. Guy Lauzon: Thank you.

I'll ask you this, and maybe I could get an answer from everyone. With the Canadian dollar doing what it has done in the last few months, I guess there are upsides and downsides to everything, and increased input costs are really.... But it seems to be a perfect storm, and a lot of that has to do with the Canadian dollar. If the Canadian dollar wasn't where it is, explain how things would be.

● (1040)

Mr. Paul Wideman: That is a loaded question. This is not the first time grain prices have hit this level.

Mr. Guy Lauzon: Of course.

Mr. Paul Wideman: Between 1993 and 1996 we had similar high grain prices, but we had a 65¢ dollar. That allowed our predominantly export-driven meat industry to weather that storm and pay the higher price.

I'm going to use a little analogy. My father used to say that high feed prices used to make farmers the most amount of money. In other words, the trend was that you were paid more for meat when you had to pay more for your input costs. In the past that was true. It is not true today, and that's part of the perfect storm you're talking about.

Mr. Guy Lauzon: Does somebody else want to comment on the Canadian dollar?

Mr. Ray Orb: The dollar has hurt a lot of us who export meat to the United States, there's no doubt about that. I guess CFIA was mentioned, but our organization has a problem with some of the regulations they're putting on our producers right now. We believe there's about a $50-per-animal cost to Canadian producers that American counterparts don't have. Part of that is because of SRM disposal—the parts of the animal they have to take out.

Mr. Guy Lauzon: You'll be interested to note that the minister is well aware of that. It's under consideration.

Mr. Ray Orb: Yes, and I know they have put money into building facilities in Saskatchewan. The province has also kicked some money into that. So this is a regulatory issue that needs to be talked about. We're well aware that the committee has undertaken that.

Mr. Guy Lauzon: Thank you very much.

Mr. Wideman, you mentioned that technology is part of the solution, and getting approvals more quickly. Explain how technology can help us.

Mr. Paul Wideman: Examples of some of these products are enzymes and probiotics. The addition of very minute amounts of those ingredients into a typical feed ration will allow the animal to obtain more nutritive value. If you take a higher-fibre, lower-digestible ingredient, an animal would have a lot more waste excreted and suddenly the animal gets more energy and more value out of it. You can save money by using lower-cost ingredients to raise an animal.

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

Mr. Steckle.

Mr. Paul Steckle (Huron—Bruce, Lib.): Thank you.

This morning you, Ray, from SARM, asked us to continue with OUI. Jill, I've heard you say, and I think your recommendation states, that we should move quickly to the GROU program for this year. Given that it was not as effective as we had expected it to be, why would you continue to ask us to move towards GROU?

I'd appreciate a brief answer, because I have a number of other questions.

Mr. Peter MacLeod: The GROU program of 2008 is really the start. It was brought into place late last fall. There were delays on the PMRA side in getting it in place, so 2008 will be the first true test.

As we indicated earlier, there are seven products. The current product under the own-use import program should be available as well. In our minds it makes no sense to continue the OUI program when all the products are available for farmers that were available before, plus the additional seven.

Mr. Paul Steckle: The direction that Ray wants to take us, would that have any negative impact? Maybe it would for your organization, I don't know. I don't see anything negative in allowing us to go through a full year and then make our evaluation at the end of 2008.

Mr. Peter MacLeod: The other part of this is the August 2007 new generic process in Canada. It is in place to speed up the process. Protection of products has dropped from 12 years to 10 years in Canada with the new process. It's a streamlined program. We think that this, in parallel with GROU, would reduce the need for OUI.

● (1045)

Mr. Paul Steckle: Darrin, you laid out fairly explicitly this morning what has happened, and we know it has happened. Farmers are price-takers. But if we were to apply the same criteria to the organizations providing us with their input products as we apply to labour when it takes, say, cost of living into account in arriving at its settlements, can you imagine where our prices would be today?

I know we could talk all day on this, but we simply have no mechanism in Canada to keep multinationals from becoming even more centralized in their operations. We know that the Competition Bureau doesn't work. It's a useless organization. I'll be quoted on that, and that's okay, because it doesn't work.

We need to find a device that will work. We need to look seriously at how much more of this we can tolerate. It has to come to an end, because prices don't come down.

As price-takers we have produced the value in the farm, but we don't keep it on the farm. It moves on. Perhaps you want to comment on that.

Mr. Darrin Qualman: Thank you, Mr. Steckle.

We agree about the Competition Bureau. As an organization, we went in front of the Competition Bureau to talk about one of the latest mergers that came on the radar, the Cargill takeover of Better Beef. We predicted disastrous outcomes for farmers, and sure enough, that's exactly what we're seeing.

We have two and a half packers left and we have fat-cattle prices that, literally, when adjusted for inflation, are the same as prices in 1936. They are exactly half of what they were for the 50-year period between 1940 and 1990. On the input side, over the last two decades we have record-setting profits. At the same time, we have the biggest farm income losses.

I just want to point out one thing to bring this completely up-to-date. Mr. Easter mentioned the sheet on some Canadian farm income figures. Agriculture and Agri-Food Canada last month projected that farmers' net incomes from the markets in 2008, this year, will be negative despite spectacular increases in relative grain prices. They are projecting $3.7 billion, almost $4 billion, in support payments and only $2.5 billion in realized net farm income. That's a negative $1.5 billion in net income for the market despite these high prices.

It's largely a factor of higher input costs. These companies are taking it away and the Competition Bureau isn't doing anything for us.

Mr. Paul Steckle: I have one question to you, Paul. You're in the feed manufacturing business. You mentioned probiotics, enzymes, trace elements, and products and minerals that go into your feed products. We have very strict rules in terms of cleanup after batching, and we know there's a cost to that. You might want to explain to this committee—I've been in a number of your feed companies—what that is costing the industry, and ultimately the farmers, just that element of control. It's one of those elements again that governments come down on and say, you must do this. On farm that doesn't happen, but in your case it does.

Mr. Paul Wideman: First, I want to state that we're a big supporter of creating the safest feed for livestock in the world. You don't have to look far to compare our regulatory regime to other countries to see that if we're doing what we are told we are supposed to be doing, we do have the safest regulatory regime in the world for feed production. But that does come with a cost. Certainly there are a lot of issues facing the feed industry. If the only option in the flush procedures that you're talking about, Paul, is that this livestock feed needs to go to the landfill site because you can't feed it to livestock as it doesn't meet the regulatory requirement, I can guarantee you I don't think that's the level of cost that the feed industry wants to bear, and certainly not our producers either.

The Chair: Thank you. Your time has expired.

Mr. Fitzpatrick.

Mr. Brian Fitzpatrick (Prince Albert, CPC): I want to zero in on the cross-border issues pertaining to Saskatchewan, North Dakota, and so on. But I want to make a couple of preliminary comments on some of the evidence I've heard here. Somebody mentioned that Saskferco was 51% owned by Mosaic. I want to focus on the other 49%, which to my understanding has been owned by the provincial government. Lorne Calvert and Roy Romanow were premiers for 17 years and they had a 49% interest in Saskferco, so if there were excessive profits in that industry and they were selling fertilizer at a much lower price to the United States than they were in Canada, maybe we should be calling Lorne Calvert and Roy Romanow here to explain how the biggest benefactor in this whole arrangement was the provincial government in Saskatchewan.

While I'm on that point too, the only refiner in Saskatchewan isn't Exxon or Shell or so on, it's Federated Co-operatives. It has an exclusive monopoly on the refinery business in the province of Saskatchewan. It's owned exclusively by Canadians; a large proportion of them are Saskatchewan residents. So if there are excessive profits in that area, they've been accruing back to individual Canadians through a cooperative ownership arrangement.

I do want to look at the cross-border issues. I wish there were some people from the fertilizer industry today, but there aren't. I think Mr. Orb might be the best person to respond to these.

On the differences in prices on the same products between Canada and the United States, the first question I have is this. Do Canadian farmers and producers have the ability to cross the border into the United States and buy fertilizer and machinery and other items? Are there any impediments to doing that?

● (1050)

Mr. Ray Orb: No, as far as I know there are not.

Mr. Brian Fitzpatrick: Are people doing that?

Mr. Ray Orb: Yes, to some extent. The farmers who farm closer to the border are bringing it up.

Mr. Brian Fitzpatrick: Right. I know that's happened in automobiles where there's a disparity in price. It seems to me that eventually the market's going to have to sort out these problems if that's available to buyers.

Are there any differences in taxation that might explain the difference? Are there hidden taxes or higher corporate taxes or state taxes or provincial taxes that might explain some of the differentiation in price? Do you know?

Mr. Ray Orb: We haven't really looked into that, other than in Saskatchewan where we have lobbied our former provincial government long and hard to look at those hidden taxes, and to be honest, they stonewalled us and said, no, there weren't really any hidden taxes.

Mr. Brian Fitzpatrick: We're not sure on that.

Mr. Ray Orb: We don't think it should be an impediment in that case.

Mr. Brian Fitzpatrick: Are there differences in regulatory costs in compliance? I know a lot of businesses can explain that regulatory compliance and trying to live within the rules imposed by government cause a lot of costs to their operations and it has to come out somewhere along the line. Could this be a factor?

Mr. Ray Orb: You're talking about fertilizer companies in particular?

Mr. Brian Fitzpatrick: Yes.

Mr. Ray Orb: I'm really not qualified. I would defer that question, if you don't mind.

Mr. Brian Fitzpatrick: In the future maybe we should zero in on these things to see if there are significant differences, because it does make a difference if there are.

Mr. Ray Orb: There's one thing I might add. I know—

The Chair: Mr. Orb, Madam Maase wants to get on, but go ahead and finish.

Mr. Ray Orb: There's one thing that the Saskatchewan producers are focused on in this case, and that is competition.

You may have spoken to Farmers of North America. I'm not giving them a plug, but I think they have been instrumental in bringing fertilizer in from other countries. Someone mentioned Russia. It was a huge savings to producers. They brought some in through the Port of Churchill. We met with them about a month ago, and they told us they're bringing fertilizer through the Gulf of Mexico into Saskatchewan cheaper than we're going to be buying it.

Mr. Brian Fitzpatrick: That's basically because prices in other parts of the world are significantly lower than North America, I think.

Did you want to comment?

Mrs. Jill Maase: Yes, please.

For our products, the prices for Canadian studies—just for Canada—can range anywhere from $1.5 million to $10 million additional to what's required for registrations elsewhere.

Mr. Brian Fitzpatrick: I'm on this point because I've read a fair amount lately about academics on trade issues and so on.

They're really promoting something different in North America with these cross-border issues. They're talking about a custom union between Canada and the United States, as opposed to the current arrangement. I suppose it's more like the EU. I'd be interested in your opinions on that matter, if you have any, and whether that has merit.

● (1055)

Mr. Peter MacLeod: Certainly for pesticides, the regulatory systems between Canada and the U.S. have been going closer together. We're not to a place yet where we can say there's approval both in Canada and the U.S. They're working towards that, and they've done a number of joint evaluations. But there still are significant Canada-only costs that producers bear in Canada.

Mr. Brian Fitzpatrick: If I could just follow up on that issue, when you look at the EU and the United States and the compliance requirements to get a pesticide or herbicide product into the market, it seems to me that the amount of science and the due diligence and so on that goes into that is quite elaborate. When you consider both of those jurisdictions together, to get through the hoops and get the product approved, I've often wondered.... Canada is a small country. We like to see ourselves as a major player in the world, but quite literally, the Canadian population and economy has 30 million people and 2% of the world's GDP.

These giant countries have a lot of science and due diligence to get something approved. Are we right in trying to duplicate the processes that go on in other countries?

The Chair: Brian's time has expired. If you want to make a very brief response, please go ahead.

Mr. Peter MacLeod: You're quite right, we're still only 3% to 4% of the pesticide market globally. Certainly the bottom-line decisions on pesticides in the EU, the U.S., and Canada are largely the same, so at the end of the day they come to the same decisions on the same products. It's just the timing and the complexity....

The Chair: You're out of time, Brian. Sorry.

I have a couple of things I want to ask.

From CropLife, where are pesticides made in this country? I know that as a farmer, when I'm using some animal health products, they're manufactured elsewhere. Where are most of the pesticides and herbicides that we're using on the farm manufactured?

Mr. Peter MacLeod: The active ingredients are made all over the world. It's split, probably three ways: the United States, the European Union, and Asia. For formulated product, they will take some of those ingredients, mix them with products, and actually put them in a jug. There's probably about 30% of those that are actually produced in Canada. But as for where the actual ingredients are made, it's really spread around the globe—probably a third in Europe, a third in Asia, and a third in the United States.

The Chair: My understanding is that Roundup, for example, is made in one plant, for the entire world if I'm not mistaken.

Mr. Peter MacLeod: There is one major facility, but there are other facilities. I think for that particular product there are seven or eight manufacturers. There are plenty of companies that are in that business. As I said earlier, the key thing is that some of the ingredients they use to make those products are made by one or two manufacturers.

The Chair: I want to follow up with Mr. Qualman and Mr. Orb.

We've had a number of farm groups here and we've talked about input costs and stuff, but we've never talked about the tax treatment of any of those input costs, such as the excise tax on farm fuels or anything along that line.

One thing government can do is adjust taxes, of course, on farm input costs. Is that an area we should be looking at?

Mr. Qualman, you may go first, if you wish, and then Mr. Orb.

Mr. Darrin Qualman: A lot of people talk about hidden taxes on inputs. We don't see that as a large problem. In the current environment, we're not even sure that tax cuts to these manufacturers would be passed on to farmers. When we look at the margins they're taking right now and the price increases they're putting forward in the absence of any real cost increases, it's not clear that they would have the competitive disciplines to pass those back down to farmers, unfortunately.

But if your committee does identify some hidden taxes that we're not aware of, we'd like to look at those.

Mr. Ray Orb: Just to refresh my memory, didn't farmers used to get a rebate for the federal tax? I realize we get—

The Chair: You can get your GST, or quite close to it, and probably your provincial sales tax on fuels. You'd get a rebate on that; I know in Manitoba we do. On excise taxes you don't, though.

● (1100)

Mr. Ray Orb: I thought we used to get a rebate, did we not?

The Chair: Not from the Government of Canada.

Mr. Ray Orb: I'm wrong, then.

The Chair: It was from the province, probably.

Hon. Wayne Easter: It varies from province to province.

The Chair: Anyway, I want to thank all the witnesses for appearing. We are running out of time.

There's one thing that we as a committee need to discuss quickly. We have the KAP study and we have the data book, which is going to be circulated to everybody, from Ag Canada. They used Thompson Corporation, the University of Guelph, and Ridgetown College to put together that information, a comparison of input prices.

Do we want to do this as a study ourselves to get a snapshot of where we are today? It's going to cost some money to do something like that, and we'd have to set the wheels in motion. Or do we want to call in the particular companies and universities that did this study to appear as witnesses, though they would just be commenting upon the data from 2007?

Mr. Easter.

Hon. Wayne Easter: I think if we can get somebody who's independent, with a good economic research background, who could review this and bring it up to date, that would be the best approach. We always have the option open of inviting some of those folks if we want to.

The Chair: I can see a lot of people shaking their heads.

Mr. Lauzon.

Mr. Guy Lauzon: We may want to do it the opposite way and have these people in, and then after we had them in, if we thought it was necessary, have this independent study—either/or.

The Chair: If we're going to decide to move down the road of doing a study, we have to set the wheels in motion to get money freed up through the liaison committee so that we can undertake a study. There are guidelines that would be used. We'd have to develop terms of reference for the study.

I'm open to suggestions. If we need to do it, we have a motion ready to go here to start the process.

Hon. Wayne Easter: Let's hear your motion and see what it sounds like.

The Chair: The motion reads that the committee ask its analysts to submit potential names and a term of reference in order to provide the committee with a study of the most recent prices of inputs in Canada versus the United States, and that it be reported back to the committee.

Hon. Wayne Easter: I so move.

The Chair: Okay.

Is there any discussion?

(Motion agreed to)

The Chair: Thank you very much again to all witnesses.

The meeting is adjourned.

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