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—
Chair

Mr. Larry Miller

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•(1110)

[English]

The Chair (Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC)): I call the meeting to order.

We're going to continue our study today on the competitiveness of Canadian agriculture. We have with us as witnesses the Chicken Farmers of Canada; the Ontario Cattlemen's Association; and as an individual, John Vancise, a farmer.

We'll start off with 10 minutes per organization and individual. We'll start with Mr. Dungate, representing the Chicken Farmers of Canada.

Go ahead, sir, for 10 minutes, please.

Mr. Mike Dungate (General Manager, Chicken Farmers of Canada): Thank you, Mr. Chairman.

On behalf of Chicken Farmers of Canada, I'd like to thank you for the opportunity to share our views with you on the issues affecting competitiveness of all Canadian agriculture. Our chairman, David Fuller, sends his regrets that he wasn't able to make it up to Ottawa this morning. I will pinch-hit as I can.

Chicken Farmers of Canada is a national organization funded through producer levies. Our primary responsibility is to ensure that those 2,800 farmers produce the right amount of safe, fresh, high-quality chicken to meet consumer needs. In terms of the economic impact of our industry, we generate \$9.5 billion in economic activity. Our farm cash receipts are \$1.8 billion a year, and we directly employ, on farms and in processing plants, 19,000 Canadians, plus sustain over 50,000 people through spin-off industries.

In 2007, chicken production passed the one billion kilogram mark, and we also contribute to the success of grain and oilseed farmers by purchasing 2.4 million tonnes of feed annually, worth over \$800 million.

Strong leadership and proactive strategies will always play an integral part in the ongoing competitiveness and success of our industry.

[Translation]

I am not following everything according to the document.

[English]

In terms of competitiveness, as defined by Agriculture Canada, it's "a sustained ability to profitably gain and maintain market share in the domestic and/or export market". For the Canadian chicken industry, we compete against imported chicken, mainly from the

United States and Brazil, and we compete against all other meats—our prime competitors are pork and beef—for the share of the Canadian meat consumption market.

In terms of the imports and competing against imports of chicken from outside of Canada, I need to underscore that Canada is not a closed market for chicken. In fact, the 33 million Canadians are the twelfth largest consumers of imported chicken in the world. So that's a big statement for 33 million people. But what we need to run our effective supply-managed system is a predictable level of imports so that we can produce the right amount of chicken. We undertake to import that chicken. We don't come up with phony science or other measures to block those imports that are negotiated at the WTO, but we produce to our portion of the market. I think it's easy to say that's not consistent across the globe.

Where it becomes important is at WTO negotiations, and we have absolutely appreciated the support of the government and all parties for supply management at the WTO. However, the current draft—that is of December, the draft modalities text—cannot, in our view, be the basis of the negotiations of a deal. For us, sensitive products are the key. The text right now does not allow for enough tariff lines to cover all supply management products. It would require us to cut our over-quota tariffs by a minimum of 23%, and up to 70% if we don't get rid of the tariff cap. And on top of that, we would have to provide another 4% to 6% of duty-free access inside of that.

Another issue on the import side comes when we put in place the Uruguay Round. Canada's the only country where a product that's 87% chicken is not deemed to be chicken. So add 13%, some rice or some stuffing and some other vegetables, and all of a sudden that escapes the tariff. So we really do need a change to this rule so that we don't erode the market for chicken. I think you've looked at things like that around labelling to cover off that type of thing already.

We also are very pleased and proud of the on-farm programs and the work that we do to maintain high-quality chicken in Canada. We're the first to have an on-farm food safety program recognized by CFIA. In 2009 we're rolling out our animal care program, which has the support of both the Canadian Federation of Humane Societies and the Canadian Veterinary Medical Association.

These measures are a must to maintain consumer confidence, but they come at a cost that's fully borne by the industry. So our request here is that both the Canadian Food Inspection Agency and the Canadian Border Services Agency ensure that imports meet the same standards that Canadian domestically produced chicken must meet. You have a subcommittee on food safety that's looking at some things, and this is a key element in terms of that.

One recent note of concern in terms of CFIA and looking at that is the plan to stop pre-market labour approval for all meat imports. This means that products can be on store shelves before they're approved by CFIA. We're not prepared to take that risk and jeopardize the confidence in our system by allowing that to happen.

On the new market access secretariat that was announced by Minister Ritz in January 2009, we've had some good discussions on that with government. The clear focus here is on technical barriers to trade. In our view, it has to look at them from both the export side and the import side. What we're not looking for is a watering down of what we have in Canada to meet other countries but ensuring, on a science base, that they meet the requirements that we have here.

As the Canadian market accounts for 70% of what we produce and process across all of agriculture, it's critical that a strong domestic market be the foundation for competitiveness for all of Canadian agriculture.

• (1115)

In terms of those technical barriers to trade, however, we had avian influenza positive tests on two farms in the Fraser Valley in January. We also had this in 2004. Mexico has maintained a ban for the past five years. It seems a little strange, though it isn't a market that is of a lot of importance to us. However, two markets that are currently closed and that are key to our marketing are the Philippines and Taiwan. Many other countries have looked at what we've been doing to contain these incidents, and their bans are getting, actually, very restrictive now, and are down to a 3- or 10-kilometre range. We appreciate that kind of thing rather than just a blanket ban on Canada.

On the competitive meat side, overall consumption of meat has been fairly consistent in the last 10 years in Canada, hovering around 95 to 96 kilograms per person. Chicken consumption has steadily increased. There was actually quite strong growth up until the start of this decade. It has been flatter since then. However, in 2005 chicken overtook beef as the most consumed meat in Canada for the first time, and it has maintained that leadership level.

Probably the biggest challenge for us in the last two years has been the oversupply of meat in North America in terms of chicken, pork, and beef across both sides of the country. We've been cutting back production since last July to try to bring profitability back to our processors, who haven't been able to maintain a sustainable wholesale price because of, frankly, distressed pricing in the U.S. in the chicken industry.

There has also been a fair amount of liquidation of both cattle and hog inventories. We thought we were about to break out of this, but we understand the U.S. is looking at a dairy cow cull program now for 2009 because there are too many dairy cows there. That's, once

again, going to put a lot more pressure on all the meat commodities in North America.

The last point I want to talk about is an issue that affects the competitiveness of the whole meat complex, and that's feed prices. There's a chart in the presentation on the last page that shows how closely feed prices track the cost of producing chicken. Feed is the single most expensive input we have in our production. We have witnessed what I would call a skyrocketing pricing of feed since 2007. And frankly, while 2005 may not be a legitimate area—because grains and oilseed producers have to make money, and they certainly didn't in those years—there has to be a good equilibrium point.

We need to take a closer look at alternative fuel legislation. Corn is our big feed source. It is the key user for ethanol. We need to look at alternative fuels, which are probably cellulosic-based, other than corn because that directly impacts us.

In conclusion, Mr. Chairman, competitiveness for the Canadian chicken industry is measured in our ability to compete with imported chicken and with domestic and imported beef and pork for the share of consumers in our chosen marketplace.

In our view, in order to be competitive, the Canadian chicken industry needs a WTO agreement that preserves an effective supply management system. We need changes to the 13% rule so that imported chicken does not circumvent our tariff rate quota system. We need strict enforcement by the Canadian Food Inspection Agency and the Canada Border Services Agency of import standards so that we don't undermine consumer confidence in what we're producing. We require government recognition that the domestic market is the foundation for the success of all Canadian agriculture and provides that springboard for success in export markets. And we need policies that deliver feed prices that do not drive meat out of consumer diets.

Thank you.

• (1120)

The Chair: Thank you, Mr. Dungate.

We'll now move to the Ontario Cattlemen's Association. We have Ms. Kim Sytsma, Mr. Gord Hardy, and Mr. Dave Stewart. Welcome. You have ten minutes.

Mr. Gord Hardy (President, Ontario Cattlemen's Association): Thank you, Larry.

Good morning. *Bonjour*. Thank you for your invitation to appear before you today. We greatly appreciate the committee's interest in and commitment to the beef industry in our great country. We hope that our presentation will answer many of your questions outlined in the letter of invitation, but we also look forward to answering your individual questions to the best of our abilities.

The Ontario Cattlemen's Association represents 19,000 beef producers in the province of Ontario. Our vision is to help foster a sustained and profitable beef industry and have Ontario beef recognized as an outstanding product by our consumers.

The Ontario beef industry is very important to our economy. Beef farming is carried out in every county and district in Ontario. By investing in the Ontario beef industry, the government is investing in the families, businesses, and communities in Ontario, both urban and rural. The income and employment derived from our industry helps support a broad range of rural infrastructure such as hospitals and schools. Beef farms create jobs in rural communities, from feed supply stores to grocery stores, as well as supporting employment in packing plants and further processing in urban areas.

In a study entitled *The Economic Impact of the Ontario Cattle and Beef Sector*, published by the Department of Food, Agricultural, and Resource Economics of the University of Guelph, it was shown that the economic impacts arising from the Ontario beef industry are approximately the equivalent to the economic impacts of adding an automobile assembly plant. Your government recognizes the effect that a decline in the automotive sector has had on our economic health. It should also realize that the decline in agriculture sectors will have a similar negative effect.

The immediate problem affecting our ability to compete is the reduction in cattle numbers in areas of the country, and the immediate threat that places on the existing infrastructure and jobs, both urban and rural. The January 1 numbers published by Statistics Canada show that cattle on feed in Ontario have declined by 22% when compared to January 2003, which, as you know, was before BSE rocked our industry. Similarly, cows and heifers for breeding have declined by more than 17% over the same period.

Over the past year, our producers have fought to maintain their businesses while dealing with a combination of factors, including the newly implemented processing regulations, government ethanol programs and policy, lack of access to key markets, and high input costs. Many producers are questioning their future in the beef industry. I am sure you have heard this from your constituents.

We foresee our situation being further compromised due to the program announced last summer by Alberta unless immediate action is taken by the federal government. During times of volatile commodity prices, as we have seen over the past year, rapidly escalating farm input costs cannot be reflected in farm gate prices for beef in a timely manner due to the length of our production cycle.

Our recommendations to you fall into four categories: regulation, equalization between provinces, ethanol policy, and trade. In terms of specific regulations that are detrimental to our industry, one that began our basis slide is the enhanced feed ban. As I am sure you are aware, this outlines the requirements for removal and disposal of SRM materials. I know you have heard from others on the cost of this regulation. Depending on the plant, this can range from \$10 per head to \$80 per head for smaller provincially inspected plants.

While we recognize that we are moving into a new era of global supply chains, we must have protocols in place to open borders, not just to shut them. We accept that regulators are expected to devise systems that ensure the safety of the food we eat. We accept that there will be a movement to full traceability, likely within the next decade. However, you need to accept that we must harmonize our regulations with those of our largest trading partner, the United States. To do otherwise would place Canadian farmers in a position

of permanent competitive disadvantage to our competitors. That can only lead to weakness and ruin.

Our regulations such as on the own use importation of veterinary drugs and the approval of pest control products are beginning to show some positive movement due to the response of the recommendations coming out of the Beef Value Chain Roundtable. It does not make sense to us that our competitors are allowed to use interventions that are not available to us.

We need to know why these approvals take so long. If there is an honest question concerning food safety with any of these products, then we ask why product produced with them in other countries is allowed to be imported into Canada.

• (1125)

Our second recommendation concerns the issue of equalization between provinces and the need for a national business risk management program that works. During recent meetings with our young producers, the number one need young farmers identified after the start-up loan program was a BRM program that works. More experienced beef farmers also identify that same need.

You must take action now. You cannot keep delaying. Producers across this country, except in Alberta, are desperately awaiting your help. If you do not have your own program to roll out, deliver the Alberta program to everyone. Also, make the changes to AgriStability that have been on the table for so long. Our requested changes to this program are as follows: offer the better of the Olympic and previous three-year average on reference margin calculation; eliminate the viability test; enhance reference margins; increase coverage to 70% of negative margins; allow producers the better of AgriStability tier one or AgriInvest; remove caps from AgriInvest and AgriStability.

These changes to the existing program could really help some people who deserve it. We request that you make these changes.

Our third area of recommendation is trade. Many products from our animals are not consumed here in Canada. Therefore we need to have commercially viable market access to maximize carcass value. This is a good measure to support the long-term health of our industry. We are pleased with the Government of Canada's increased pressure in recent months to open international markets to Canadian beef. However, we continue to request that the Government of Canada launch a WTO challenge against the United States regarding mandatory country of origin labelling. COOL places a cost burden on packers and retailers that will be borne by the primary producer, equalling approximately \$90 per head.

Our final recommendation concerns the long-term systemic negative effects that ethanol production policies have on our industry in Ontario. I would suggest that you have Al Mussell from the George Morris Centre come and present his findings to you. Al's original prediction is that if a counteracting policy is not put in place out there, feeding of cattle and hogs in Ontario will, over time, decline by 70%. That's huge. It will of course destroy most of the infrastructure our industry currently has in place. This has very large implications for those of you who have seats in Ontario.

In summary, I see a great future for our industry. Farmers are having a little trouble finding the road to that future right now, but there is no doubt in my mind that demand for beef will climb as the world economy improves, and specifically as countries such as China and India develop their economies. The beef industry is good for our economy. We have the potential to expand our output of beef without significantly changing the capacity in Ontario. This could add about \$400 million every year to value-added GDP and add about 6,000 good working jobs. When all is known, and when you see the trouble the auto industry is in, all parties should be paying attention to the opportunities agriculture has to help our economy.

Thank you.

• (1130)

The Chair: Thank you.

Now we'll move to Mr. Vancise for ten minutes.

Mr. John Vancise (Farmer, As an Individual): Thank you, Mr. Chairman. I look forward to this opportunity.

Bonjour. Hello.

My presentation will visit the area of competitive advantage through regulation and brand power.

The purebred seed stock industry, like the beef industry, has a global aspect. To be competitive, one needs the following: a product that excels, a market and a viable strategy to access it, and—most important—health certification that is accurate and irrefutable based on sound science.

Government has a role to play in all areas, but undoubtedly the most important role is health and health certification. All this together equals brand power and success. Flaws or erosion of any component puts this brand power at risk. Health certification is paramount and CFIA is entrusted with a cornerstone role. In 1985, Canada became the first nation in the world to eradicate brucellosis. That feat garnered respect, trust, and admiration for CFIA throughout the industry and around the world.

Once the bar is raised and new standards are set, backsliding is no longer an option. Vigilance, enforcement, checks and balances—all these play a role in maintaining the status quo. That is why checks and balances must be built into a system, and any breaches of established protocol must be dealt with openly and under a policy of full disclosure. For example, the policy of on-farm isolation and re-test of imports must be reinstated. It is cost-effective, especially in view of the fact that breaches in protocol often have serious financial implications. This provides a valuable check. When re-tests were discontinued on March 31, 1996, it took less than 100 days for CFIA to screw that one up.

For trust and respect at all levels to flourish, and to prevent erosion of Canadian agriculture brand power, we need third party overview. This would provide a known entry point to allow more industry input into CFIA operations. This office could also facilitate dialogue.

We need to be certain that CFIA is a positive influence in our lives and performs up to expectations.

Situations must be dealt with expeditiously to avoid downstream domino effects. Competitiveness and financial viability are at risk if mistakes are allowed to erode brand power and go unresolved. All Canadians need to be concerned.

CFIA must divest itself of its self-monitoring role, because the temptation is always there for cover-up. Having an independent third party doing the monitoring would raise the bar of health and certification. As it now stands, when errors or total screw-ups occur, CFIA has no one to answer to, and anyone injured by their mistakes has little recourse and virtually no access to government for restitution.

Canadian agriculture needs an ombudsman watchdog to take on these challenges, someone to strike a balance in the system, someone who has the power to get the answers and compensate for mistakes—past, present, and future. This ombudsman watchdog needs to be empowered to ensure fairness and expedience while maintaining a level of service equal to the respect and admiration of 1985 CFIA. We need a Sheila Fraser in overalls.

Ways must be found to right past wrongs and compensate those harmed by substandard service. Waiting for their collapse is not an option, nor is it the Canadian way.

As an individual who has suffered a devastating and debilitating blow to his business, I know first-hand how a CFIA meltdown in 1996, left unresolved, has devastated me and my family. To give you some insight into our situation, I start with an excerpt from the financial impact statement, written September 22, 1996, by Dr. Brian Keyes, veterinarian, Barrie, Ontario: "On July 8, 1996, Mr. Vancise imported four purebred Hereford bovine from the state of Kansas, U. S.A. The animals were certified by a USDA accredited veterinarian, and an appropriate certificate was endorsed by the USDA." He goes on to say, "The testing and health requirements as outlined by Canada's Health of Animals Act/regulations for export to Canada was to have been fulfilled as per the certificate."

• (1135)

This obviously didn't happen. The CFIA website states no vaccine is licensed and vaccination is not part of the disease control strategy for anaplasmosis in Canada. The import certificate states these cattle were vaccinated the 25th of November, 1995, for anaplasmosis.

Secondly, on the continuation sheet, paragraph four: "To the best of my knowledge anaplasmosis has not existed clinically or serologically in the herd of origin for two years preceding this exportation". The health paper stated that on May 8th, one animal was tested positive on a composite fixation test with a one-in-ten dilution. When we went through our quarantine, a one-in-ten dilution positive was a death sentence.

I quote Dr. Keyes' letter of January 16, 2007:

If an animal is tested in the country of origin for a specific disease, it is inherent the animal is not vaccinated for this disease. Tuberculosis, anaplasmosis for cattle imported from the United States.

Why?

The answer is on page 12 of Oklahoma State University paper on Anaplasmosis (2003). Both live and killed vaccines rely on the field strain of *A. marginale*. These vaccinations do not prevent persistent infection of *A. Marginale* although they prevent or reduce clinical disease. Persistent infections in cattle contribute to the further spread of *A. Marginale* because these cattle serve as a reservoir of infection for mechanical spread of the disease or as infection for ticks. Vaccinated cattle develop persistent infection that produce lifelong immunity. Revaccination is usually not required. There was also a short 30 day T.B. test reported and the required time frame interval is 60 days.

This is where the problem started the time line shows how it unfolded. An appropriate check and balance in the system would be:

2 independent vet scrutinizers of the import certificate at port of entry and endorsed by both.

2- Retest upon arrival on farm quarantine.

The time line shows mid March 1996 I was given incomplete information on testing. It shows the health certificate was submitted a week ahead to CFIA border vet Dr. Jack Orange for his input and approval.

It shows 148 day quarantine – CFIA's original estimate 7-10 days. It shows CFIA did not and would not quarantine for all four diseases. They would not test. They would not allow me to test.

My test done by Dr. Geiger in Michigan

—after the cattle were taken back to the States—

exposed the problem. CFIA's sample I demanded they draw for reference was not even sent for testing until after the results on my test came back.

It shows no mitigation for Anaplasmosis until September 19, 1996 over 2 months in peak fly season.

—that's when they were ordered under a roof—

It shows the sensationalism that erupted in media and the area, population as two fairs could not hold their cattle shows.

However, the absolute hell and financial devastation over the last 13 years due to CFIA incompetence can never be totally portrayed. We had lived it every day and have struggled to pay a debt caused by CFIA's incompetence. In June 1996 I had a preferred status with the bank, one I had enjoyed for 25 years. I had no machine debt or mortgages. By December of the same year, our cattle nearly worthless and our business devastated, that no longer was the case.

I ask this committee to get a committed date time for me to meet with Minister Ritz meets with me to develop a plan to resolve this situation and provide restitution based on forensic account.

I ask this committee to recommend changes to CFIA and AAFC based on this presentation.

I would like to see the office of Ombudsman/Watchdog for Agriculture established that can also facilitate access and dialog with CFIA and AAFC.

After nearly 13 years of hell, sooner would be best. Together we can achieve more.

• (1140)

Thank you.

The Chair: Thank you very much, Mr. Vancise.

I have Mr. Valeriote for seven minutes please.

Mr. Francis Valeriote (Guelph, Lib.): Thank you so much to each of you for coming to Ottawa to speak to us today. I'm going first because I have to leave at noon for an automobile meeting that you each referred to.

Mr. Hardy, thank you for your presentation. On the first page you say, "Over the past year, our producers have fought to maintain their businesses while dealing with a combination of factors, including newly-implemented processing regulations." Can you tell me what is most problematic about those newly implemented regulations? Extend your statement to us, please.

Mr. Gord Hardy: The regulations pertain to the packing industry. When the feed ban came into effect in July 2007, a regulation was put in place that made us uncompetitive with the United States.

Mr. Francis Valeriote: In that same paragraph you also say, "I am sure you have heard this from your constituents. We foresee our situation being further compromised due to the program announced last summer by Alberta unless immediate action is taken by the federal government." What is your perception of what was introduced in Alberta and what changes need to be made? How should the government react to that?

Mr. Gord Hardy: The Province of Alberta recognizes the benefit of the beef industry. They stepped right in and stood behind their producers, as they always have. They've done a great job of standing behind their producers. The federal government has basically let them do that. The rest of the provinces cannot come up with the money to roll out programs as rich and productive—I believe it was a \$300 million program.

On the role of the federal government, they should not allow one province to run this industry. Other provinces that have an equal number of farmers in the business should stay in business and not lose it all to one area.

Mr. Francis Valeriote: So they've gained a competitive advantage because of the money that's been given to them by their government.

Mr. Gord Hardy: Definitely.

Mr. Francis Valeriote: Thank you.

Mr. Dungate, you made reference to phony science that seems to create barriers to trade. Can you be more specific? I'm curious about what you mean by that.

• (1145)

Mr. Mike Dungate: When it comes down to it, we're dealing mostly with tariffs now. As we start to see tariffs go down, countries that truly want to protect their markets find other means to do so. I'll compare Canada with U.S. and Australia in terms of chicken.

The U.S. doesn't have any tariffs to protect its chicken market. But it's biggest competitor is Brazil, and it keeps Brazil out because it claims it's not Newcastle-free. There are some cases of Newcastle, but Brazil is a country about a third the size of Canada, so something can be at the far end of a country and not at the other end, and they claim that status. Therefore even our shipments of Brazilian chicken into Canada can't go into a U.S. port. Ships have to go to Europe and then to Canada to bring Brazilian chicken here. That's what the U.S. does to keep it out.

I talked about Mexico and where they were. Australia has a permanent avian influenza ban. It has never banned Canadian chicken for avian influenza because it has a ban that says you have to cook it until it's essentially pet food before it can get on that island, because it's so pristine, therefore nobody exports chicken to Australia.

So it's those types of things under the guise of other matters. Frankly, the market access secretariat has to play its role by going out and vetting those ones where we're getting blocked by illegitimate freezes.

Mr. Francis Valeriote: You say in your conclusion that in order to be competitive the Canadian chicken industry needs changes to the 13% rule so imported chicken does not circumvent our tariff rate quota system. Can you be more specific? What kinds of changes would you like to see in percentage terms or otherwise?

Mr. Mike Dungate: In our view you have a harmonized tariff system. Anything in chapter 16 is declared a meat product. For something to be categorized in that chapter it needs to have at least 20% meat content. So if it's in chapter 16 and it's a meat product, it's either a chicken, beef, or pork product. Go into the grocery store, and that's how they sell all the food. It doesn't matter what they add to it; they sell it on the protein. In our view, if it has 20% or more meat content it has to be declared a chicken, beef, or pork product. If it's pizza, soup, or something like that in a different chapter of food preparation and has less than 20% meat, it's something else. They're selling it as pizza; they're not selling it as chicken.

Mr. Francis Valeriote: I'd like to ask you a question on research.

Research is important to me, particularly coming from Guelph and the University of Guelph area. In practical terms, what specific changes are needed to current government research and development programs?

I'd like to ask you that, Mr. Hardy, and then Mr. Dungate if there's time.

Mr. Gord Hardy: I missed that.

Mr. Francis Valeriote: I'm talking about research in your industry. Are you familiar with the areas of research? Can you recommend changes you think should be made to research programs? Should it be about changing or redesigning the current programs, as opposed to merely investing money in them?

Mr. Gord Hardy: I think our research has been working well. The investing and having a chair, especially in agriculture, and having chairs in specific sectors certainly helps.

Mr. Francis Valeriote: Okay.

The Chair: Your time has expired. Maybe we'll get a chance to further that.

Mr. Bellavance, you have seven minutes.

[Translation]

Mr. André Bellavance (Richmond—Arthabaska, BQ): Yes.

Thank you for your testimony.

Mr. Dungate, in your presentation, you talked about poultry imports from the United States, and that topic was discussed at great length during the Annual General Assembly of the Éleveurs de volailles du Québec. This general assembly took place last week or the previous week. It was held very recently.

There is some concern in particular about these US imports. You also mentioned Brazil. According to the Quebec federation, American poultry imports have increased annually by about 25% for the past eight years. That is a tremendous amount!

We are told that the chicken coming in from the United States will be processed here and supposedly returned to the United States. However, we are wondering whether or not this chicken really is sent back to the United States. It is difficult to know exactly what happens with respect to transportation.

As for the Annual General Assembly of the Quebec Poultry Producers' Association, which was attended by the Honourable Jean-Pierre Blackburn, Minister of State (Agriculture), I would like you to explain what he said exactly. Indeed, the minister was quoted in a media article on the file, where he said that the government was now looking at proteins rather than weight as that enabled them to have better control over the quantity of chicken imported from the United States.

I do not know whether or not you understand exactly what he meant, but I would like to hear your explanation. Obviously we should be asking him the question. That being said, I would like to understand exactly what that would mean.

When we talk about competitiveness, we must obviously deal with this situation even though we are protected by the supply management system. Today we can see that, in many countries, they are starting to take a serious look at the applications of the supply management system. However, in many cases, and not so long ago, there was an attempt to make it seem as though this supply management system no longer existed, to help with competitiveness, although there are still countries that want it.

However, there has been a reversal of this trend towards a supply management system. I am pointing this out because this is an interesting fact.

Despite the protection that you enjoy, there are some aspects that may be very worrisome for the competitiveness of your sector.

• (1150)

Mr. Mike Dungate: You're going to be able to test my French when I start talking about protein content.

First of all, we are not against the Import for Re-export Program that is now in place. We do, however, have some major concerns about it, in the way that it is applied and in the possibility that white meat may remain in the Canadian market, whereas something else is exported in order to meet the requirements of this program.

This problem pertains in particular to spent poultry, namely layers that have gone beyond their laying days and are now to be used for something else. We are concerned that the processors may be importing a high-quality product and replacing it with a non-quota product. There is no quota for spent poultry. There is perhaps some way to resolve this issue. That is what is concerning us.

Last year, as far as these two programs were concerned, one program pertaining to turkey and the other for the chicken, and because of the drop in the American market, the turkey program fell by 47%. At the same time, even with a 9% reduction in US production, the Import for Re-export Program increased by 11% over the last year. Given the market conditions, this does not make sense.

We are therefore monitoring the situation very closely. I know that the Department of Foreign Affairs has done some follow-up, but I am not sure that it has the capacity to conduct evaluations in the slaughterhouses to know exactly which chickens are broilers and which are spent chickens.

With respect to protein, there is a way to assess it. Generally speaking, chicken contains 23% protein. If other things are added, such as soya protein or something else, the protein content in the chicken is lowered. So if we test a chicken and find that it has a protein content of 12%, that means that 50% of the proteins come from other ingredients that have been added to it. This is deemed to be a chicken suitable for export and meets the requirements of the Import for Re-export Program.

I hope that I have been clear.

Mr. André Bellavance: Yes. That means that the government is somewhat changing the way it tests chicken that comes from abroad in order to have, perhaps, more specific information—

• (1155)

Mr. Mike Dungate: Yes, that is right.

Mr. André Bellavance: —instead of simply weighing it. Beforehand, was it based on weight?

Mr. Mike Dungate: Exactly, or we simply looked at the label.

Mr. André Bellavance: Yes, obviously that does not tell us... But we are still facing another real problem, namely, whether or not the chicken that is supposed to go back to the United States actually does. It is not easy to monitor this situation.

What would you suggest we do so that we can have some peace of mind and know exactly whether or not the people who import chicken here, regardless of whether it comes from Brazil or the United States, really do respect the rules?

Mr. Mike Dungate: Yes, absolutely, they have six months to import and six months to re-export. That also causes some synchronization problems.

If the market is good, we import something, and then we re-export it when the market is not as good. So we use a lot of different things.

Mr. André Bellavance: And what would your suggestion be as to how the government can monitor the situation?

Mr. Mike Dungate: We have asked the government to provide us with a list of the companies that participate in this program, but we have not been given this information. All of the other quota holders are indicated on the Foreign Affairs website, with the exception of the people who participated in this program.

If industry were told who participates, it could resolve the situation, to a certain extent, by itself. It would really be beneficial to know who is participating in the program.

[English]

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

Mr. Atamanenko is next, for seven minutes.

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

Maybe, John, I'll start with you, if you don't mind.

Your presentation was gut-wrenching. It shows that you basically haven't been able to be competitive because of the events that happened to you.

Was it the 148 days of quarantine that proved to be destructive? Is that the main decision that proved to be the most destructive to you? Also, 13 years have gone by; what would it take for you to once again become competitive and get back your reputation?

Mr. John Vancise: I think we really have to visit what the root cause was. There's no doubt that we received the statutory compensation for the cattle ordered destroyed. That's under law. The 148-day quarantine literally destroyed our pastures and our management because it was a wet fall and everything was turned to mud. Our management has never totally recovered ever since, because instead of being able to sell cattle when we wanted to, we've been under the gun from the banks and everybody else down the line.

The moneys that we did receive were a statutory requirement that applies to all animals ordered slaughtered. By citing this as a reason for no further payment, the department has ignored our entire argument to the effect that the quarantine was made necessary due to CFIA accepting USDA procedures as evidence that the cattle had been properly tested. They should view this from the perspective that it's the CFIA's regulations, and the USDA must meet those regulations. Evidence exists on the certificate that this was not the case. Furthermore, I was utterly powerless to step between the USDA and the CFIA. I had no access to technology or expertise.

If you accept that, then everything that happened from the time of quarantine on down the line was a domino effect. We had no income for the last half of the year, and basically that is when we sell most of our cattle, so we really had very little income for the full year. We had about 460 head of cattle at that time, with plans to sell over 200 of them. It ended up that we were going into winter with the full load of cattle, which we couldn't handle, really, and we couldn't sell them.

Coming out the other side, because the cows were calving, etc., we had 750 head, but our reputation was destroyed in the process. It took years to try to rebuild that confidence, and I don't think we've ever quite achieved it.

When we got into a position where we could retire debt, things like September 11 hit us, and we had no option: we had to sell cattle. We couldn't say we'd wait six months, because we were under the gun from banks, etc.

The same thing happened with BSE. We were wounded going into BSE, so to survive this long is quite a feat. We were in a position in the fall of 2007 to reduce numbers to try to help our situation, and we got hit with \$1.10. Those were things that we couldn't navigate around, because we were under pressure.

• (1200)

Mr. Alex Atamanenko: You've been surviving somehow. How have you been surviving?

Mr. John Vancise: Well, you know they always say not to put all your eggs in one basket. We had some on-farm rentals—houses and a couple of shops—and the rentals helped to put food on the table. I also had some penny stocks I bought years ago, and they finally started paying off, to the tune of about \$300,000 or \$400,000. I had bequests left to me. We had to mortgage all our properties, etc. That's how we survived.

Mr. Alex Atamanenko: John, obviously there are other cattle producers suffering. How does your situation differ?

Mr. John Vancise: Our situation differs simply because CFIA actually ushered this disease upon us, because they didn't in any way, shape, or form perform their duty. They are the front line when it comes to security for health in this country. For example, if it had been any other disease with as great a biosecurity threat as this and they took months on end before they actually acted on it, where would all of Canada be? In our case, they absolutely dropped the ball, and they dropped the idea of retesting cattle just a month or so before that.

In 1995 we brought cattle in. We would fax the information to the border and have them go over it, so that the cattle wouldn't come a long distance and then have a problem. They were on farm

quarantine. They were retested. That's the way things should work. Then you know that everything is right.

In this case I did call them for a retest, and they told me, no, they had stopped that at the end of March. So that wasn't done, and they said there was no reason to have them on farm quarantine, which we already had done at that point.

Mr. Alex Atamanenko: Specifically now, what would you like to see happen?

Mr. John Vancise: We've never been able to have a direct conversation with CFIA to remedy this situation. We need somebody who has more power than they do, and I would suggest that would be the minister.

There was forensic accounting done up until the year 2000 as part of a tort claim that Foreign Affairs suggested we make against the U. S., and that was before we realized that it was Canada that didn't make sure its regulations were lived up to. So we would like to see restitution based on forensic accounting.

The Chair: Thank you.

Your time has expired, Mr. Atamanenko.

Mr. Hoback, for seven minutes.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Mr. Chair. I would just like to inform you that I will share my time with Ms. Hoepfner, because she has to leave. So I will ask a question and then move on to her.

Gentlemen, thank you for coming. I know it is getting nice outside and that a lot of us with our farm backgrounds would probably rather be outside, even if it is raining, than in here talking about things that are probably equally important because these things affect our industry and we farmers need some of these changes if we are to continue on and have a future for our kids.

My question is going to be towards you, Mr. Dungate, and it's regarding the interprovincial aspect of supply management in the chicken industry, which is what I think you could best comment on. What I'm curious about are new quotas as they are applied or given out across Canada. How much does the efficiency of the region or location play into the allocation of the quotas? What's the process?

Let's use the example of Saskatchewan. We have lots of prairies there, and it's wide open and beautiful country. I'm sure you've been there. I would think you would have a lot lower cost of production there of chicken than, say, right next to Toronto or Montreal. So how does that go into your formula or your equation as you divvy up the quotas?

• (1205)

Mr. Mike Dungate: Our system has changed over time or evolved to do that. It really becomes a question of how efficient the processing and marketing are, as well as the production. If you are in a province where you have a processor that is not very aggressive and not a good marketer, it unfortunately doesn't matter how cheaply you can produce that chicken; you still have to transport it live to a processor. So you need someone fairly close to you, and if they don't do a good job, it doesn't matter at that point.

In fact, that happened to Saskatchewan, which went way down in the early nineties in those terms. It took us about two years, but we essentially got Saskatchewan back up to almost double their production in order to bring them back. They said they had got to the point where even one processor was not efficient enough and that they needed to get it up, so they had that size. We did that. The difficulty we had was that they promptly went out and brought in another processor, and all of a sudden the efficiency that we thought we had created in Saskatchewan dropped down.

You have one very aggressive plant now, Prairie Pride in Saskatoon, which is looking aggressively at exporting. That has helped a lot. It allows, on a self-selection basis by a province, to ask whether they want to get involved in that, what is the marketing necessary, and what quota they can attach to that.

We actually have meetings next month to look at whether or not there are different ways we can determine differential growth between provinces. For the last four years, the growth has been shared equally across the country. That becomes an issue when you get to a point where some processors are having difficulty in some regions, and some may not need as much as others. Frankly, the ones in Manitoba are very aggressive now as processors. They've taken a Saskatchewan producer away, having it move over to Manitoba.

So that's some of the stuff that happens. There's a dynamic in there, and we're trying to make sure our system matches where consumer demand is going and the structure of the industry goes.

Mr. Randy Hoback: Thank you.

Ms. Hoepfner, do you want to go ahead?

Ms. Candice Hoepfner (Portage—Lisgar, CPC): Thank you very much.

I represent a riding in southern Manitoba. We've had a very vibrant livestock industry, chicken farming industry, hog producers. Obviously, the challenges that have occurred over the last five years are having a very drastic impact.

My question is specifically to Mr. Hardy or one of your colleagues. How do you see the funds we provided to expand slaughterhouse capacity assisting farmers? I think specifically in Manitoba COOL has had a different impact just because of our location. How do you see the relationship between expanding the slaughterhouse capacity and relieving these farmers with the challenges of unresolved COOL issues?

Mr. Gord Hardy: I can go first.

I see that the money that was put into the abattoir expansions was necessary. We needed to have those in place at the time. Things have changed since; the borders and the situation have changed. The country of origin labelling is now playing different issues, as you brought up. We do have lots of capacity within Canada. It's the producers, keeping them viable, that we're having the biggest challenge with.

Ms. Candice Hoepfner: It's not the capacity; it's actually encouraging producers to use it.

Mr. Gord Hardy: We do have and we've built sufficient capacity for processing during the BSE years. Yes, with the change and because of the enhanced feed ban that was placed, we have seen a

number of cattle leaving the country and going to the United States to be processed. Mainly because we're disadvantaged, it is costing more for our processors to process here in Canada than it is in the United States.

My colleagues may want to add something.

• (1210)

Mrs. Kim Sytsma (Director, Ontario Cattlemen's Association):

It has made us uncompetitive with the Americans. Cattle are going south to be processed and then coming back into Ontario.

Ms. Candice Hoepfner: I know in Manitoba we've had a lot of questions and interest in expanding slaughterhouse capacity. You're speaking for Ontario, but I think in Manitoba we are looking forward to that.

Mr. Gord Hardy: Yes.

Mrs. Kim Sytsma: I think there are areas in the country where we may need to increase some of our slaughter capacity. I know that in northern Ontario they don't have any place where they can locally process their cattle. Maybe we need some small abattoirs there. I don't live in Manitoba, so I can't really talk about Manitoba.

Ms. Candice Hoepfner: I know. I'm asking you to comment on a different province, but it's something where I thought there may be some overall similarities.

The other area is obviously expanding trade. If we can do that for our producers, that's something this government is committed to. Minister Ritz is in north Africa right now, working in Morocco, looking at some expansion.

How do you see the creation of the market access secretariat? What role do you see that playing, and how can it assist the industry?

Mr. Gord Hardy: A lot of that came out of the beef round table we have nationally, the request for that. It's great. We appreciate the government moving as quickly as it did on it and moving someone into place. The need to get market access is huge in our business. We're working with a beef industry that is working with two-thirds of its market. A lot of people figure BSE has gone away and we are in a fair market. We are not operating in a fair market. We're in a whole different market situation right now.

The Chair: Thank you.

Your time has expired, Ms. Hoepfner.

Mr. Easter, you have five minutes.

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

John, I'll go to you first. I've looked at your case for a long while as well. Certainly an individual caught in the domino effect of a situation where you've basically lost your economic livelihood in terms of the livestock industry.... You had some other options to help bail yourself out, but you shouldn't have had to do that.

The key question is, where to go from here? I do like your suggestion on an ombudsman kind of thing. Regardless of the party, we all deal with these situations. In Prince Edward Island we had the same agency, but PVYn in 1991; it was settled in 1996. New Brunswick still has it before the courts. The theory is that you can go before the courts to gain justice, as you could do in your case, but there's no way an individual could afford to take on the Government of Canada.

I think the ombudsman is maybe a possibility for us to at least suggest, but what can we do to deal with your specific situation? I have the letter from the minister here. He is saying that "...the Government of Canada could not make an *ex gratia* payment because settlements had already been made in the United States and that Canada had provided compensation as afforded by the *Health of Animals Act*."

In fairness to the minister, that doesn't leave us anywhere to go, so I wonder what you could suggest.

Second, while you're thinking about that answer, I want to come to the Cattlemen's Association. We have a dilemma here in the livestock and hog industry on what to do. Gord, I think your key point in the last answer was that we're not operating in a fair market. I've raised the question with others, including the Cattlemen's Association. Why don't we establish...? We always hear from the heads of a lot of organizations, saying we have to be competitive, get rid of a few regulations, let's be competitive, but competitive against what? I don't know why Canadians theorize that there's such a free market out there. It isn't free. It isn't free anywhere. So what's our bottom line?

You're right on the Alberta program. I'm not criticizing the Alberta government for doing what it did. I understand that. It's under pressure. Cargill is big in Alberta. It wants to keep that feeder lot operating and that plant. When you pay \$100 in Alberta and \$60 in Saskatchewan, what about producers in the rest of the country? We have a patchwork quilt of programming that is driving us out of business in Atlantic Canada, you out of business in Ontario, and what it comes down to is a lack of a federal vision for the country.

How can we get to that fair market you're talking about? Do we have to match the United States dollar for dollar, or what? Those are two questions.

• (1215)

Mr. Gord Hardy: Do you want me to go first?

We're not in a fair market within our country. We need to have balance. We need to have more balance across the provinces. We have beef in every province except for Newfoundland and the Northwest Territories, I believe. We need to have a market. We in Ontario have the population. We have the capacity to grow. We have land, water. We have infrastructure in place.

You mentioned Cargill in Alberta. Cargill is in Ontario, and it's our biggest packing plant. We cannot see our numbers fall any lower than they are today, or they'll be out of there. If they're out of there, our only market is the United States. With all our animals, that's a lot of jobs going across with every truck.

Hon. Wayne Easter: We don't have a processing plant in P.E.I. and we've already lost over 70% of our hog industry and over 40%

of our beef industry. We're a deficit area for beef and hog production. It makes no sense.

John.

Mr. John Vancise: In our case, our reputation was completely destroyed, and it was because of negligence on the part of CFIA. There was no full disclosure on any level, and according to the College of Veterinarians of Ontario, licensed veterinarians are due for full disclosure. Having said that, I don't know how the Government of Canada can compensate me, but I know we deserve it because we knew we did nothing wrong here. We did everything we possibly could according to the rules and regulations, and they didn't follow their own rules and regulations.

We couldn't sue them because, number one, we had no income for six months. When our cattle couldn't be sold, our operating line.... The banks wanted any moneys that we had, and everything in loose cash, which was about \$80,000, went to the banks. We've never been in a position where we could sue the federal government, and as you mentioned, it is just beyond the capacity of an individual to spend \$200,000 or \$300,000 to do that. No lawyer would do that for us.

There has to be a political will here to finally do what's right.

The Chair: Thank you.

Your time has expired, Mr. Easter.

Mr. Storseth, for five minutes.

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

I'd like to talk to Mr. Hardy for a couple of minutes. Unfortunately, because of time, we have to keep it brief.

Being an Alberta member of Parliament from an area that has 60% of the cow-calf producers in Alberta, I do take you at your word that you, unlike Mr. Easter, are not attacking the Alberta government for what it has done. You just want a similar program put in place across the country. I take you at your word that you recognize that the Conservative government in Alberta has always recognized the importance of its producers, as our government has always recognized the importance of our producers.

One of the things that is never talked about when this discussion comes up in the context of competitiveness is that the Alberta government attached age verification to that money. They pushed their industry so that it would be more competitive in areas that they identified around the world. That's something I'd like you to comment on. How important do you think it would be if there were a program of this nature, if Ontario recognized its producers the same way as Saskatchewan and Alberta have? Do you think age verification should be attached to that?

There is a second thing I'd like to ask you. I'm sure you know that it is always propositioned or positioned that Alberta is this big rich province that just throws money at problems. We're in a deficit position. The Province of Manitoba is not in a deficit position, yet we are stepping up for our producers more than Manitoba is. So it's not about money, it's about recognizing the importance of the industry.

I'd like you to also talk about the trade premium that we've heard about from other presenters. The Canadian Cattlemen's Association, CAFTA, and everybody recognize that there is a trade premium that we will get if we can sell into some of these other countries, if we can sell into South Korea, if we can sell into some of these other markets, and they recognize the importance of that for Ontario as well.

If you could answer those questions, I have many more.

•(1220)

Mr. Gord Hardy: Thank you.

To start off on the age verification, I congratulate the Alberta government for taking the stand that age verification is important. We couldn't agree with you more in Ontario. Three or four years ago Ontario took the stand that they would support mandatory age verification. The western provinces would not support any of that. At our past meeting in February, Ontario voted in favour of age verification being mandatory. We believe in it. We've had a program running for about four or five years now in Ontario supporting age verification. It is important to trade.

What was the second question?

Mr. Brian Storseth: It was on the importance of opening trade markets with these other countries, as we've been doing. We've been pursuing bilateral trade agreements to open up these markets.

Mr. Gord Hardy: The trade agreements are necessary. As I said before, we work with a large carcass. We do not eat all of that carcass here in North America. We get added value by shipping some of those parts of the animal. In different parts of the country it's very important, and if we can add value to our carcass, that is one way of doing it. We commend the government for taking those steps.

Mr. Brian Storseth: I agree with you when you talk about high input costs and how it affects our producers. It affects my producers at home; it affects your producers here.

Last year this committee did a study on input costs and some of the disparities in it. I'd like you to talk a little bit about your perceptions, if you agree, that there's a lack of competition with some of our companies that provide the inputs for us. What you would like to see there?

I would also like to clarify one thing. I agree we have a regulatory disparity between the countries and we have to make sure our farmers and our producers are put on the level playing field when it comes to regulatory burden. On things like SRM removal and the enhanced feed ban, albeit what was put in place in 2007 wasn't exactly what the Canadian Cattlemen's Association and other associations like yours were advocating for, it was in that direction. Do you admit this is one of the primary reasons that we were able to get the U.S. market open at that point in time?

Mr. Gord Hardy: I believe it probably was, but one of the things that we did ask for, as associations, was to harmonize with the United States. It was very important to be the same as the United States. They still do not have a feed ban in place. They're assembling one, but they still do not have it in place. That's why we're at a competitive disadvantage in our slaughter operations here in Canada, compared to there.

Mr. Brian Storseth: Agreed. If we hadn't done it in the first place, we wouldn't have had the market open.

The Chair: Okay, your time has expired.

Madame Bonsant.

[Translation]

Ms. France Bonsant (Compton—Stanstead, BQ): Good afternoon, Mr. Dungate. I'm going to ask you a question. Feel free to answer in English, because we have some very good interpreters.

In your association, are there any farmers who produce eggs for medicine? Since you test eggs to determine whether or not there are any bad things in them, I was wondering whether there were any farmers, in your association, that focus on egg production to help develop technology and further medical studies.

Mr. Mike Dungate: No, because there is a national agency that looks after layers. These are egg producers.

Ms. France Bonsant: I see. Are the egg producers members of your chicken producer association?

Mr. Mike Dungate: No, that is a separate association. I do know that this association does have a research program for medicine.

Ms. France Bonsant: The government cut \$160 million from research and technology. Did this cutback have an impact on your association, on the egg producer association? This was, for them, additional revenue. Is that not the same thing?

Mr. Mike Dungate: No, that is not the same thing. With regard to research and the questions that your colleague asked earlier, we think there needs to be an increase in research going forward.

The problem arises when the focus is placed on innovation alone, and not competitiveness. Competitiveness is in another sector. We want to be able to invest in research, competitiveness and innovation.

Ms. France Bonsant: If I am not mistaken, what I gather from what Mr. Hardy or yourself, Mr. Dungate, have said, is that the Americans are currently dumping their products into Canada, as a result of their surpluses. That is a way for them to increase revenues and reduce inventories.

•(1225)

Mr. Mike Dungate: Yes, that is a fact. We import close to 8% of our consumption. These imports are only value-added products, such as boneless and skinless chicken breasts. That amounts to approximately 15% or 16% of our market.

Given the retail situation in Canada, the Americans have the capacity to force Canadian processors to sell their fresh meat product. If the product is frozen, it immediately loses 50% of its value.

Consequently, the 15% to 16% of high-value products that are imported into our market put pressure on Canadian prices. Therefore, a price decline in the United States has a significant impact here.

Ms. France Bonsant: Mr. Hardy, I come from a large riding where there are many dairy cows. Our producers were also caught up with the mad cow crisis. As well, traceability chips are used in Quebec. We can therefore trace the origin of a cow in under half an hour. The merit of such a system is not always recognized in the rest of Canada.

In your view, does American dumping have an impact on your beef products in Ontario?

[English]

Mr. Gord Hardy: We do have beef come in from the United States, but we also export an awful lot of live cattle from western Canada into the United States. So the trade effect comes back in beef. The largest provinces, Quebec and Ontario, have the biggest consumer base, and they do bring in product. We do not supply all of the high-end parts of that product, so product does come in from the United States.

We would like to see some of that U.S. product displaced by Canadian. It's very important to us. Regarding traceability, we do recognize Quebec's traceability. I sit on the board of the Canadian Cattle Identification Agency, and traceability is very important to us. We're well aware of Quebec's program, and we congratulate you on that.

The Chair: Thank you.

Your time has expired, Ms. Bonsant. I didn't make the rules; I just enforce them.

[Translation]

Ms. France Bonsant: That's all right, Mr. Chair.

[English]

The Chair: Thank you.

Mr. Richards, you have five minutes.

Mr. Blake Richards (Wild Rose, CPC): I want to thank you for being here today.

I have a comment for the Ontario cattlemen to start with. I certainly appreciate the growing chorus of people we've had before us here from all across the country who have shown support for our government's great work and our agriculture minister's great work in terms of opening up export market access, and we certainly appreciate your comments in that regard. We'll continue to work hard on your behalf to make sure we're opening up markets so that we can decrease the dependency on that American market and certainly add value to some of the products that we may not consume here in North America, which you mentioned as well earlier. So I want to make sure that you're well aware that we'll continue that good work on your behalf.

• (1230)

Mr. Gord Hardy: Thank you.

Mr. Blake Richards: You may have talked a bit earlier about the COOL legislation in the States. I'm sure you would have. I want to give you an opportunity to talk a bit about that. I want to hear specifically about the impacts that you've seen it have on your cattlemen in Ontario.

Mr. Gord Hardy: In Ontario, I don't believe we've likely felt the whip of COOL as much as our counterparts in western Canada have. We do ship into the United States. The plants that we go to really do want Canadian content, and they need it to keep their operations viable.

Mr. Blake Richards: So you haven't seen it have as big an impact on you in Ontario as we might have felt in the west.

Mr. Gord Hardy: We haven't felt the same effect. When you go further west, there have been a lot more plants closed to Canadian product. We didn't experience that.

Mr. Blake Richards: That's certainly a good piece of news, I suppose. That's certainly positive.

Mrs. Kim Sytsma: That's probably because there weren't that many plants on the eastern seaboard in the U.S. that were taking Canadian cattle to begin with.

Mr. Blake Richards: So what you're saying is not so much that it's a good situation, but just that the bad situation hasn't become worse.

Mr. Gord Hardy: That's right.

Mr. Blake Richards: I certainly appreciate that.

I've asked a question to many of the witnesses we've had in our studies that we've been doing thus far, certainly out of my concern for the future survival of the farm, and particularly the family farm. I think of the young generation looking to get onto the farm. I want to ask you a very frank question: do you think there is a future for your industry, for the young generation of farmers coming up, or for those who are hoping to be able to enter the industry or take over their parents' farms? And what are maybe one or two things that you think should be done to help ensure that?

Mr. Gord Hardy: I'm going to share those with Kim.

I do believe there is a future. Right now, with what we have experienced in the last five or six years, it has been difficult for anyone on the family farm. There is a definite future in the beef industry.

I'm going to let Kim continue on.

Mrs. Kim Sytsma: We're rather bucking the system. We have a son who's going into the beef business. No, he's not taking over our farm; he's buying his own. His cattle are mortgaged, and his farm is mortgaged.

One of the challenges he has is that some business risk management programs don't work very well. If we could make some changes, such as to the AgriStability program, I'm hoping they would help young men like my son. I know of another young gentleman in Saskatchewan who's doing the same thing. The heifer calves haven't been at the price the steer calves are, so you're taking a discount on those heifers. Every calf has to make you money, so the males have to make up for the discount the females have been delivering.

It has been a challenge for him. Obviously he feels that there's a future in it. He loves the industry. When he was a small child, he would go out and help us in the barn. We'd give him a calf for helping. He always picked the best heifer calf. He just has the knowledge.

We truly believe there's a future.

Mr. Gord Hardy: I would like to thank the government as well for the emergency loan program that was put forward. A lot of youths took advantage of it, and it has been extended. It's very much appreciated, and if it can stay in place to help in any way, it's a great opportunity not just for experienced guys like me, but for young fellows as well.

Mr. Blake Richards: I'm glad to hear that you share my optimism as far the future of the family farm is concerned. We certainly wish your son all the best. It's great to hear of young people who want to be on the farm and are choosing to do it and are making a good go of it. I appreciate this, and I'll tell you once again that we'll keep up the good work to ensure that we open up the export markets and allow that opportunity to get increased value for your products.

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

Mr. Eyking is next, for five minutes.

Hon. Mark Eyking (Sydney—Victoria, Lib.): Thank you, Mr. Chair, and I thank the presenters for coming on this spring day.

With the good and the bad happening in our agriculture department, whether you're a chicken producer or any producer of the SM5 or are a grain or beef producer who is exporting, there's always a concern when the WTO meets. Rulings or regulations that come out of it could have a big impact on your industries, as you know.

I was involved years ago with those talks in Geneva, and the mission was spearheaded by two departments. The trade minister and the agriculture minister tend to steer where the negotiations are going at these meetings.

I have a question for both the chicken representatives and the beef representatives here today. My questions would be these. Do we have the horsepower and the clarity at these meetings now? Are we losing ground at these talks? What should these ministers be doing to help our producers in this country get a better share of what's happening in the world?

•(1235)

Mr. Mike Dungate: In terms of horsepower, we're at a troubling time right now, losing our chief agricultural negotiator, which is great for him—he is off and has received a promotion, and that's fantastic. That being said, from what I understand, we've had some difficulty filling the job of chief agricultural negotiator for the WTO. I wouldn't wish that travel schedule on anyone. When your job is in Ottawa but your commute to work is to Geneva for two-thirds of the year, that is not an attractive position. But we need somebody with skill there. We're going to lose a lot of experience, and we need someone now.

While there may be a lull right now in the negotiations that are going on, now is the time. This person has to build up contacts, has to get up to speed on these issues, and all of that. That, Mr. Eyking, would be the key part in terms of horsepower. As a result of our not having a negotiator in place, more will fall to ministers in terms of playing that role. They'll have to do it.

Hon. Mark Eyking: As you know, ministers change.

Mr. Mike Dungate: Ministers do change.

Hon. Mark Eyking: So it's key that the negotiator be on the ground now, that he have done his homework, and that he understand the industries. Isn't that right?

Mr. Mike Dungate: Yes. I'd say that's the biggest challenge concerning the WTO, and I think the other one is the uncertainty about where it's going right now. We talked about an *intendence* going in a different direction at the WTO and about whether it is going to go strictly to agriculture. There have been a lot of calls for a separate world agriculture organization to govern trade. I think that proposal is more reasonable than the view of those who say, just don't trade in agriculture.

As we know, there are special issues—that's why we're looking at a market access secretariat—in agriculture. It's not in other products. We have unique issues in agriculture that do not complicate the regular trade in products: we have fresh products, we have issues, and food is a requirement for all of us. You can do without a TV set, and that TV set can sit in storage and not lose value. When we put something in storage, its value drops immediately.

That's what we're dealing with in agriculture, and that's why we have to be aware of what's going on there.

Mr. Gord Hardy: I think I'd just like to point out that a large percentage of agricultural farmers within Canada want to trade. There's a large percentage that need this trade. I do congratulate government on the work they've been doing on world trade, but to us, just getting more market access means quite a bit to the whole of agriculture, not just beef but to every sector, the grains and oils, as you point out, as well.

I don't want to see this lose the focus on our primary producers. We need to look at our primary producers and keep them in business, because we're losing them fast. Canada needs to stand behind their producers.

The Chair: There are just a few seconds, Mark, if you want to make a comment.

Hon. Mark Eyking: This goes back to Mike, on what's happened about the U.S. When they're at the negotiating table, especially with products like chicken, what's their position? You alluded to Brazil and pushing back. They're in the position of keeping tariffs in place, so would there be no dumping in their country?

Mr. Mike Dungate: I think what you're seeing from the U.S. is a real concern. I'll call it addressing the elephant in the middle of the table, which is Brazil, which wants to hide behind being a developing country, not provide any access, take every single provision to get away from it; and the U.S. is saying, "We're not giving up our export subsidies, our domestic support, and not getting anything from you. You're not hiding behind it, and until you start coming to the table on a realistic basis...". Brazil considering itself developing in terms of agriculture is ridiculous, from that perspective. How do you do it so that it's real, so that the benefits don't come to one?

In the chicken industry, Brazil and the U.S. account for 76% of global chicken exports. Brazil alone will benefit from any opening in chicken on this ground—no other country. There's not a benefit for everyone else. It's a benefit for them, for they who have that cost structure to be able to leverage it. We have to look not just at the opportunities that are out there but at what's realistic.

● (1240)

The Chair: Thank you.

Time is important. Mr. Holder, five minutes.

Mr. Ed Holder (London West, CPC): Thank you very much, Mr. Chair.

I'd like to thank our guests for being here today.

I must tell you that my city of London, Ontario, which I like to say is the 10th largest city in Canada, is not particularly agriculturally based, but certainly surrounding us is Middlesex County and other counties, and you would know that. I'd like to take exception, though, to a comment that my colleague said: I don't care what the weather is. If it's drizzly, wet, and nasty, I'd rather be inside than out, and for those others who have a different passion, God bless you.

But my interest in agriculture isn't just because I had breakfast and lunch today; it's more around the standpoint of trade. I've heard a lot of comments about trade today. I sit on the international trade committee and I'm particularly interested in some of the comments.

In fact, Mr. Dungate, you just made a very compelling comment about Brazil, which I'll come back to in a moment.

I've had the privilege to head a delegation to Peru. We talked about the beef industry there in terms of opening up markets and we're trying to secure the free trade deal with Peru. The reason we need to do that, as you know and my colleagues opposite know, is that the Americans have put a free trade deal in Peru. Our delay in implementing that puts Canada's beef industry and Canada's agriculture industry at a total disadvantage because the Americans are there. I say that not as a political comment but as a comment on behalf of the interests of all Canadians in agriculture.

First, if I might, Mr. Dungate, in your presentation you made a comment about bans in terms of the chicken industry. You weren't as concerned about Mexico, but you talked about the Philippines and Taiwan. I just came back from Taiwan, and one of the things that we did, I will tell you, is talk about the beef industry in Taiwan to the president of Taiwan. We did not talk, I will tell you, about chickens. I tell you that sincerely, but I would ask you to help me understand the circumstances in the Philippines and Taiwan. How large is that market? How long has the ban been there? Or what's the potential size of it? I'd like just briefly a bit of history on that, if you don't mind, sir.

Mr. Mike Dungate: It's the same way with the cattle industry. Not all parts of the bird are preferred by Canadians. Primarily dark meat goes to the Philippines and Taiwan. In fact, we've created quite a market in the Philippines, because in western Canada we feed wheat and barley as opposed to corn and soybeans. It provides a whiter meat, and in fact they like that in the market there. And so we've done that.

It becomes a real transportation effect. We have a couple of key processors who are aggressive; they're based in B.C., and one has operations in Alberta and the other in Saskatchewan. Transportation becomes a key element in terms of being competitive in that market. If you are in central Canada, you've got to be trying to export towards Africa. You just can't make up going across this country with frozen product.

That market is key from that perspective of just getting total value on a bird. We export about 6% or 7% of our production. That's about what we need, to sell those parts at probably the best value we can get. It's pretty stable at that point. The U.S. exports about 17% of its chicken, and it's stable. It has been at that level for 15 years. It needs to balance its market. We don't need to go more in terms of export; we just need that balance.

We had an AI outbreak in the Fraser Valley. Philippines is the key market for both those processors. Taiwan is second. There are a number of other countries, but those two are key, and we need them open as soon as possible.

Mr. Ed Holder: That is appreciated. We were there as guests of Taiwan. Just to be clear, it wasn't part of the international trade committee. Certainly when we travel we like to promote Canada, regardless of where we go.

I'd like to change the question around to COOL. I think it certainly impacts both the chicken and the beef industry. It's an area that will be one of the subjects of discussion when my committee goes down to Washington next week.

I got a sense...and I'm following up on Mr. Richards' comments, Mr. Hardy, where you said that based on timing or circumstance it didn't seem to have as much impact in Ontario. But I'm concerned in the longer term about COOL. As I look at the background to what is going on with it, I am terribly concerned about the protectionist mindset that, frankly, I think COOL hides behind, if I can put it in those terms. And that is my sense of that.

I'm not asking you to speak for the cattlemen across Canada, but could you imagine a point sooner versus later when that's going to have an impact in Ontario? I would appreciate Mr. Dungate's response on that as well.

● (1245)

Mr. Gord Hardy: I believe it will, because with the way country of origin labelling is set up now and the wording of it, it has processors down in the United States and retail having to put a cost on. That cost is not borne by them; it comes right back to the primary producer. That's where that's coming off. So yes, we will be working into a discount that will be put in place through the country of origin labelling.

The Chair: Thank you.

I'm sorry, I didn't mean to cut you off, Mr. Hardy.

Mr. Ed Holder: Is it still possible for Mr. Dungate to respond?

The Chair: Yes, if he can do so briefly.

Mr. Mike Dugate: I think in any market access gains, if you lose a market that you had, it's the worst thing. Missing an opportunity by not getting into a market is one thing. Losing one you had comes back. As for COOL, if pork and beef can't go where they naturally have gone, into the U.S., and come back into Canada, that means there's more meat in Canada. That means there's more pressure on all meats in Canada. That's what COOL legislation is doing overall.

The Chair: Thank you very much.

That concludes our questioning. I'd like to thank all of you, as witnesses, for coming here today and participating in our study of this. We do have some committee business to attend to.

Yes, Mr. Bellavance.

[Translation]

Mr. André Bellavance: Mr. Chair, I do not know if we will have time to get through all the motions, but since we started at 11:10 a. m., I would ask for consent to end the meeting at 1:10 p.m.

[English]

The Chair: Mr. Bellavance, everybody, we discussed this earlier, and unless it's been predetermined.... Everybody has meetings. I know I have to go at one o'clock. I think we made it very clear that we have so much time to meet. The meeting is scheduled from 11 until 1 o'clock, and that's when I intend to deal with it. I think....

Just one second, Mr. Easter.

[Translation]

Mr. André Bellavance: I do want to mention that we regularly extend meetings. I would not want people to get the impression that our meetings always run from 11 a.m. to 1 p.m. That is false. We very often accept, in good faith, to go overtime in order to satisfy requests from various members, but if that is the case, the next time we will indeed hold our meetings between 11 a.m. and 1 p.m., and the same rule will apply to everyone, all the time.

Is that the understanding?

[English]

The Chair: Yes, it is. That's generally the benefit. That has been the understanding. It has happened a couple of times. The last time I had to leave, and that was fine. We had an understanding at the start that if we needed extra time it should be dealt with in advance with a motion, so people could make time arrangements; or at the start of the committee, if the committee so desired, we could save half an hour for committee business. We need to have that direction at the start of the meeting.

But we're wasting time here, and we could get on to these motions.

Mr. Bellavance.

[Translation]

Mr. André Bellavance: We are not wasting time; we are only trying to come to a friendly agreement, but if that is not possible... That is something we did with the former chair. And besides, since this committee has begun its meetings, that has happened regularly. You said so yourself. We started at 11:10 a.m. and will conclude at 1:10 p.m.

Now, if we do not have time to discuss my motion today, I would ask that it be the first item on the agenda on Thursday.

[English]

The Chair: Mr. Easter, you have a point of order.

Hon. Wayne Easter: In the interest of time, I'll leave mine until the next meeting. It's not pressing.

• (1250)

The Chair: Yours is the third one on the list anyway.

Mr. Lemieux.

Mr. Pierre Lemieux (Glengarry—Prescott—Russell, CPC): I want to comment on Mr. Bellavance's concerns. I think it's important that we end at one o'clock. I'm a member of the committee and would like to be here if the meeting goes longer, but I can't. I have to leave at one at the latest. At an earlier meeting I had to leave at one, but the meeting went on, and that's not fair to me. I'm a sitting member on this committee. We all have our schedules and we know it ends at one.

If we want the meeting to start at 11 o'clock, we have to make sure we have quorum. It's not the chair's fault if the meeting starts late; if there's quorum, the meeting starts. But I think we have to stick with the end timing, because it allows each of us to respect our schedules. As members who participate in the committee every meeting, I think it's fair that we be here, especially if we're going to be discussing motions, reports, and committee business. That's just being fair to all members and their schedules. As Mr. Bellavance knows—I'm sure his schedule is as full as mine—these schedules get filled up well in advance, and it is hard to change them at the absolute last minute.

The Chair: Thank you.

Mr. Atamanenko's motion is the first one on the agenda.

Mr. Atamanenko, please read it into the record.

Mr. Alex Atamanenko: Thank you. I'll be very brief.

I move that the committee undertake a study that assesses the economic impacts on conventional and organic producers of the release into the environment of genetically modified—GM—alfalfa prior to commercialization via variety registration of Monsanto's GM Roundup Ready alfalfa, which has already received environmental and health approvals.

Basically my motion is saying that we should study very carefully and do an assessment of the economic impacts of this, specifically on organic farmers, with the ability of alfalfa to contaminate when it is used by organic producers as a fertilizer. This would also conform to the United States. They are upholding a nationwide ban on the planting of genetically modified Roundup Ready alfalfa pending a full environmental impact statement. So I'm asking that we do the same thing in Canada. Before we allow this to happen, we would undertake this study to assess the economic impacts of this, specifically on our organic farmers.

The Chair: Thank you, Mr. Atamanenko.

Is there further discussion on the motion?

Mr. Lemieux.

Mr. Pierre Lemieux: Mr. Chair, I'll raise a concern about motions. It's not so much about this specific motion; it's about tabling a motion that deals with the committee agenda and committee business without working with the subcommittee, which is the committee we have to help set the agenda. All sorts of questions follow from this. For example, when, how long, how many meetings, who would the witnesses be, what's the impact on the work we're doing right now, how does this conflict with possibly any other reports we want to table, and are we talking about a report coming out of this? There are a lot of questions, and it takes time to discuss all that, which is, I think, one of the reasons we established a steering committee on agenda.

The idea is that the four key players come together, they have time to discuss this, and they put together a draft plan for the committee. It's going to come to committee anyway, but the point is that a lot of this has been discussed. We each have our meetings outside of this committee as well. Information gets shared at that level. We have time to digest it and see what the impact is on the whole committee so that when we do discuss it at committee, we actually have answers closer to our fingertips. I won't say that they're always at our fingertips, but they are closer to our fingertips.

I would ask whether Mr. Atamanenko would mind submitting this to the steering committee. Let the steering committee flesh it out and determine what's involved in this kind of study, where it might go, and what kinds of results we're looking for. Let the steering committee put together its report. The report would come to the main committee, and then the main committee can react.

We have a steering committee, and it's kind of half there and half not there. It depends on how we want to do business on any given day. I'd prefer to see it start there so that they can flesh it out. They can actually present this type of idea to the committee in context, not out of context. Right now, it's kind of out of context. What's the launch on this? Aren't we involved in other studies right now? Don't we have other witnesses coming? I don't have the full agenda in front of me or the full committee schedule in front of me.

That would be my recommendation.

•(1255)

The Chair: I don't have the actual full schedule in front of me. As to the steering committee, I think it's been traditional here that it's used on an as-needed basis. We can have one at any time.

As to the schedule, the way I would take it and the way the clerk and I would work is that any direction from the committee as far as further studies go would go to the bottom of the list, if I could use that term. We do have a number of things right now. I think we're getting close to or are in the middle of the competitiveness study. The next one on the list—and this was decided by the steering committee and the committee as a whole—is the competition one. That's due to start, I believe, in the next two weeks.

Any new issues we get, I believe, will probably be pushed to get in before the break.

Mr. Pierre Lemieux: Can I follow up on that comment? I'm not sure if there's anyone else on the speaking list.

Chair, you're saying that if a motion like this gets tabled and passed, it just goes to the bottom of the list.

The Chair: Unless we're further directed to—

Mr. Pierre Lemieux: Yes, but to me, the steering committee has to put this in context; otherwise we get one motion at a time and they keep going to the bottom of the list. There might actually be a higher priority one that's lower on the list because it comes out at the next meeting or two meetings from now. To me, one of the fundamental responsibilities of the steering committee is to look, from a high-level view, at what the committee work is, where we are in the work on some of our studies, whether it should go to the very bottom of the pack, whether it should even be in the pack, or whether it will be supplanted by another idea, because the steering committee is reviewing a whole bunch of agenda ideas.

That's where I'm coming from, Chair. I'm not in favour of a motion just landing on the table and then going to the bottom of the pile. Again, it's not in context. It just gets moved there. Maybe it shouldn't be there.

The Chair: You're suggesting that we go to the subcommittee.

Mr. Pierre Lemieux: We go to the steering committee, yes.

The Chair: Before I come to you, Mr. Eyking, I'll let Mr. Atamanenko comment on that point, because he did raise the motion.

Mr. Alex Atamanenko: Since we have all these great minds around the table, and because I believe very strongly in this motion, I would like to get a blessing from this committee. What I'm suggesting is that once it goes to the steering committee we could make recommendations as to its order on the agenda.

The Chair: Thank you.

Go ahead, Mr. Eyking.

Hon. Mark Eyking: I think the intent of the motion is good. This committee has to start looking to the future of agricultural products, whether they are organic or GMO products. I agree with Pierre that this is something the steering committee should look at, and maybe we should have witnesses come. It may take a couple of meetings. It might set the table for where we're going in the fall session. I think it's timely. It should be looked at, whether it's organic or GMO foods. How are we going to do this on Canadian farms? How are we going to produce them?

Whether it's documented or goes forward, I think it has to be put in the queue, and then the steering committee should deal with it from there.

The Chair: I certainly have no problem having a steering committee meeting at any time. I take that direction from the committee as a whole. If there's no further discussion, we do have a motion on the table. Mr. Atamanenko has indicated he wants to leave it as is.

(Motion negatived)

The Chair: Mr. Bellavance, do you want to read your motion into the record?

[*Translation*]

Mr. André Bellavance: Yes, thank you.

I will be brief, since we have already had the opportunity to hear from the potato producers from Saint-Amable. In fact, they came before the committee to speak about their particular circumstances. The intention behind the motion is simply to suggest to the committee—and this could be in the form of a committee report—to ask the federal government to provide potato producers with long-term assistance.

We know that they received some assistance in 2006, but that it was insufficient. However, in the long term, given that those people will no longer be able to use their lands to produce potatoes because of the golden nematode, it would be important to establish an assistance package. Simply put, we would state that the committee has examined the golden nematode issue, which is affecting the Saint-Amable region in Quebec.

The motion would read as follows:

That the Standing Committee on Agriculture and Agri-Food report to the House of Commons as soon as possible the following recommendations:

1. The federal government renegotiate with the Government of Quebec payment of the requested financial assistance of \$24 million, representing less than 80% of estimated costs of \$30.7 million for a ten-year transition plan.

I must add that this funding is shared between Quebec and the federal government, since producers themselves are ready to inject 20% of their own funds into the stimulus plan. The motion goes on to say:

2. That since in her report of December 2008 the Auditor General noted that the Canadian Food Inspection Agency (CFIA) faces a number of challenges in assessing the risks posed by invasive plants, pests and diseases, the committee recommend that the CFIA make available its action plans and timelines for solving the problems in this case.

3. That pursuant to Standing Order 109, the committee request that the government table a comprehensive response to this report.

● (1300)

[*English*]

The Chair: We've had the motion read into the books. It is one o'clock. I do have to go. I don't know how much discussion there's going to be on this.

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

The Chair: Is yours a point of order, Mr. Bellavance?

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

The Chair: He had his hand up first, and if it's on a point of order, I'll take him first.

[*Translation*]

Mr. André Bellavance: I simply wanted to reiterate my request to discuss the motion on Thursday at the start of the meeting.

[*English*]

The Chair: In that case, then, I move adjournment, and we will deal with this at the start of Thursday's meeting.

Thank you very much.

The meeting is adjourned.

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