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Chair

Mr. Larry Miller

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● (1105)

[*English*]

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

The first part of our meeting today is to deal with the orders of the day, in particular Bill C-29. We do have some witnesses here to answer questions. There is no presentation, I understand, but certainly they are here to answer any questions the committee may have.

Mr. Easter.

Hon. Wayne Easter (Malpeque, Lib.): On a point of order, Mr. Chair, I've been led to believe that the motion that was put at the last meeting and that delayed this session for about a week was to be withdrawn. Is that correct?

Mr. Pierre Lemieux (Glengarry—Prescott—Russell, CPC): That's right, Chair. That motion is not on the table.

Can I make an opening comment about this legislation?

The Chair: Certainly.

Mr. Pierre Lemieux: First of all, let me just say that I'm very glad that we're moving ahead with doing clause-by-clause analysis of this very important legislation. It will certainly be of benefit to our farmers.

As we know, the key initiatives are going to be new loan guarantee limits of up to $500,000, which will double the current loan limit of $250,000.

New farmers will be eligible for loans under this new legislation. They were not eligible before, so this will make a big difference. As you know, farmers are very concerned about the future of farming and about getting youth involved in farming, but there is high expense involved. This act will make it far easier.

Of course, agricultural co-operatives are very active across the country. This legislation will improve and increase access to credit for co-operatives. That's definitely a step forward for our agricultural community.

So I just wanted to underline, Chair, that this is important legislation. We've been working together, I and my colleagues in the other parties, and I'm fairly confident that we'll get this through very quickly.

I want to state that our goal as the government is to have this not only through the House but also through the Senate before the government rises for the summer. We would like farmers to have the opportunity with regard to these new measures before the summer. There's no need to make them wait until after the summer.

I'm certain that this will proceed very well, and I thank my colleagues in advance.

The Chair: Thank you very much.

Is there any further discussion on the bill?

Mr. Easter.

Hon. Wayne Easter: Yes, I do have some questions on the bill, Mr. Chair, in a moment. Initially, though, I would like to point out that on this bill we had offered in the House that the bill go through all three stages in the House. One party decided to send it to committee first. That's fine. We understand that. But it's certainly our objective, as the official opposition, to get the bill through the House of Commons through all stages, and ensure that we get the cooperation of the Senate to get it through all stages there, so that the moneys can be made available to co-operatives, to farmers, and in particular to young farmers as soon as it can be implemented after passage. Hopefully that will be early summer.

To the witnesses, how long will it take for the bill to become operational after it passes the House of Commons and gains royal assent? I don't think that should be a cumbersome issue, because it already is operating. This is really new moneys under other areas.

Do you have any responses there?

Mr. Greg Meredith (Assistant Deputy Minister, Farm Financial Programs Branch, Department of Agriculture and Agri-Food): Thank you, Mr. Easter.

The implementation of the act after royal assent doesn't require any other regulatory changes, so it could be available virtually immediately.

Hon. Wayne Easter: Okay.

As the parliamentary secretary said—I think this is somewhat misunderstood—the $1 billion over five years in the bill would have the 95% guarantee. I think within urban Canada there is probably the impression that $1 billion is going out there to the farm community. We in fact had that discussion in Prince Edward Island over a beef plant issue. It was felt in Prince Edward Island that the government was giving a grant, which we now find is a loan.

So on the staging of the $1 billion, number one, it is a bank guarantee, correct?

Two, it's $1 billion over five years. Can you explain what in fact that means? Is $1 billion immediately available, on day one, to be lent out? Is the period of time just for five years? What are the parameters?

Mr. Greg Meredith: The billion dollars is really an estimate of the potential take-up by new farmers, because of the expanded eligibility of the act, and additional take-up by co-operatives. So the billion is really a forecast of the draw on FIMCLA funds that farmers and co-operatives would make.

Hon. Wayne Easter: One of the areas you've talked about in your preliminary survey—I don't believe I have it with me—is that there's not a lot of knowledge that the former FIMCLA was available to the farm community, and there seems to have been a reluctance on the part of the banks sometimes to push this point.

Is the Government of Canada anticipating doing some advertising that this is available for their use? Does that money come out of other funds and not the funds that are made available to FIMCLA?

● (1110)

Mr. Greg Meredith: Thank you. It's a good question in terms of awareness.

You're quite right. The feedback we got in our consultations on changes to FIMCLA led us to understand that it wasn't as broadly known, especially among young farmers, as it might have been. So you're absolutely right. We will be doing some advertising this summer, and there will be promotional material available through banks and other venues. That money is provisioned for the administration of the program. It doesn't come out of the loan funds available to farmers.

Hon. Wayne Easter: One thing we've certainly stated in the House about the government's record since they came to office is that they've been very good at delivering farm debt but not too good at delivering some of the other commitments they've made, such as the cost-of-production program, the farm families options program, and so on.

Do you have the current debt levels for the farm community?

Mr. Greg Meredith: I don't, Mr. Easter, but we could get them for you and submit them.

Hon. Wayne Easter: If you could, we'd like to see if they match ours. We believe the debt to be in the range of $55 billion. This would probably increase it by another billion. There's no question that the availability of credit is important.

What will be the criteria for young farmers utilizing this money? Is that established by you folks? Is it established by the chartered banks? Is this money going to be available through the credit unions as well or only through the chartered banks? Could you tell us who in the lending community can utilize this 95% guarantee? And what are the criteria, especially for young farmers coming in? I think all of us at this committee, in fact, have had calls from young farmers who are extremely interested in the program and have questions about how it would work. Could you lay that out for us?

Mr. Greg Meredith: Thank you. That's a good opportunity, in fact, to explain how the program works.

It is delivered through financial institutions, both banks and credit unions. The criteria for young or beginning farmers are the same in terms of loan criteria. It's just that for a young farmer, you get up to 90% rather than the 80% that's available to an established farmer.

If you have not been in the business longer than six years, you're still considered a beginning farmer, because that's the kind of cycle, the business cycle, it takes to get established. A farmer who's been in the business for up to six years would still be considered a beginning farmer. Someone who is not yet in the business but intends to enter the business can demonstrate that intention to the financial institution in a number of ways. For example, people can come with a business plan or a strategy they have put in place and some concrete targets for the acquisition of land or equipment on the land. Other than that, the eligibility requirements would be the same as for a normal borrower.

Hon. Wayne Easter: Also in terms of, say, the lending authority in Prince Edward Island or other provincial lending authorities like Agriculture....what do they call it in Alberta? Treasury Board, or whatever it is. Can they use these guarantees as well, and is the money just for capital assets: land, equipment, technology, buildings, or can it be used for operating expenses?

Mr. Greg Meredith: In answer to the first part of your question, the Alberta treasury or the P.E.I. authority would be eligible to apply and under the proposed changes in this act the minister would have the ability, in consultation with the finance minister and through Governor in Council, to appoint new lenders and make them eligible for lending.

I'm going to ask my colleague to answer the second part of your question. I'm not quite sure.

Is it just operating expenses, Jody?

● (1115)

Ms. Jody Aylard (Director General, Finance and Renewal Programs Directorate, Department of Agriculture and Agri-Food): It's not operating expenses. It is capital, land, equipment, and also shares in a company for succession from one family generation to another.

Hon. Wayne Easter: The lending then has to be on...are shares considered a capital asset?

Mr. Greg Meredith: For example, the purchase of shares for an intergenerational transfer would be an eligible item, yes, and any other sort of fixed assets or repairs to machinery and that kind of thing would be eligible.

Hon. Wayne Easter: I'll pass for the moment, Mr. Chair.

The Chair: Thank you, Mr. Easter.

Mr. Bellavance.

[*Translation*]

Mr. André Bellavance (Richmond—Arthabaska, BQ): This should all have been done beforehand, more than a week ago. Unfortunately, when we should have been doing the clause-by-clause study before the week's break, people from the government decided to start conspiring against the Canadian Wheat Board, so there was a delay.

So, in a way, it makes me laugh to hear the parliamentary secretary say how important this is. We could have done this study well before now, but we will finally be able to do it today. I have some questions from the Fédération des caisses populaires Desjardins, which wrote to Minister Ritz. Perhaps you will not be able to answer on the spot, but I would appreciate you doing the necessary research.

The federation asks if the maximum available funding could go up to $5 million for farmers and $10 million for cooperatives. Perhaps the changes will have to be made in the regulations.

They ask if it is possible to set a maximum amount for the registration fees as the Financière agricole du Québec does, that is, $5,000 for an established business and $200 for a business just starting out. Is it possible to increase the maximum loan period to 15 years for property, including quotas, and to 25 years for real estate? Those are some of the questions from the Fédération des caisses populaires Desjardins, which also said that it was in favour of the spirit of the bill.

Are you able to answer them?

[*English*]

Ms. Jody Aylard: I can certainly answer some of them.

Currently the loan limits are in line with the Canada Small Business Financing Act, and they've been increased to match those same loan limits.

Increasing the loan limits, as you mentioned, can be done through regulation, so that can be something that can be looked at down the road. Under the act, under their current limits, the average loan has been quite low, around $35,000, so we aren't anywhere near reaching even the current maximum. So we would look at how the program is operating under the new loan limits.

Your second question was in relation to registration fees. They are set into regulation.

Éric, can I confirm that?

Currently they are set at 85% of the loan, so we can get back to you on that particular one.

The loan period is currently set out in the act in terms of the 10-year timeline for loans.

[*Translation*]

Mr. André Bellavance: They want to know if a maximum can be set. You tell me that the amount of the registration fees is in proportion to the amount of the approved loan. The Caisses Desjardins want to know if a maximum can be set. Is there a way to do that in the regulations?

[*English*]

Ms. Jody Aylard: It would be a question we would have to take back to the government to ask whether or not they want to change that policy in terms of how the program is financed. A certain amount of the fees go back into covering the cost of the program. So that would be a question we would have to take back to our minister.

● (1120)

Mr. Pierre Lemieux: Could I just comment, Chair? It's somewhat pertinent to the questions Mr. Bellavance is asking.

I just wanted to highlight for the committee that before the legislation was prepared, extensive consultations were conducted all across the country to speak to stakeholders. Stakeholders at all different levels participated—people who are going to be involved in doing the lending, people who will be borrowing the money—so all these types of questions, such as, is it possible to raise this, is it possible to change that, all of that was considered, of course, in the preparation of the bill, with and through the wide consultations that were conducted. So I want to highlight that this isn't the first time some of these questions would have come up. They would have come up, they would have been discussed, and decisions would have been made, and we have the proposed legislation in front of us.

The Chair: Thank you.

Did you have any further questions, Mr. Bellavance?

[*Translation*]

Mr. André Bellavance: You can say extensive consultations, but all I know is that the Caisses Desjardins went to one meeting in Longueil. I cannot see anything stopping them from asking questions once they have read the bill. A little earlier, I forgot to mention this, but I made a point of talking about the consultations during my speech on Bill C-29. When I mentioned that the Fédération de la relève agricole du Québec had not even been invited to participate, they received a call from Agriculture and Agri-Food Canada asking if they had any concerns. That is good, except that consultations are done before a bill is tabled, not after.

So, I see no problem with questions being raised once a bill has been committed to paper.

[*English*]

The Chair: I just wonder, Mr. Bellavance, if they had an opportunity. I'm not sure how the consultation was done. I throw that out as a question more than anything: would they have had a chance the same as anybody else to consult on the issue? What I'm hearing from you is that your concern is they weren't directly contacted. Maybe no one was. I don't know the answer to that either. I'm just throwing that out for discussion.

[*Translation*]

Mr. André Bellavance: Those are two different things. The Caisses Desjardins representatives took part in the consultations, but, after the bill had been drafted, they had some questions. Anyway, I have a partial answer. Perhaps I will get other answers eventually.

[*English*]

Mr. Greg Meredith: I can add a small precision on the loan limits. When you're talking about purchase of land, the loan limit time period is 15 years; for other acquisitions it's 10 years.

In terms of consultation, we did do an extensive series of consultations in 2006, and the Quebec Young Farmers' organization participated in the conference call in preparation for the changes to the bill. We did have a consultation in Quebec and invited the QFA, including all their member organizations, so there was an opportunity to engage them at that point. They didn't attend, but the opportunity was there.

The Chair: Any further questions or discussion?

Mr. Atamanenko.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): Just one comment and one question.

As is often the case when a bill comes up, we consult with some of the stakeholders. I'd just like to thank you folks for working with the Canadian Co-operative Association. I understand you had a number of telephone conversations and they were happy with whatever transpired. So I'd like to thank you for doing that.

I just have one question. I'll just quote the last paragraph from a letter our chair received from the Credit Union Central of Canada, which you may have seen. I'd like to get your response to that, please.

I quote:

> Beyond this expression of support, our only other substantive request is to have the Government confirm that it intends to retain current practices (under the FIMCLA Program) in relation to the definition of the Prime Rate for purposes of the Program. Currently, the prime rate, for purposes of the Program, is understood to be the prime set by financial institutions themselves. Credit unions wish to see this current practice continue.

I'd like your comments on that, please.

● (1125)

Mr. Greg Meredith: Thank you.

Yes, you're right. The prime rate referred to is the financial institution's prime rate, so if there's a variable rate loan, the way it works is it's prime plus one. If it's a fixed rate loan, then the bank charges its mortgage rate for that period, plus one.

Mr. Alex Atamanenko: That's the current practice.

Mr. Greg Meredith: Yes.

Mr. Alex Atamanenko: Thank you.

The Chair: Go ahead, Mr. Valeriote.

Mr. Francis Valeriote (Guelph, Lib.): Thank you, Mr. Meredith, for appearing today.

I'm not sure whether you've had the opportunity to review a letter from Maple Leaf Foods to Minister Ritz that brought to his attention the change in eligibility particularly referred to in subclause 3(1), which changes the definition of “farm products marketing cooperative” in section 2 of the act. That's where it apparently changed eligibility from 100% owned by farmers to 50% plus one.

I want you to understand that by asking the question, I don't mean necessarily that I'm supporting the proposition set out by Maple Leaf Foods, but it certainly raises the question, the answer to which I'm curious about.

They say:

> We note, however, that one of the amendments to the legislation would make agricultural co-operatives with a majority farmer membership (50% + 1 farmer members) eligible for loans of up to $3 million for the processing, marketing or distribution of farm products. Loans are currently limited to co-operatives owned 100% by farm members.

Their first proposition, which I'd like you to respond to, is the following, and then I have a few questions:

> Your decision to grant favourable access to credit to co-operatives having just 51% farmer membership inappropriately enhances a commercial advantage to several of our competitors, specifically Olymel, Exceldor, ACA Cooperative, Granny’s Poultry Cooperative and Farm Fresh Poultry Co-op.

That's the proposition they placed before you that I'd like you to respond to.

I'd like the answer to this question as well. They ask you to explain the specific “objectives in proposing this specific amendment to the legislation”—the 50% plus one—and “whether the costs and benefits have been fully considered (particularly in the supply managed sectors)”, and “whether the amendments are consistent with the government's approach to competition policy”.

Could you respond to those?

Mr. Greg Meredith: With regard to the situation with co-ops, there are about 1,200 agriculture co-ops in Canada. They're generally small. There are a number that are fairly large. This particular bill and that change really put the farmer or the ag sector on the same footing as the small business loans act.

In terms of competitive advantage, though, the cooperative structure, as you may know, is quite different from, for example, a publicly traded company, which can access equity markets. The co-op generally finances itself through member shares and retained capital, so there's a significant challenge, especially for smaller co-ops, in accessing expansion capital and in accessing moneys on the scale that is possible for a larger equity-based company.

It's probably fair to say that this is going to be more beneficial for smaller co-ops, because the limit is $3 million. A very large firm would probably have established operating lines and access to capital markets that a small co-op wouldn't benefit from.

Mr. Francis Valeriote: There's a suggestion in the change that.... A current co-op has to be 100% owned by farmers; now it's suggesting only 50% plus one. Are there opportunities for non-farmers to own interests in co-ops? Why would you particularly subsidize those co-ops that aren't 100% owned by farmers? Who are you trying to help?

Mr. Greg Meredith: I apologize. I should have answered that in my first response.

In addition to the competitive disadvantage that smaller co-ops in particular face in accessing finance capital, what we've seen over time is more joint ventures between a co-operative and others who are outside the farm operation but are in the value chain. They might be, for example, in the community where the co-op is based. In addition, what we've seen is a trend towards co-ops trying to access additional equity capital by inviting others to buy shares in the co-op. That's an effort both to extend their reach into the value chain and to access expansion capital that is relatively difficult for them to come by. The intention of the 50% plus one is to enable those co-ops that have a slightly different structure to have a little bit better access to capital.

● (1130)

The Chair: Does that answer your question?

Mr. Hoback.

Mr. Randy Hoback (Prince Albert, CPC): I was just going to give you an example that would answer the question.

Mr. Greg Meredith: Sure. Go ahead. I'd love to hear it.

Mr. Randy Hoback: I'll use an example of a small town. Let's say it's where I grew up in Canwood. You might have a group of farmers get together and then some business owners in the town actually join them because they bring some expertise to the table that the farmers don't necessarily have. Under the old program they wouldn't qualify, whereas under this program they would allow their venture to actually get up and going. That flexibility is required in some of the smaller communities, that's for sure.

The Chair: Do we have any further discussion or questions?

Mr. Easter.

Hon. Wayne Easter: Earlier in the questioning you said something about a 90% guarantee. Under section 4 of the act, it says “the Minister is liable to pay to a lender 95 per cent” or “another percentage of not more than 95 per cent” as fixed by the regulations.

What is the per cent of guarantee currently that we're looking at here in terms of lending to a farmer who has been in business for a considerable time, to a beginning farmer or one who has been in business for less than six years, and to a co-operative? What are the levels of guarantees?

Mr. Greg Meredith: Just to distinguish the issues, there's the guarantee on the loan, which is what the government does to ensure that there's a competitive rate for the farmer, but there's the percentage of the asset that the farmer can borrow against.

In the case of a beginning farmer, what we heard in our consultations was that the ability to borrow 80% of the value of land or the new building, for example, was not quite enough for a beginning farmer. They asked that we increase that, so we did, and we propose to do that in the legislation. For beginning farmers, we would increase to 90% the percentage that they can borrow against an asset. I am just going to ask my colleague to answer the question of whether the loan guarantee rate is the same for all players.

Ms. Jody Aylard: It is the same. It's 95%.

Hon. Wayne Easter: It's the same. Okay.

On the interest rate question that I think Alex started into, can you give us a comparison on loans under this act in regard to what percentage rate they're at versus commercial banks on their own?

Ms. Jody Aylard: We would have to get back to you on that. Banks are all making their decisions on a case-by-case basis in terms of the credit risk of the individual lenders, but in terms of an average, we'd have to get back to you.

Hon. Wayne Easter: Yes, if you could, and can you answer this question as well? Because certainly there's a view—and I'm of this view—that although interest rates have gone down, Canada prime has gone down extensively. In borrowing from banks, Canadians and businesses are not getting the benefit of that reduction, because banks have increased their spread between Canada prime and bank prime.

Here's what I need to know. Could you, in your response to us, compare it to back a year ago or so? The banks seem to be doing very well in this recession. In fact, the government has given them guarantees, and we don't argue against that, but they are in fact, as interest rates come down, ensuring their profitability through service charges and through increasing the spread. And they are not all that anxious to make credit available to some sectors. They certainly seem to be doing quite well on the balance sheet. So any of that information you can provide would be helpful as well.

Also, is there any comparison with Farm Credit? I guess you're not connected with Farm Credit, but we are hearing some complaints that Farm Credit interest rates are too high as well.

● (1135)

Mr. Greg Meredith: We could include all of that in our response.

Hon. Wayne Easter: Thank you.

I have no further questions except on one point, Chair. The parliamentary secretary indicated earlier that there were wide consultations. Can a list of who with and when those consultations were undertaken be provided to the committee?

We do question sometimes on this side who you consult with. You're pretty good at consulting your friends, but we want to know if it's a broad and wide consultation.

The Chair: You ought to know the consultation process.

Hon. Wayne Easter: In proposing this bill, the parliamentary secretary said there was wide consultation. Caisse populaire was one that we know of. Could we have the list of who was consulted and when provided to this committee?

The Chair: Mr. Lemieux has indicated the answer is yes.

Mr. Pierre Lemieux: I have the list here, Chair. We can distribute this to the committee. There are four pages of participants in these different consultations. And that wouldn't be listing people who were invited but not able to attend, people who submitted written briefs, or people who would have briefed regional directors directly. So I will happily share that information.

The Chair: Thank you.

Is there any further discussion?

We can now move to the bill before I release the witnesses. That's just in case something comes up while we're going through it, if you wouldn't mind bearing with us.

Mr. Lemieux.

Mr. Pierre Lemieux: I just want to put forward, for the committee's consent, a motion that we pass this bill with unanimous consent. I say that because we've distributed the bill. The bill has been read, and in the discussions I've had with my colleagues I believe—and I don't want to speak on their part—that the bill is considered to be a good bill. I believe we have witnesses waiting as well—but that's not the primary reason. The primary reason is that I believe it's a good bill. That's the feedback I've received, and we could just pass it with unanimous consent. I would put forward that motion to get my colleagues' input on this.

Thank you.

The Chair: We have a motion that basically all clauses pass. Do we have unanimous consent for that?

We do. Thank you, everyone.

Shall the title carry?

Some hon. members: Agreed.

The Chair: Shall the bill carry?

Some hon. members: Agreed.

The Chair: Should the chair report the bill to the House?

Some hon. members: Agreed.

The Chair: Thank you very much.

Thanks again to our witnesses.

There are just a couple of things that I did want to talk to committee about just briefly while the new witnesses are coming in. On our Washington trip next week, a reminder to everybody to book your flights. Our intention is to leave on Wednesday, June 3. If there is any information that you don't already have on that, I'm sure if you talk to Isabelle she would have it.

Alex.

Mr. Alex Atamanenko: I have a question. Is it just our agriculture committee that's going? One of my colleagues has been approached. I think David Anderson approached my colleague, Niki Ashton, to see if she would like to go to Washington because she's kind of the rural critic. I don't understand if there are other people going besides those on the committee.

The Chair: To my knowledge, we have funding approved for the committee. They would certainly be paying their own way. It's not included under the committee travel.

If any member of the House wants to go down there, that's their prerogative, if they can get it approved by their whip or whomever. But they are travelling at their own expense.

Hon. Wayne Easter: Second to that, Mr. Chair, they may travel down at their own expense. Maybe David Anderson could bunk up with Randy or something.

I've heard the same rumour, Alex, about people being approached by Mr. Anderson to go down on the same trip. He might be down there talking about the Canadian Wheat Board, I don't know.

In any event, if others show up, will they be attending the meetings with the committee?

● (1140)

The Chair: My understanding is the agriculture committee is going and this is agriculture committee business. I guess I'm open to direction from the committee.

Mr. Lemieux.

Mr. Pierre Lemieux: Mr. Chair, I just wanted to state my point of view, and I think that of my colleagues, that if we're going to travel down there as the agriculture committee, then we should go as the agriculture committee, not the agriculture committee plus, plus, plus. I think if there are other members who want to go, the normal procedure is that they would swap out with somebody on the agriculture committee. We're either planning a trip for the number of people who are on the agriculture committee or we're planning a trip for twice that number, I'm not sure which.

I just think if we're the agriculture committee and we're travelling down there on agriculture business, then it's agriculture committee members who should be involved. If there is a particular MP who wants to be involved, then he would swap out with the regular sitting agriculture committee member.

The Chair: That's my understanding.

Mr. Atamanenko.

Mr. Alex Atamanenko: Could you get a clarification, Pierre, from David perhaps? My colleague Niki was just approached out of the blue to see if she wanted to go to Washington. She didn't understand and she said, "Well, yes, fine..." but she couldn't quite understand—

The Chair: But she wasn't approached by this committee.

Mr. Alex Atamanenko: Not by the committee, but I don't know what's going on. Maybe you could just clarify that to see what David's got in mind. I don't know as I haven't talked to him. I just thought I'd let you know.

The Chair: Okay. Just further on that, we have a fair slate of meetings that I think are pretty well finalized for the Thursday. We're working on a number for Friday.

The other issue I wanted to bring up was that it has been a practice of the former chairs of the committee to have a gathering of the committee for a casual lunch or early dinner, at some point before the House breaks. I intend to do that. We're trying to pick June 9, but we haven't come up with a time. I hope that works for most members of the committee. So I'm just throwing that out there.

Mr. Easter.

Hon. Wayne Easter: I have one other question on the Washington meetings. What time is the first meeting on Thursday morning?

A voice: It's 8 a.m.

Hon. Wayne Easter: There are votes on Wednesday night, I gather. I'm told there are.

The Chair: I haven't heard that yet, Mr. Easter.

Hon. Wayne Easter: I've got a 100% voting record, although you say different, in my riding. I didn't want to ruin that record.

The Chair: Okay. Without any further ado, thanks to the witnesses for being here today. We had some committee business that delayed our starting time.

Welcome. We have with us today the Dairy Farmers of Canada, the Ontario Apple Growers, the Canadian Pork Council, and the Turkey Farmers of Canada.

We're going to start off with you, Mr. Doyle. Welcome. Could you give us your opening remarks in 10 minutes or less? Thank you.

Mr. Richard Doyle (Executive Director, Dairy Farmers of Canada): Thank you, Mr. Chairman. Thank you for the invitation to appear.

I will try to be brief. You have a presentation. I will just highlight some of the key slides.

I want to start by saying I've titled this, "To be profitable is to be competitive". I know that Larry Martin has appeared in front of this committee, and he defined the potential to have profitable gain as being a measurement of competitiveness.

I will bring you to slide 4 on page 2. I think too often we tend to believe that price is the only thing that drives competitiveness. I want to give a comparison of where Canada and other countries position themselves versus what we see in the world market, in particular with regard to trade. The slide shows the comparative cost of production of average farms in 44 countries—dairy farms, of course. You can see where Canada is. As a Nordic country we tend to be, as with other Nordic countries, in a fairly high cost range.

What I've put here is two world prices, the world price of November 2007 and the world price of February 2009. The thing to remember here is that I've converted butter and skim milk powder prices, so these prices reflect commodity prices of processed products on the world market and therefore would also include the processing costs, where the bar codes do not. You can see that while you have many of the exporting countries in between those, most of the countries that export are not competitive in the sense of a straight price standpoint. In my definition, they're exporting, but they're not making a profit at it—or their income is generated outside of the marketplace, which is the other issue.

Moving now to page 6, slide 11, I want to point out that while in the late 1990s and early 2000, we in Canada, farmers in particular, felt that the world market was very volatile, with high peaks and valleys, we had seen nothing until 2007-08, when the price was almost tripled and then brought back to its lowest level within less than 12 months. That created different situations in different countries.

Most of the dairy industry around the world is in crisis—in Europe, in the United States, just about everywhere except in Canada. That's a point I would like to make later on.

Let's look at the U.S. price, on slide 12, page 6. I put in the U.S. price from 2000 to the current price. You can see that very few businesses can survive with the fluctuations that we've seen in farmers' prices in the United States, or in Europe, for that matter. You cannot have in one year $21 of return per hundredweight and within two years drop down to $9 per hundredweight. Europe is going through the same thing. A lot of the farmers in the last 12 months have seen their returns drop by up to 50%, and there were rallies and protests earlier this week in Germany, in Brussels, and so on. So the volatility of prices in the world makes it extremely difficult to refer to competitiveness.

I'll bring you to slide 16 on page 8. I want to point out that while we're talking about trade and price volatility of world markets and so on, many people believe that the WTO is the solution to all of these crises. The reality, Mr. Chairman, is that the WTO is not really going to give the long-term solution.

This slide shows the European agricultural support. I would suggest to you that the current WTO agreement that's on the table, the current draft, will permit this to continue. All they did, really, is increase their financial contribution to the agricultural sector. They just changed the colour. They changed the name of it. They called it rural development. They called it decoupled. They called it whatever you want.

● (1145)

The reality is that yes, they will not have "export subsidies", which are the red bars—these will disappear—but their farmers will still continue to rely on the financial contribution of the government to produce.

The leader of the COPA for farms was doing a protest yesterday and was quoted—and I don't think I included this in my presentation—as saying that European farmers anywhere in Europe are not profitable any more. They're in crisis and they want even more money from the government. Europe reintroduced export subsidies of $1.5 billion to the dairy industry in January. The U.S. last week announced the reintroduction of export subsidies and the reactivation of their dairy export program, which had been terminated as a government intervention. This is the situation we're in.

I want to turn to page 10, slide 19, if I may, on the benefits of supply management. In this cost comparison that was done by the International Farm Comparison Network, it is interesting to look at the farmers' share of the consumer dollar. What our farmers receive in Canada has been above 60% of the consumer dollar, and we've been extremely stable compared with any other country. That stability is part of the reason that an industry can be profitable long term—and not just for the farmers, but the processors, distributors, and retailers. What's interesting in this analysis is that while everybody has tried to gain or aim at 60%, any time it gets close in a less regulated industry, you see a downturn, and when it gets too low, you see an upturn. No other country has been able to achieve either the stability or the percentage of share of the consumer dollar that the dairy industry has.

I'm on page 11, slide 22. While consumption was going down because of the high price in 2007, and while production was down because of the low price of late 2008 and 2009, and while, as I said, the rest of the world in the dairy industry is in crisis, we have been able to have an increase in price at the producer level this year. Because of that stability I was referring to, we've also been able to increase the retail market of our products. We've achieved a 1.5% increase in milk in the last 12 months, which is difficult in this country with an aging population, a 5% increase in cream sales, and a 2.6% increase in cheese sales across the country. We're very pleased with this.

Every time we talk about price increase at the farm level, people say the consumers are not getting a good deal. I'll bring you to page 12, slide 23 and would note that the fact of that stability has permitted just as good a deal for the consumers as it has for the other sectors of the industry.

I will conclude with my two last slides in French, Mr. Chairman.

● (1150)

[*Translation*]

I would like to wrap this up. We now move to slide 27, page 14.

This shows the link between supply management and the stability it brings, as well as the long-term profitability, not just for producers, but for all sectors of the industry. Stable and fair prices for farmers, just like stable and reasonable prices for consumers, are essential for continued market growth, providing a stable supply for processors and low costs for the government. In fact, the market can be expected to produce a profit.

The stability brings with a number of benefits, whether in the environment, in the safety and quality of the products, and in all the mechanisms that can be put into place, because our producers have the means to follow new procedures.

In conclusion, Mr. Chair, competitiveness is measured by profitability. Every sector of the industry must be profitable—not just one sector, every sector—if an industry is to be considered competitive.

Thank you very much.

[*English*]

The Chair: Thank you, Mr. Doyle.

We now have the chair of the Ontario Apple Growers, from the best apple-growing area in the country, Mr. Brian Gilroy.

Welcome, Brian.

Mr. Brian Gilroy (Chair, Ontario Apple Growers): Thank you very much.

Thank you for the opportunity to offer input on some of the competitiveness issues affecting the horticultural sector of agriculture in Canada. As Larry mentioned, my name is Brian Gilroy. I am an apple grower just south of Meaford, Ontario, in the chair's home riding of Bruce—Grey—Owen Sound. As a point of interest, Grey County has more acres of apple trees than any county in Canada.

I'm presenting on behalf of the Ontario Apple Growers, which represents the 300 commercial growers in the province. Often I will highlight issues and potential solutions that are common to most horticultural farmers. We work together through the Ontario Fruit and Vegetable Growers' Association and the Canadian Horticultural Council to strengthen the entire social value chain through the goal of primary producer profitability.

Ontario and Canadian apple growers have experienced a number of dramatic changes over the past fifteen years, primarily as a result of the worldwide overproduction of apples, the globalization of trade, dramatic cost-of-production increases, and retailer and processor consolidation. Consequently, apple acreage in Ontario has declined from 32,000 acres in 1992 to approximately 18,000 acres today. With the current orchards and vineyards transition program, the industry is seeing further acreage declines. This is a federally funded program that was intended to last three years. What has happened is that the three-year program fund has basically been assigned in a little over a year, with applications approved for over 4,000 acres of apples, of which 2,500 acres have been removed and verified and for a little over 1,100 acres of which farmers have been paid out.

This program has been funded, as I mentioned, by the federal government, and with the rate of uptake from the tree, fruit, and grape industries, it is seen as a very timely success. Thank you to those from this committee and from government who helped make this happen. Unfortunately, our provincial government has not participated with funds to assist with the $12,000-plus-per-acre replant cost. One of my primary asks today is for the orchards and vineyards program to be enhanced with sufficient funds to finish the job in Ontario and other provinces where the need exceeds the funds available.

If our efforts to receive provincial replant support could be strongly encouraged federally, it would be greatly appreciated. Ontario is the largest apple-producing province, yet it is the only one without a replant component. When asked whether the apple or horticultural industry in Canada is competitive, I respond that I strongly feel that those who remain involved in the growing of local fruits and vegetables are the best of the best. Canada is a high cost-of-production location, and with the three major grocery retail chains providing relatively low-cost food to the consumers, growers are severely challenged.

Among the issues that are affecting our cost of production is the pesticide issue. In Canada, it remains a serious challenge for our growers. The cost for crop protection materials is on average 56% higher in Canada than in the United States. The gap in availability of new technology is growing, with U.S. growers now having 100 more active ingredients, with more than 3,000 more crop uses, than we have in Canada. A while ago, there was talk about harmonization. It has been a number of years since we started to work towards harmonization with the U.S., and we're no closer today, if not further away.

I'm going to my next point.

A good production insurance plan is something that a lot of horticultural crops do not have. In apples, we have the most complex, expensive production insurance plan in Canada. There was a study done on the Ontario plan last year, and that was the result. Recommendations were very limited, but participation rates for the apple plan in Ontario in some areas that experience a lot of weather is as high as 80%. In other areas, such as the Bay, it's somewhere around 20%.

Generally speaking, horticulture is very supportive of a self-directed risk management type of program for hard-to-serve commodities, those for which crop insurance plans are very complex, very costly, or for which there is no plan at all. We also need some type of market revenue—did you hear that? I said “market revenue”—or cost-of-production insurance to protect us from the dumping of commodities into our marketplace. Washington State has dumped and will dump apples into our marketplace at well below their cost of production, which creates significant hardships for the Ontario industry. They did it really badly in 2004 and have done it on certain varieties again this past marketing year.

● (1155)

The anti-combines act or Competition Act does nothing to protect primary producers from the processors who basically buy up the competition. In Ontario, numerous plants have been closed; and producers feel bullied by the processors to accept minimum prices for their fruit, and they are threatened with further plant closures.

We often hear about the horticultural value chain and how important it is that the value chain work together. If the processors that are buying up all of those juice plants were good value-chain partners, it would be one thing, but up until now, they haven't shown their good side.

U.S. producers continue to benefit from a “buy U.S.” policy for all taxpayer-funded programs and agencies—the military, hospitals, schools, the prison system, etc. This policy has resulted in great benefits to U.S. producers, through the purchase of surplus agricultural products, as well as ongoing agricultural products. But when there's a surplus, it stabilizes and allows the markets to expand.

A similar policy in Canada would provide similar benefits, without any additional cost to government. A trial project for the school system in northern Ontario has been implemented and continues through the Ontario Ministry of Health, who is promoting it. We need funding partners to help the fruit and vegetable growers assist with healthy eating issues in northern Canada. We're ready, we're willing, and we need some funding to help get it there. This is a good first step, but it needs to be expanded upon as quickly as possible. Canada produces excellent agricultural products, which would provide health and economic benefits. Our government must adopt a policy of showcasing these products and extolling their benefits. We are proud of our products, and there would be minimal or no cost to government to help push this one forward.

The U.S. Farm Bill supports a market access program, which provides U.S. producers with funding for export market development. A major target market is Canada. Many Canadian horticultural crop producers rely on the Canadian market, and therefore must compete with commodities that receive MAP funding. It is one thing to compete with other producers; it is impossible to compete with the U.S. Treasury.

A new agricultural policy framework should include MAP-like programs, not only to target export market development, but also domestic market retention. Last week, we learned that specialty crops—horticultural crops—have received an extra $45 million to be spent before September of this year to help producers adapt to the rapidly changing demands in the marketplace. Recently, we have heard that U.S. retailers are demanding “Product of U.S.A.” only, and have notified Canadian growers that they will not be able to purchase and market our fruit this coming crop season.

These are a few of the items that affect our ability to be competitive.

Thanks for your attention.

● (1200)

The Chair: Thanks, Mr. Gilroy.

We now move to the Canadian Pork Council.

You have to excuse me, Jurgen, if I get your name wrong, but we have Mr. Preugschas here, and Mr. Stephen Moffett. Welcome, and thanks for coming.

You can present for 10 minutes or less, please.

Mr. Jurgen Preugschas (Chair, Canadian Pork Council): Thank you very much, Mr. Chairman. I do appreciate the opportunity.

My name, actually, is quite simple. You put a “P” in front of “righteous” and you have it. I'm not saying I'm righteous.

We would like to thank the committee for asking us to attend again and make a presentation to you to update you on the competitive issues facing pork producers.

The competitiveness of the hog sector has been severely impacted by various shocks that have hit the sector over the past three years. While we remain optimistic about the long-term potential for the Canadian hog sector, it is increasingly difficult to be prepared for and manage the impacts that continue to face our industry. High feed costs, the strong Canadian dollar, low hog prices, the economic crisis, reducing access to credit, and country-of-origin labelling have all conspired to dramatically harm pork producers. And now we have been slammed with negative consumer perceptions around the H1N1 influenza A virus.

While Canadian hog producers are accustomed to managing the normal fluctuation of hog prices, the last three years have offered absolutely no relief. Hog producers no longer have the funds or equity to finance these losses, and we should all be concerned with the survival of our pork industry in Canada.

The fact is that many producers have left hog farming, and this exodus shows no signs of slowing down. The number of farms reporting hogs across the country continues to decline. Since 2006 there are nearly 30% fewer farms reporting hogs to Stats Canada. One of the most pressing obstacles to the future of this sector is the increased debt load producers are now burdened with.

Continued losses over the past few years have eroded any funds or equity within the industry. The increased producers' debt load is to a point at which the industry is going to have difficulty moving forward and competing with other markets. The hog sector recovery from the various shocks will depend on how well the industry and government react to this extraordinary situation. Producers are doing everything they can. Governments now need to act.

The introduction of mandatory country-of-origin labelling in the U.S. has wreaked havoc on a sector already suffering from financial losses. Since 2009, exports of live hogs are down 40% compared with the same period last year. This breaks down as follows: 30% fewer Canadian weaner and feeder hogs going into the U.S. and 65% fewer Canadian market hogs being exported to the U.S. On an annual basis this represents a loss of about $250 million worth of exports. The loss of this market is creating significant structural change in the Canadian hog sector.

COOL is eroding market signals. The market indicated that there was an economic advantage to breeding hogs in Canada and raising, slaughtering, and processing them in the United States. This created the most efficient and profitable production system in North America, and it was competitive with producers around the world. With country-of-origin labelling artificially causing discounted pricing for hogs with Canadian contacts, this system is no longer viable.

Let me be clear on this point. We support the federal government's efforts to address COOL and initiate the WTO challenge. However, COOL is severely damaging the Canadian industry right now, and the pork industry is bearing the brunt of COOL, so many producers will not be able to adjust their business structures.

The outbreak of the H1N1 influenza A virus, unfortunately named “swine flu” in the early days and still accepted broadly, has had a dramatic impact on the market for pork. Hog prices tumbled with the news and many export markets closed their borders. Luckily, Canada's main export markets have remained open.

● (1205)

Let me expand on that just a little bit. Hog/pork sales in Mexico dropped by 80%, virtually wiping out the sale of pork in Mexico, and of course we export a lot of product into Mexico, as does the U. S. Then all of a sudden we're getting a piling up of pork in North America.

However, the uncertainty the virus has created is causing more market disruption. In addition, the discovery of the virus in pigs on a farm in Alberta has made Canada even more vulnerable to trade restrictions and consumer confidence issues. The futures market dropped as much as 17% upon the announcement of H1N1 influenza A. Futures prices for the spring and summer months are still struggling to recover. Historically, these months bring the highest prices for our producers. The likelihood of profitability for hog producers in 2009 has evaporated due to the H1N1 virus.

Canadian hog producers have been responsibly adjusting to market signals as best they can, and that was illustrated by the drop in our hog producer numbers. Our breeding herd numbers have been reducing since the second quarter of 2005 and have had the desired effect of reducing hog production numbers. Producers have also been adapting in many other ways, using every avenue at their disposal to try to remain competitive. They've tightened expenses as tight as they can go.

As we make it through this very difficult time, we know we need to be working in the most efficient system possible, and this will involve the regulatory environment in which we operate. We can no longer afford to be catching up to our competitors. We need to be ahead with the most effective, streamlined, and cost-effective regulatory environment possible. This means having access to the best veterinary products available on a timely basis and ensuring that grains are developed and grown for livestock feeding purposes, ensuring that government policies do not disadvantage livestock production to benefit the production of fuel. Governments have to be committed to providing the most competitive environment possible for production to succeed. As well, our supply chain must work together to create the most efficient production chain in the world, and this work has begun with the pork value chain round table.

But our focus now is really the short term. The hog sector recovery from various shocks will depend on how well the industry and the government react to this extraordinary situation.

Thank you.

● (1210)

The Chair: Thank you, Mr. Preugschas.

We now have, from the Turkey Farmers of Canada, Mr. Mark Davies and Mr. Phil Boyd, for 10 minutes or less, please.

Mr. Mark Davies (Chair, Turkey Farmers of Canada): Thank you, Mr. Chairman.

I appreciate the opportunity today to give you our view on the competitiveness of Canadian agriculture, specifically as it pertains to our industry. I know our presentation has been forwarded to you, so I will just make a very quick presentation and highlight some of the key points.

First a little background. The Turkey Farmers of Canada is a national organization representing Canada's commercial turkey producers. The mandate of the TFC, as we call it, is to promote the consumption of turkey in Canada, as well as to be the voice for Canadian turkey farmers, both domestically and internationally, on matters relating to the future sustainability of our farmers and the sector generally.

We are found in eight of Canada's provinces and have an annual production of 217 million kilograms, or about 23 million birds. We had a 2008 farm gate value of $389 million. Exports of Canadian turkey meat are valued at approximately $23 million, and imports are estimated to total $32 million. Our market, while supply management and domestic in focus, is not closed to trade.

When it comes to sustained competitiveness, to ensure this for the Canadian turkey industry, our focus needs to be on the following five success factors: first, long-term economic stability; second, trade and harmonization, as others have discussed; third, regulatory clarity; fourth, research, infrastructure, and investment; and fifth, domestic balance. I'll just take a moment to touch on each of those briefly.

Supply management offers long-term economic stability. By comparison to unfettered free trade or full protectionism, we believe this is a third and viable option. It creates an environment for sustainable development. Domestic growth has been achieved through an orderly marketing system that matches supply to changing demand in a constructive and thoughtful manner. As an outcome, our sector does not rely on government transfers and it provides a fair return that is earned from the marketplace.

The poultry meat sector, like other sectors in Canadian agriculture, is not immune to international risk brought about by economic collapse, but unlike other sectors, that risk is reduced by virtue of the marketing system these farmers have chosen. It is a policy choice that needs to be sustained to provide certainty for reinvestment and to contribute to ongoing competitiveness.

The industry and government response to foreign animal disease outbreaks is critical in terms of reducing the period of business interruption. Discussions concerning compensation for animals ordered destroyed have been ongoing since 2004. Resolving this matter is a critical component to a prompt recovery for the farmers impacted, whether one or more—the scale is irrelevant; it's the issue itself.

We are pleased with the opportunities recently provided by the government and CFIA to fully engage in this discussion; however, there's much work to be done on this. I hope there will be some resolution and we'll see an end to it shortly.

When we discuss trade and harmonization, the TFC appreciates the support afforded to supply management by federal political parties, as well as the support provided by the federal government over the last eight years, since the beginning of the Doha development round. Some accomplishments have emerged, but not with regard to the import pillar of supply management. The current proposed modalities would bring serious negative economic implications for our farmers. We believe the negotiations are emerging to an outcome that will not produce equitable results for farmers of many commodities in many countries, not just Canada.

Within the trade rules and implementing Canada's WTO Uruguay Round commitments in 1994 and to abide by our NAFTA commitments, certain highly processed products, for example a TV dinner, needed to remain exempt from import control. To accomplish this under the new WTO tariff rules, the federal government defined these products as “specially defined mixtures”, also known as the 13% rule. However, the 13% rule the government administers today is not the rule in our WTO commitments and what was agreed to by industry in 1994. The rule has resulted in expanding the range of products not on the import control list, and it is also undermining the effectiveness of the Canadian turkey import quota. This rule, bluntly, needs to be changed.

When we discuss harmonization, a number of issues require ongoing attention to ensure competitiveness is not inadvertently compromised by government. These areas relate primarily to technical regulations or standards between competing jurisdictions. In our sector, our farmers and processors compete with farmers and processors from the United States and Chile primarily, and to some extent Brazil.

● (1215)

Some examples of what TFC has done: we've developed and are implementing a national HACCP principle based on the on-farm food safety program that is auditable and verifiable. We have a relatively new flock care program that is auditable and verifiable also, and it is being implemented on Canadian turkey farms from coast to coast. A new organic standard is being implemented by regulation in Canada by the end of June 2009. And the avian biosecurity committee is completing its work on a national biosecurity standard.

Each of these initiatives is worthwhile and laudable and meets the demands and expectations of food safety for Canadian consumers. By these very actions, though, we are undermining the competitiveness of our own farmers if these standards are not going to be met by farmers and processors in competing jurisdictions. If not held to the same standards, an imported product will have an advantage and thereby undermine the competitiveness of our sector. In another example, Canadian farmers can be at a disadvantage when competing with imported product if their access to inputs, such as pharmaceutical or crop protection products, is more constrained.

A recent benchmarking study on the competitiveness of the Canadian animal health industry found issue with approvals in Canada compared to other jurisdictions. I know that one of the previous speakers has already commented on that, so I won't go any further. It does, however, raise the matter of equivalency in terms of imports of meat from animals treated with medications that are not approved for use in Canada.

Product of Canada labelling requirements need to be re-examined also, to avoid consumer confusion and to provide a more competitive market for our farmers. Our processors are discontinuing product of Canada labelling as a result of the difficulty with the current regulations. For example, we can import a hatching egg, hatch it, raise it in Canada, and it is eligible for product of Canada labelling. If the same hatching egg were hatched in the U.S., imported as a day-old poult, then raised in Canada, it could not be labelled as a product of Canada. This is an unfortunate side effect, since a meaningful product of Canada label is an important marketing edge for Canadian farming. I know that within our industry, there's a substantial number of day-old poults that are brought into the country, so it is a huge part of our industry.

Within research infrastructure and investment, the members of TFC believe that a critical factor in future competitiveness is investment and research. Since the federal government reduced research dollars in poultry several years ago, the national poultry farmers and processor organizations founded the Canadian Poultry Research Council. In the last few years, CPRC has funded 22 projects, leveraging industry contributions of over $1 million by a factor of over 4:1 to the tune of $5 million.

In aggregate, this is very close to federal expenditures prior to the cutbacks of the 1990s. Rather than requesting additional funding for research, there are three elements that we would ask the government to address. Number one, ensure that existing funding remains for federal contributions to research; number two, sustain the ongoing realignment within the research branch; and number three, evaluate the current expenditures with industry to ensure sustainable and long-term funding for research. The problem is that a lot of the programs at this point are not funded to their conclusion. That's the obvious issue with that.

I have a couple of other facts. The value of our domestic market has grown significantly, by $126 million in five years, for a variety of reasons, such as consumer attitude towards turkey meat. The main challenge faced in the last several months has been managing high input prices and low meat prices in North America. As well, feed prices have increased 57% in Ontario from 2006 to 2008. I know that's something you've probably heard as a common theme from many witnesses.

In conclusion, the current volatility in the poultry industry follows three years of disrupted markets that began with the bird flu outbreaks of 2006 and their impact on world production, consumption, and trade. The governments of two main poultry-exporting countries have had to buoy up their industries to ensure their survival. The USDA announced in March 2009 that it intended to purchase up to $60 million worth of turkey breast meat products to help out the turkey industry, which has been suffering significant financial losses. As recently as mid-May, the Brazilian government announced that it is considering extending a line of credit of up to $1.38 billion U.S. to rescue the country's struggling poultry industry. The Canadian government has not had to bridge any financial losses for the Canadian poultry industry. We've managed our production quotas to address the market dynamic. We also contend that supply management is the key to keeping our industry sustainable and structurally sound in the long term.

● (1220)

The import controls pillar of supply management must be supported and maintained to ensure supply and demand are matched and continue to provide Canadians with safe, affordable food at stable prices.

Thank you very much.

The Chair: Thank you.

Mr. Eyking, the first round is seven minutes. Go ahead, please.

Hon. Mark Eyking (Sydney—Victoria, Lib.): Thank you, Mr. Chair.

I thank the representatives from the different commodities for coming here today.

As you can see, we're kind of short on time. We might only get one round, so I've got a question for almost each commodity. If you can make your answers short, I'd appreciate it so I can get my questions in.

My first question is to the Canadian Pork Council. How much money per hog is going to be needed from the federal government to help you get through this first year?

My second question to you is this. We see the benefits of supply management, and I know we're big exporters in the pork industry. Is there a way supply management can work some way within the pork industry?

Mr. Jurgen Preugschas: I'll answer part of that, and maybe I'll defer a little bit to my fellow producer from New Brunswick.

On the question about how much, we really went through that in detail, and we have made an ask to the federal minister for an ad hoc payment of $30 per hog for the marketings of 2008. We feel this is a number that will significantly assist our producers in staying in business. We feel about 50% of our industry is seriously at risk at this point in time. We have something like 70,000 to 80,000 jobs dependent upon our industry in Canada. The export industry is 42,000 jobs, so those 42,000 jobs are at risk.

Your next question is on supply management. Have we considered it? Certainly, people have brought that up, but to make supply management work, we would have to reduce our production by two-thirds. So two out of three producers would have to be out of work, plus out of our 80,000 people who are employed in the hog industry, two-thirds or more of them would have to be put out of work.

Are you prepared, as a leader in Canada, to put an additional 50,000 or 60,000 people out of work in our economic times? We're not.

Hon. Mark Eyking: Just to follow up on that quickly, I'm sure you had the ask on this quite a while ago, for the $30 per hog. Do you have an answer yet?

Mr. Jurgen Preugschas: It was two weeks ago tomorrow that I actually met with the minister and made the ask to him. I know last week the House was not sitting, but many of our producers have talked to members of Parliament across Canada and we are expecting some movement on it very soon.

● (1225)

Hon. Mark Eyking: My second question is to the apple growers. I've got two questions. First, I wonder what kind of apple juice I'm drinking and where it is from.

My second question is this. I guess in Europe they're promoting local fruits and vegetables through this environmentally green footprint, and they pretty well have them labelled in the grocery stores—how far it came, the impact it has on the environment, and things like that. It's really having a big impact and is helpful for the local growers. Should we have something like that in Canada that can ratchet in on how local a product is with some sort of labelling or some sort of recognition?

Mr. Brian Gilroy: Absolutely. I'll expand briefly.

I'd have to look at the juice a little closer to give you an educated guess as to where it's from.

The buy local...I'm going to call it a tsunami. It's still building; it's still way out in the ocean, and it hasn't crested yet. Local farmers' markets and pick-your-own operations are benefiting dramatically from this buy local movement. Canadian horticultural producers are seen as producers of safe, healthy, good-for-the-economy food because it's grown locally. The Ontario government made an announcement early in April that it was going to spend $24 million to try to get Ontario-grown into Ontario institutions. That's sort of what we've been asking for, for quite some time, both federally and provincially, so we would encourage you to get on the bandwagon and catch that wave before it crests.

Hon. Mark Eyking: Thank you very much.

My third question is to the supply and management guys. We often hear, from New Zealand especially, about this protective system that we have here. I was in New Zealand this past winter and I thought I would get all of this cheap yogourt, milk, and cheese, but apparently it's just as expensive as in Canada. There's a two-price system. They know how to do it there in a different way. They're talking about all of this free enterprise that is not happening there. They set the price, and it's kind of subsidizing their export price I think.

I always believe supply management is the best system in the world, but we're always defending it. Is there a way that we could promote it more, especially to these emerging economies that are out there that are looking for a system where they have food security? Their economies are going through a transition. Is there a way we can push back and promote our system? The figures all show it's good for the producer and the consumer. How can we push that back on the world scene?

Mr. Mark Davies: I'll tackle that one, Mark.

What I'll do is put it in some context. Everybody is familiar with the G-8 meetings that took place. Subsequently, there was also a G-8 farmers conference that I attended, which was actually expanded to the G-14. Around the table were various countries, some developing and some developed, like the U.S. Within that discussion—it was a room much like this—the main topic was the crisis and where the farmers' place was in this. They discussed that they, at some point, could be seen as a way out of this economic mess, because if you feed people, your economy does better. That was a simple equation.

Within that meeting we discussed that we need a way to manage supply, we need a way to get a fair price to our farmer, and we need a way to make sure that it maintains it long term. So basically they were discussing supply management without uttering the words. There were declarations that were sent to the governments, including ours. In fact a number of us delivered the signed declaration to Minister Ritz when we were in Italy, so he does have a copy of that. It is something that's discussed. I think we, as supply management commodities, do spend a lot of time promoting this worldwide, trying to educate. I know in the past it has been a CFA policy, within the education realm of supply management, to foster that.

It is something that's being done. It seems to be an uphill battle, but I think with the current economic crisis it's something that's maybe falling on ears that aren't as deaf as they used to be.

Secondary to that—and Richard may expand on this—I know that some of the dairy individuals in Wisconsin are looking at managing their supply within dairy.

● (1230)

The Chair: Time has expired. You can comment very briefly, Mr. Doyle.

Mr. Richard Doyle: Just as a reality check, one of the big dilemmas is that while countries like Europe and the U.S. still have border protection that can implement supply management, developing countries have very little border protections or controls of any sort. The WTO forced them not to increase any one.... And their access to funding for development is also based on the removal of any barriers.

It's not that we don't promote supply management, it's that the rules at the international level do not assist any other countries—other than those who are in the same situation as we are, the big ones—to actually introduce it.

The Chair: Thank you.

Mr. Bellavance, seven minutes.

[*Translation*]

Mr. André Bellavance: Thank you.

Mr. Doyle, you raised the spectre of demonstrations. Thousands of milk producers went to demonstrate in front of the European Union Building in Brussels. They are greatly affected by falling prices; they are not even covering their costs of production. Far be it from me to take pleasure in that. But it may be an opportunity for them to consider a different option that is used elsewhere, by which I mean supply management. If they did, they would not be living with those problems. Our milk producers too have had to throw away milk because it was worth nothing. They had produced too much and could not get a price that made it worth selling, so it was easier to pour away. Of course, throwing away good food like that is completely unacceptable.

In Europe, during the 1980s, they were buying so much butter that they had mountains of it that they no longer knew what to do with. So I have a hard time understanding why some of those countries, that previously had supply management, do not open their eyes today and say to themselves that maybe it is a system that would prevent the problems they are facing. In any event, let us hope that their current misfortune will cause some of them to open their eyes to that. I hope so. I draw the comparison because, as you know, discussions on a free trade agreement between Canada and the European Union are currently getting underway. Reaching an agreement can take a long time.

My questions will be about that, in a way. You are familiar with the international negotiations at the World Trade Organization. We met, I think, in Geneva. That is why I would like some insight from you on what is being discussed between the European Union and Canada in order to reach a free trade agreement.

As you know, Mr. Doyle, in bilateral negotiations, supply management is not on the table. In agriculture, it is not generally excluded. I know that the negotiations with Costa Rica, for example, are not the most consequential, but sugar was an issue. Clearly, in those kinds of discussions, agri-food can be raised, but can you confirm that supply management is not on the table in talks on bilateral agreements?

Mr. Richard Doyle: I can tell you that, in most bilateral agreements that Canada has signed, at the outset, we excluded supply management rights that had been negotiated at the WTO, as was also done with NAFTA. I understand the Canada-Europe context, and the understanding at the beginning, before the talks began, excluded absolutely nothing. But the government clearly stipulated that, as far as it was concerned...We know very well that, even if nothing is excluded at the start of the race, each party will have its areas of exclusion at the finish line, and that goes for Europe just as much as for Canada. I have spoken to Minister Stockwell Day and I know that they intend to exclude the supply management system during the negotiations. But, at the very outset—and I think this was your question—unlike other bilateral agreements, it was not excluded before negotiations started.

● (1235)

Mr. André Bellavance: I saw a newspaper article in which, before Mr. Harper left for Europe to get the discussions started, an anonymous government source told the reporter not to worry about supply management. I think that message is for those of you who are in areas governed by supply management. The source said that the tone of the discussions would not be like that, that it would be protected. When an anonymous source tells me not to worry before anything happens, I hear alarm bells. That is precisely when I do worry. I see that you are confirming my fears in a way. We see it in the “Joint Report on the EU-Canada Scoping Exercise”, as it is called, dated March 5, 2009. So we are dealing with very preliminary discussions between Canada and the European Union.

Are you familiar with the document, Mr. Doyle?

Mr. Richard Doyle: In outline, yes; not all of it.

Mr. André Bellavance: Point 3.1 of chapter 3 talks about trade in goods. In the next paragraph, I wonder whether or not they are talking about supply management. It says this:

> The Scoping Group recognized that any agreement should address the issues of agriculture export subsidies and state trading enterprises and assess any possible distortion of competition and barriers to trade and investment these issues could create.

I am somewhat reassured by the fact that subsidies are mentioned. From our perspective, supply management is not a subsidy, but, for the European Union, it is. Is there any cause for concern in this small part of the report?

Mr. Richard Doyle: I do not know whether the concern is in that small part or in the fact that the agreement does not exclude supply management specifically. The dairy industry benefits from export subsidies. That was determined by a panel that looked at our export subsidy program. We lost that advantage a few years ago because we had a two-tier price. So restrictions were automatically imposed on us.

Under NAFTA, for example, no trade subsidy can be used, and exclusions do not matter. The situation is going to be the same with the paragraph that you just read, which is going to apply to an agreement with Europe. At the moment, we cannot export to the United States unless the price is exactly the same as the price that would be asked in their domestic market. That is what explains that paragraph, in my opinion. That does not take anything away from your first question. The fact is that, in this very preliminary agreement, no specific provision excludes supply management.

Mr. André Bellavance: Had you been asked...

[*English*]

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

We'll move to Mr. Atamanenko for seven minutes.

Mr. Alex Atamanenko: Thank you very much.

Just as a preamble, in my consultations across the country on this whole topic of food sovereignty and food security, a lot of people are raising the issue of trade and domestic agriculture, and sometimes the negative effect of the WTO and globalization. They are using the example of what we did before NAFTA, the in-season tariffs we used to have protecting vegetable producers in Ontario and across Canada. We don't see those now.

Mr. Gilroy, you mentioned dumping. We may have discussed this already, but I know I have certainly discussed this with Joe Sardinha, from B.C., and others. What would happen if American apples were dumped and right away we slapped on an immediate tariff? Rather than going through the panel and getting lawyers and fighting it—because by that time it would probably be too late, because apple producers would have lost money—could we have a floor price, so you couldn't dump apples in Canada below a certain price?

I ask because we know there are many, many apple producers in my province and yours who have gone out of business and are scrambling and trying to develop new varieties, and doing all of the things you folks are doing—and growing grapes.

So what would happen if we were to do that? Has there ever been a thought from the Canadian Horticultural Council to propose that and to work with government to do that?

Mr. Brian Gilroy: We did have a minimum price on Washington red and golden delicious apples back in the early to mid-nineties. We were told at the time that we would have that for a five-year period, and then the industry would have to find ways to adapt to the market signals. After three years, the minimum price was removed, because there was no sign that harm was occurring within the industry while the minimum price was in effect.

Now, it wasn't one of my favourite decisions, but it was a decision made by a panel. Strangely enough, the fellow's last name was Trudeau—not Pierre, but another Trudeau—who made that ruling. It was very puzzling, because it did do a good job. At that point in time, it was $12.50 a bushel FOB from Washington State. Strangely enough, apples came into Ontario this year below those prices.

Your other comment was about a quick way of dealing with dumping and stepping in and imposing some sort of a tariff or hold-back on those products, up to a minimum level. That would be great. It is something we have asked about, but we've been told to move on to other areas.

● (1240)

Mr. Alex Atamanenko: I have one other last question, and then I want to talk to Jurgen about the pork industry.

You mentioned "buy U.S." and the fact that this is happening there. Our committee did a tour two years ago, and we had a number of recommendations on food security. One of them was—and all parties agreed to it—that we should encourage the federal government to buy food locally for federal government institutions. The push-back we got from government was that we had to be careful of our trade obligations. Do you want to comment on that?

Mr. Brian Gilroy: Do as they do, not as they say.

Mr. Alex Atamanenko: Thank you.

In regard to the pork industry, Jurgen, you mentioned high feed costs, the strong dollar, low prices, COOL, and now this H1N1. Are the conditions any different in your industry from the cattle industry? These seem to be the factors that affect them also.

Mr. Jurgen Preugschas: Without a question, both our industries are having great difficulties, and most of the same factors affect both.

Ours has been affected somewhat more strongly simply because of our huge export dependency. The number of jobs we put into Canada is even larger and we're much more dependent on export. Therefore, the effects have been stronger on us, and we've been in a low price cycle, which is different. Beef prices haven't been great either, but they have been nowhere near as low as what ours have been.

Mr. Alex Atamanenko: We talked about supply management, and you mentioned that 50,000 to 60,000 people are out of work. If we had a system similar to the poultry industry and the turkey industry where we had this 7.5% quota on imports, would it still affect that many people or would two-thirds of the people still be out of work?

Mr. Jurgen Preugschas: Certainly the importation of pork has increased somewhat from the U.S., and it's a significant import. We got in about 200,000 tonnes last year and we exported over one million tonnes of pork, so it would lower it to a certain degree. Of course, even if we reduced our production, the big plants in the U.S. would still send in a fair amount of pork.

If we went to supply management, of course, that wouldn't be possible if you put high tariffs on it. But number one, I don't think it would even be allowed under NAFTA; and number two, as I said, I'm not prepared to put that many people out of work.

Maybe, Stephen, you would like to comment a bit on the integration, how you've built your business integrated with the U.S. as well.

Mr. Stephen Moffett (Director, Canadian Pork Council): In our case, we send half our pigs to the U.S. as baby pigs and we finish them down there. As Jurgen said, the model made a lot of sense. It was cheaper to finish them down there and certainly cheaper to process them. They have a very strong processing industry down there and access to world markets, so it made a lot of sense.

This introduction of the COOL has really kicked us in the teeth. We had a long-term contract with the plant we used to sell to, and at some point they just came and said, "Sorry, guys, we're just not killing Canadian hogs anymore." We had to go with our hat in our hand to another plant, negotiate a deal with somewhat poorer returns on a per hog basis, and move to a different location.

I have a little further comment on your comparison to some of the other industries. A certain amount of that is fair, but there's probably a bit more impact for us than with beef, because we're more grain based, and this whole issue around ethanol and the driving up of the price of corn and soybean meal probably hits us a little bit harder. Then, of course, as the final shock after all that, this H1N1 has hit us, and it has really knocked us in the teeth. H1N1 continues to cost me probably $70,000 a week.

● (1245)

Mr. Alex Atamanenko: Thank you.

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

Mr. Shipley, you have seven minutes.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you, Mr. Chair, and thank you to our guests for coming out.

I want to go first to Mr. Doyle and to the comment made earlier. I want to be clear about our free trade agreements. We have been, in the free trade agreements that have been done in the Americas—approved—with Colombia, Costa Rica, and even NAFTA.... Actually, these are ones that our government has brought forward and that have protected supply management, and we will continue to do that as we enter into the EU. You have to remember that there isn't a table yet at the EU for those discussions. When I hear about what is called an anonymous source or a reliable source from government, usually it's not government. Sometimes it comes from the media. Sometimes it comes from the opposition. But it certainly hasn't come from this government. You can be confident in terms of our stand and position on free trade.

I have one quick question. Interestingly, you have on your chart that the producers receive a stable percentage of the consumer dollar. I take that to mean that actually the stable part of it is that it's good and a benefit to producers and actually good and a benefit to consumers. It's one of those win-wins. How are you doing this? I know it's because of supply management. I think the bigger part, when I look at page 11, is the increase in retail demand in these times. You have increases.

I was in Barrie at one time, and I remember the discussion. It was always about dollars. Farmers are kind of tight to the tree sometimes in terms of dollars going out for promotion. But we were always in competition with somebody else. We were in competition with the other products either of butter or of a drink.

What are you putting into promotion to build demand?

Mr. Richard Doyle: Producers over the country are investing over $100 million in promotion. That includes school meal programs, nutrition programs, advertising, and marketing. Those tend to be generic. A lot of advertising is also carried out on a joint basis. We will invite brands to join us as well. There's a huge investment on the part of the producers with regard to growing the market. The cheese market is a growing market. There are varieties. I know when I started there were about 80 varieties of cheese in this country. Now we have close to 500 different varieties of cheese. It's a good market. It's continued consumption.

We've lost a great deal in butter, but butter is coming back. The fat concern is going down a bit, and the trans fats and all of this that has taken place has put butter as a more natural product. Therefore, consumers are coming back to butter consumption. We've seen an increase that we haven't seen for many years. We're quite pleased to see that our market is dynamic.

The thing about the price variation in all this, if you look at the chart with the U.S. price of the producers, is that you don't see that at the retail level. Can you imagine having this kind of variation for a product that consumers buy every week so that it triples all of a sudden in one week or in two months and is sold at a third of the price two months later? That doesn't happen. What you see is that when the price drops, the retail price stabilizes; it doesn't drop. In Europe, the farmers have had a 50% loss in returns. You haven't seen a drop of 50% in the retail price of dairy products in the EU. You haven't seen that. What happens is that when the price goes back up, the retailer goes back up at that point. You have a bit of a scaling system when the farmers' price goes up and down like a yo-yo.

Mr. Bev Shipley: I have some other questions, but you've actually touched on a couple of things I wanted to ask about. So I appreciate that.

I want to go to the pork producers and Mr. Preugschas.

There are fewer hogs. There are fewer farms, which means, I guess, fewer hogs. Your ask is $30 a hog. Remember BSE. Money went out. The farmers never ended up getting it, because the marketplace ate it up. If that were to come, how would you protect against that?

● (1250)

Mr. Jurgen Preugschas: I think that's a very good question, and that's why we were very careful in how we made our ask. Number one, it's based on 2008 marketings. It's not for marketings for this year. Second, it goes directly to producers. It does not go to processors or anywhere else. It goes directly to producers based on 2008 marketings, and it leaves the regular marketings, as we are now, in place. Most of our marketings are formulated from the U.S. anyway, so it isn't going to affect the pricing at that point.

Mr. Bev Shipley: I'm not convinced that will work, because you're liable to get a challenge. Without a doubt, you'll get a challenge. You're saying you will take that on.

The other part of it is that in the marketplace, regardless of what happens or where it goes, we see that in all sorts of instances—and I'll just go back to Mr. Doyle, because he actually has it on a sheet here—there's no change. When the price drops, there's no change to the marketplace. The marketplace can eat up that $30 a hog in an instant.

I think the most important part is our markets. You've talked about that. How do we get those markets back? How do we build the confidence back in? The minister actually now is going back over. We'll be talking, and he has been.

Most of these countries have now opened up. The question now is what we can do to ensure their confidence. It's like the whole economy and the confidence of the people to purchase.

In Mexico I'm not so sure that the market is going up or is going to come back in a hurry, because they've got such a big issue.

There are two things. One is getting those markets too, because we need those markets for a product like yours, since we've got to get rid of the whole animal. I'm always cautious about getting the $30 and then finding someday that it's just evaporated. The next day, where did it go?

I had a neighbour who was in on the weekend. They are great hog farmers and they were making money until this happened. They know the exact cost of production. It's a large family farm. We've got a blip right now, and producers and industry need to work together. I'm glad to hear they've had those discussions with our minister.

Can I go to Mark in terms of a question? I'll be honest with you. You raised something that I think just eats everyone on this committee, quite honestly, and that is the regulations on how we get harmonization on products that are coming into this country. You were saying that—whoops, sorry; I'm on the wrong one. You're the turkeys. You're a turkey.

How are you accomplishing your domestic market? I think of turkeys as Christmas, Easter, and Thanksgiving. That's a traditional time. You're growing your domestic market. How do you grow in that particular market based on the seasonality of turkeys, which I would think is how a consumer sees it?

Mr. Mark Davies: If we could get you to stop thinking that way, that would be step one.

It's a fair question. The very short answer, because I know you have other questions to ask, would be—

Mr. Bev Shipley: You can talk as long as you want.

Mr. Mark Davies: I'll just do the very simple black-and-white answer. Our market is divided up into basically the traditional—the whole bird, as we term it—and what we call the further processors. Our growth has seen significant increases in the further processors. There's been demand for further processed deli meats. We're big at the deli counter and that sort of non-traditional area.

If you really think hard, you'll think of turkey sausage and turkey bacon. I was told by the president of one of the larger processors that the largest-selling bacon in North America is their bacon, and it's turkey bacon. That's a stellar example. It's basically the further process industry that's been driving our growth. Our whole-bird sales grow with population.

● (1255)

The Chair: Thanks very much.

I'll move to Mr. Valeriote for five minutes.

Mr. Francis Valeriote: Mr. Boyd, I know you're regulated through supply management, but our concern is about competitiveness.

I'm always concerned about abuses of dominant positions, whether by the processors and distributors on the one end or by those who control the cost of farm inputs on this end. While you're probably less susceptible to dominant positions on processing and distributing, although you can tell me otherwise, you may be vulnerable on the input cost. Can you tell me if dominant positions of those suppliers exist in your industry to any extent?

Mr. Phil Boyd (Executive Director, Turkey Farmers of Canada): Thank you, Mr. Chair, to Mr. Valeriote.

On the shipping end of the farm gate, the marketing boards provide a producer voice. A price is negotiated; it gives producers that collective strength in the marketplace on what they're shipping. That having been said, the pressure from a relatively concentrated retail sector to the buyers of live turkey or to the further processors of turkey meat products does filter back, and market signals get transmitted to the farm level as well.

On the input side, the things that our chair mentioned in terms of ethanol policy, the driving up of feed costs, and all those kinds of things obviously affected our producers in the same way they affected other livestock producers represented here today and earlier.

However, supply management does also breed an entrepreneurial spirit, I must say. There's perhaps a lot of misunderstanding about that. Numbers of our producers will band together on the input side, and because they're organized through their marketing board system, it becomes relatively straightforward for them to accomplish that, so even in that structure there is some power at the input side as well. I don't know that we're as susceptible as maybe some of the other sectors, but I can't say that for sure. However, that's a general sense of what can happen.

Mr. Francis Valeriote: Thank you.

Mr. Preugschas, I know you probably have to reach for your defibrillator any time anybody mentions supply management, so I'll avoid that question.

I want to talk to you about AgriFlex and the non-business risk and business risk programs. I'm wondering to what degree you can rely on either of those programs in this time of difficulty, what the shortcomings are, and how they might be fixed to help you. I understand a lot of it is based on the review of previous years in the calculations that are made. Is that one area that could be fixed? If so, can you tell us how to fix it?

Mr. Jurgen Preugschas: That's a very good question, but I am going to defer it to Stephen because he's the chair of our safety net committee and is very involved in that.

Mr. Stephen Moffett: That's a really good question. I want to make it very clear right at the outset that we think the AgriStability program is excellent. It has evolved over several years since the 1990s and has helped producers through times when prices went up and down. That's what it's meant to do.

What it's not meant to do is deal with a long-term decline in margins. We saw that when we had the grains and oilseeds program a few years ago. The CASE program at that time didn't work any longer because they had no margins left. I think we see that situation developing now. We've been in this downturn long enough that the CASE program is not going to help our producers in the 2009 situation. That's accepted. It wasn't meant to do that; it was meant to deal with fluctuations. We're in a downturn now that has lasted longer than it should have, and it's now further complicated by COOL and H1N1.

To go a little further, it's an excellent program, but there are a lot of things we would like to see changed. Our industry tends to have a lot of larger producers, so the caps on some of these existing programs have always been an issue for us. We see a very large percentage of our industry not protected by the existing programs because they get capped out. It's a real issue for us, because large producers tend to contract with small producers. So it affects many people, even though sometimes governments look at these programs and say they don't want one big cheque going to one big producer. It impacts a large percentage of our industry.

Those are probably our concerns.

● (1300)

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

I'd like to thank our witnesses for coming here today, for making the trek down and being part of our competitiveness review.

We remind the members to whom it applies that we have a subcommittee meeting here immediately afterwards.

The meeting is adjourned until Thursday.

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