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Chair

Mr. Lee Richardson

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•(0915)

[English]

The Chair (Mr. Lee Richardson (Calgary Centre, CPC)): We will commence the 15th meeting of this session of the Standing Committee on International Trade.

This morning we have witnesses from Agri-Traçabilité Québec Inc., Levinoff-Colbex, and the Canadian Meat Council. We'll begin with statements from our witnesses, followed by our usual round of questioning.

I'm sorry for the slow start. We had some committee business, so we'll probably go until 10:15, if that's agreeable to the witnesses. We have some committee business to deal with after that, at which point I think we'll go in camera.

I will introduce our guests. First we have James Laws, the executive director of the Canadian Meat Council. Then we have Brian Read from Levinoff-Colbex; and Linda Marchand, the executive director of Agri-Traçabilité.

We'll start with a brief comment from James Laws on the broader perspective, and then we'll move to Brian for more of a business perspective.

Mr. James M. Laws (Executive Director, Canadian Meat Council): Good morning, everyone, and thank you for inviting us to speak to you this morning. My name is Jim Laws. I am the executive director of the Canadian Meat Council. We are Canada's national association representing federally inspected meat packers and processors in Canada.

With me is Brian Read, the general manager of Levinoff-Colbex, who will speak after me. They operate a cattle abattoir in Saint-Cyrille-De-Wendover, Quebec, and a beef processing facility in Montreal.

Canada's meat industry is the largest of the food processing sectors, employing some 67,000 people and with gross sales of over \$20.3 billion. In 2008 Canada exported 393,000 tonnes of beef, valued at almost \$1.4 billion, to 63 countries. Of that total, the United States of America is by far the most important market, with Canadian beef exports to the U.S. totalling 304,000 tonnes, valued at \$1.03 billion. In addition, we exported one billion tonnes of pork, valued at over \$2.74 billion, to 107 countries. Of that total, 307,000 tonnes of pork, valued at over \$833 million, was exported to the United States.

Of course, as you all know, we've had several challenges over the last few years, from BSE in 2003 to avian influenza, E. coli 0157:

H7, and most recently, as you are all aware, the rare listeriosis outbreak at one facility in Toronto.

Another thing that has really affected us lately is the enhanced ruminant feed ban. In July 2007, Canada's enhanced ruminant feed ban regulations came into effect. These imposed tremendous costs on our beef sector not faced by the American packers to the south. We continue to advocate for a \$50 million bridge fund to help our beef industry pay for the disposal of these specified risk materials. We have been disappointed that no program has been announced so far.

One of our farmer-controlled cull cow members, Gencor Foods, closed its doors and declared bankruptcy on April 1, 2008, citing the high costs of regulatory compliance of disposing of specified risk materials as one of the main reasons for their demise.

The United States was to put in place its new enhanced ruminant feed ban effective April 27. They have now delayed that implementation date—although I saw something this morning indicating that perhaps that implementation was back on. I have to confirm that. But their regulatory requirements are different from ours, in that they focus on removing specified risk materials only from the older, higher-risk animals in which the vast majority of potential risk material is present. The United States may also soon get “negligible risk” status at the OIE, the world animal health organization, which will make it more competitive than Canada.

Food safety is the number one priority of the Canadian meat industry. Controlling bacteria, such as E. Coli 0157:H7 in beef, requires huge investments in laboratory testing, plant sanitation, equipment, conveyances, packaging, leading edge technology, and research and development. Existing E. coli intervention, such as steam, lactic acid rinses, and others, is estimated to cost over \$5 per head. These are essential food safety aids.

The United States has had access to new antimicrobials and food processing advances for beef, such as irradiation, that we here in Canada don't have. This is a competitive disadvantage to Canada.

On meat inspection fees, last year in Canada we paid \$21.4 million for those inspection fees. They are mandatory, and unlike other food sectors, we have no choice on meat inspection fees. These inspection fees are in addition to the growing staffing costs to deliver programs, such as the new HACCP-based inspection program, the new compliance verification system, and the significant increase in mandatory pathogen testing requirements.

Meat inspection fees are a competitive disadvantage to Canadian federally inspected meat processors. American meat processors pay no regular-time meat inspection fees—only overtime fees. Provincially inspected meat processors in Canada pay no meat inspection fees.

At the Canadian Meat Council, we have been pleased to be working on the new Canadian Food Inspection Agency working group on user fees. There has been a lot of work done on that to date. A change in the fee structure will hopefully result in more competitive fees and a fee service standard to ensure value and timely service for the fees paid.

We're also grateful to the Government of Canada for providing last year the red meat sector's processing facilities with \$2 million in fee remissions. We certainly encourage the Government of Canada to adopt the recommendations in the working group report and to remove regular-time meat inspection fees.

● (0920)

Finally, on U.S. mandatory country-of-origin labelling, Mr. Read will expand on this. But we're certainly fully supportive of the Government of Canada's submission to the United States on mandatory country-of-origin labelling and its subsequent notice of a WTO challenge. The final rule did provide some added workable flexibility that has much improved the fate of Canadian meat and livestock producers from the interim final rule.

We in the meat sector are less affected than Canada's livestock producers. We can sell Canadian meat into restaurant and food services and to further processors in the United States that are exempt from the mandatory country-of-origin labelling requirements. However, the recent letter from Agriculture Secretary Vilsack to the industry asking for voluntary compliance with a more stringent labelling requirement causes us concern, and we are hopeful that he will respect the final rule.

Thank you for your time. I'll now pass this on to Mr. Brian Read.

Mr. Brian Read (General Manager, Levinoff-Colbex S.E.C.): Thanks, Jim, and thank you, Mr. Chair, for allowing Jim to give more of a national review.

What we'll now do is narrow this down to the effects on the plants in Montreal and Saint-Cyrville.

We'll focus on country-of-origin labelling first. It's probably costing us about 10¢ a pound on our bulk boneless beef going across the border, because of its exemption into retail at this point. They have mandated at the retail counter a target of 70% product of United States. I was down there a couple weeks ago, and of course, being a meathead, you always have a look at the retail counter to see what's happening there. They seem to be successful: it is 70% product of United States on the counter. They comingle the product I produce. It will end up in a further processing operation or a food service industry, and this has created a two-tier meat block. That's the only downside to it. So I would estimate there is a 10¢ to 15¢ a pound spread from what I used to get going into the United States to what I'm getting today, because of the United States' restriction of use. That's one immediate impact that we see.

As for the other impact, the United States is our major trading partner. It's a convenient partner. It's by road, it's overnight, it's fresh, and on and on. It just has all of the right things for us to be in business there. But we do need equivalent regulations. We've looked at harmonization with the United States since 1998, and I'm sure you've all read the free trade agreement signed by the Honourable Mr. Wilson. It's a fairly lengthy document, but it is worth having a read back in history, because that document mentioned harmonization with the United States, our number one trading partner, and we respect them.

I think the best we can shoot for is maybe equivalency. We should take that word "harmonization", because I think it has been 20 years in the making. It has created a lot of jobs for people, but we're not quite there. The SRM policy has really hindered my ability to maximize my capacity in the plants in Quebec. I used to bring livestock up out of the eastern seaboard over there, the Vermont area, and we'd slaughter the cows in the plants when things got low in Canada.

● (0925)

The Chair: Excuse me, Brian, but can I ask you what SRM is?

Mr. Brian Read: Oh, it's specified risk material, sorry. It's all because of the outbreak of mad cow disease. Canada took the full list.

Should I spend a minute on it, Mr. Chair?

The Chair: I just wanted to get that clarified, because I think it's important.

Mr. Brian Read: When the outbreak of mad cow disease occurred in Alberta, there was a list of nervous tissue that had to be removed to protect the consumer, which we did put into effect as of August 23, 2003. We implemented that right across the country. That included the dorsal root ganglia, the tonsils, and the distal ileum. I wasn't prepared for this, but I know it like my name. It created, from a rendering standpoint or draw credit from the kill floor of the federal plants—just plant exit, not including transportation and disposal of this product—a \$20 a head disadvantage to the United States for processing in this country on product over 30 months in age. The industry did that and protected the consumer. On July 27, 2007, we had to protect our herd, and we also qualified for controlled risk status when it came to mad cow, or Creutzfeldt-Jakob, disease. Actually, it wasn't that. That's the wrong one.

Mr. James M. Laws: It's bovine spongiform encephalopathy.

Mr. Brian Read: Right. Thanks, Jim.

And so came BSE. We had to then protect our herd against it. In order to qualify for our controlled risk status so we could maintain the current markets we have, and all the work the people in this room did to get our markets—the ones we have—it was part of our protocol that was written to the OIE. And we did that.

We expected at that time that the United States would have to come with us. Little did we know, they didn't. And they won't. But we're hooked into this for the next five years, and that's where the disadvantage comes from. Now I can't fill my kill.

We were also asked in this country—the Honourable Scott Brison can relate to this one—to increase our capacity while the borders were closed. We did that. We have enough capacity now to process 100,000 animals a week in this country. We're running at about 60,000.

It's a fickle business. When you're losing money, you can offset your losses with capacity. We're unable to do that in this country today, and I think you've seen some rationalization happening in the west in the last two months simply because of it. It's made the packing industry a real challenge again. We're turning over every stone, and we need all the help we can get from this room.

As I was saying, we would bring cows up from Vermont or out of the eastern seaboard of the United States to fill our kill out. We're unable to do that now because we're at a disadvantage of \$30 to \$40 a head because of our SRM program not being equivalent to that of the United States.

At the time it appeared it was the right thing for this country to do. We rely on trade. We export 60% of our production in beef in this country. We rely on all the necessities, the tools we can build into that to maintain our trade.

We're now into trade with the United States, which is our major competitor. That's who we earmark ourselves against, because that's what our consumers accept. It has really put us behind the eight ball with that difference of the rule. It's that major an impact. It's between \$30 and \$40 on every head.

We can supply this room with that detail before you go to Washington, if you so desire. But I come back to equivalency being so important with our number one trading partner.

I'll move on.

We also appreciate that in the province of Quebec we have one of the best traceability systems. We have a two-tier system in Canada. We have the ATQ and the CCIA. The ATQ has been audited, as well as CCIA, and they're both world leaders. The ATQ has maybe one up, because it has gone into all livestock species. I'm going to leave that one for Linda.

The other one is that I hope we don't get back to the par dollar. We survived it once, but in the manufacturing sector in our country, a par dollar is really difficult. It makes it a real challenge because of our infrastructure. At 25¢ cents, it's good; at 20¢ to 25¢ we can see it, but if you start getting it close to par... We survived it once, but I'd sweat through the second one, believe me.

I'm going to leave it to questions, because it sounds as though we'll have lots, Mr. Chair. I'll share my time with Linda.

• (0930)

The Chair: Great.

Linda Marchand.

[*Translation*]

Ms. Linda Marchand (Executive Director, Agri-Traçabilité Québec Inc.): Mr. Chair, honourable members, good morning.

Agri-Traçabilité Québec, a non-profit organization, was created on September 25, 2001, in order to develop and put in place a system for permanent identification and traceability of agricultural products in Quebec.

Building on the partnership between government and agricultural producers, the ATQ board of directors is made up of representatives from the Union des producteurs agricoles, MAPAQ and the Financière agricole du Québec.

The first traceability chain, from farm to slaughterhouse of international calibre was put in place in Quebec for the cattle sector in 2002, for the sheep sector in 2004 and in the deer sector at the beginning of this year. The three pillars on which the Quebec system is built are the identification of a product or animal a unique multi-sectoral data base and the follow-through on product movement, change of location. In Quebec, we chose to work with a single number for each animal and with RFID chips so as to have an automatic system and receive the data practically in real time in a central data base, and so as to distribute the information to the industry so that it can use it for its export markets.

We have also identified all the locations through which an animal can move during its lifetime so that every movement and change of location of an animal on the Quebec territory is registered in a multi-sectoral central data base.

If there was an epidemic in Quebec or a health crisis affecting more than one species and if several animal species were in contact with live animal markets, we could get the information quickly, map out the zone, stop the movement and thus quickly reduce the impact of a crisis on the Quebec territory.

In terms of other sectors already developing in Quebec, we have the pork sector, the poultry and table egg sector as well as livestock transportation, which is a crucial element of a traceability program, and there is also the horticultural sector. We are working in collaboration with representatives of the pork sector, and we should implement traceability in that sector by the end of this year. In the poultry and table egg sector, it will be done in early 2010.

Following the numerous crisis situations in animal health, consumers have become concerned about the quality and safety of food. In addition, global markets are opening up which makes traceability one of the important tools to allow the offer of products that stand out on a national scale as well as at the international level. I would like to emphasize that the Quebec system is built on the basis of the international standards established by the World Organization for Animal Health.

In addition to maintaining consumer confidence, an effective traceability system can prove to be an important tool in minimizing the impacts on the health of humans and animals in food safety crises. I would like to add that the Quebec system is mandatory and regulated by the province. It is the only mandatory traceability system in Canada. All producers and all stakeholders in the agrifood chain, such as shippers, livestock markets, agricultural fairs and slaughterhouses are under the obligation to transmit the information to a single data base, automatically and within a very short period of time.

The producer has to identify his animal during the seven days following its birth, he has to declare its origin, the date and place of its birth as well as its gender and location. As soon as this animal leaves the farm, all the information on its changing locations must be registered in the data base.

When we know the origin of an agricultural product or of an animal, as well as its itinerary and the contacts it has had with other animals or other products, we are able to ensure a quick response to problems and to make the needed recalls within a reasonable period of time.

Traceability is a tool that also allows for the verification of information relative to the origin of a product, and in a way such that consumers can be assured of the exact origin of a product or of an animal, and of the route that it will have taken all the way to the final point of consumption.

Having standards in terms of traceability for all agricultural products is essential in order for Quebec to continue to respond to the increasing demand for quality and safety from countries that import agrifood products from Quebec.

An effective traceability system can, without a doubt, contribute to the preservation of certain types of markets. In addition, it can help open up new ones thanks to the value-added component and quality assurance it brings to the table. For example, the fact of having access to the actual age of an animal or of knowing its precise place of birth, adds an element of transparency to the way things are done and preserves export markets. In addition, it underlines the efforts being made by different players in the agrifood chain to offer clear choices to consumers and products that respond to the highest standards for quality and safety.

● (0935)

Traceability should not, however, become a burden for producers and the other stakeholders in the agrifood sector, but an element that improves their competitiveness.

In closing, the story of a business in Quebec specializing in milk-fed veal—and I apologize for my colleagues in the steer sector—cannot be emphasized enough as it was able to successfully sign an exclusive deal for exports to Japan in 2005, even as the end of the mad cow crisis was far from apparent. By ensuring the complete traceability of its products, from the farm to the table, and above all else, having access via the Agri-Traçabilité Québec database to the birth dates of the animals, this business had a solid base from which it could build its export markets.

This concludes my statement. I am prepared to answer your questions. Thank you.

[English]

The Chair: Thank you.

Before you start, how long have you been doing this? How long have cattle in Quebec had traceability?

[Translation]

Ms. Linda Marchand: It was developed in 2001, and the first mandatory production was in the spring of 2002. This was in both the beef and dairy sectors.

[English]

The Chair: Is there any cost to the taxpayer for this program?

[Translation]

Ms. Linda Marchand: In Quebec, as I said, this is a partnership between government and industry. The Quebec Ministry of Agriculture assumes full responsibility for management of the Agri-Traçabilité Québec system.

However, producers and industry must automate their information systems in order to transfer the information to us electronically. And the producers have also had to pay for all of the animal identifiers.

[English]

The Chair: That's fascinating. This is very useful to us. We're heading off to Washington next week, and this is an important matter that we want to study. We're pleased to have you here to give us this information.

Mr. Cannis.

Mr. John Cannis (Scarborough Centre, Lib.): Mr. Brison and I are going to share time. He'll start.

The Chair: All right.

Hon. Scott Brison (Kings—Hants, Lib.): Thanks, Mr. Chairman, and thanks to each of you for appearing today.

I want to focus on the country-of-origin labelling issue. I recognize that it has already taken effect, but I would appreciate your insight on what would be the best approach for Canada in making representations to U.S. legislators and the administration. I'd like to have a better understanding of the thinking behind it on the part of U.S. legislators and the administration.

A few weeks ago, before it had taken effect, I had a meeting with Collin Peterson, and he said something that I think might be instructive. He said if this causes a real problem between Canada and the U.S. with regard to our integrated beef industry, then it would be re-evaluated. That's easy for him to say. It's really tough to reverse something like this once it's in place. It's clear to me that it's not really aimed at Canada; it's more aimed at Mexico. But we're getting caught in the crossfire. It could really hurt the U.S. beef industry as well.

Could you summarize a few points that we ought to make to the Americans that might demonstrate to them how the country-of-origin labelling doesn't help them and may actually hurt the American beef and food industry?

• (0940)

Mr. Brian Read: I think there is that fear. You have to understand that the country-of-origin labelling was promoted by maybe one or two lobbying groups. I don't believe the regulatory people in the United States showed much interest in this. Politically, it was brought upon them. Down the road, it could be of great harm to the United States livestock industry, because of cost. They could force their consumers to have to pay more for a product of the United States. By alienating themselves, they could show resistance. Also, their feedlots and their slaughter capacity could be drastically affected. Last year the export of calves out of Canada was perhaps 1.3 million head. They're sitting down there on feed. It will affect their capacity. That's a disadvantage to the producers down there. Their cattle industry will also be drastically affected by it, because we are totally integrated.

Hon. Scott Brison: Why would, for instance, Mr. Peterson and his committee support something that has negative repercussions for their industry?

Mr. Brian Read: We all know how it works down there. It's a big centrifuge, and when it comes time to pull a political string, they pull it. And this one just didn't go away. Again, it was too strong. I know of one strong lobbying group that made it a real political issue, and that same group didn't want us back into their country. That's what caused it.

Hon. Scott Brison: Which are the two groups?

Mr. Brian Read: One was R-CALF. I don't want to give them notoriety for success, and that's why I was hesitant to say it.

Hon. Scott Brison: What is R-CALF?

Mr. Brian Read: You've got the NCBA down there, and the R-CALF organization is a spin-off to it. The NCBA does nothing right. They don't protect the cattle industry.... You know, we have low groundswells here once in a while.

Hon. Scott Brison: What does R-CALF stand for?

Mr. James M. Laws: Well, the NCBA is the National Cattlemen's Beef Association, and this was another beef farmer association.

Hon. Scott Brison: So it's American ranchers....

Mr. Brian Read: Yes, it's that organization, and they'll know it as R-CALF, Honourable Brison. They'll know it very well. And they didn't run out of money.

Hon. Scott Brison: Is that Our CALF?

Mr. Brian Read: No, it's "R".

Hon. Scott Brison: I was just joking with you.

Mr. Brian Read: I know you were.

But I think the rule came under duress. The cost to implement and manage it is serious.

Hon. Scott Brison: Who are likely our allies in the U.S., in the same way as on the softwood lumber file? The U.S. home-building industry and the U.S. building supply industry want access to competitively priced high-quality Canadian lumber, so there's a natural ally. Who are our allies on the country-of-origin labelling issue in the U.S.? Is it the grocery business? Is it the food stores? I'm trying to seek allies.

Mr. Brian Read: I think the timing is important. I think it has such a political profile down there. They've been told to voluntarily cooperate with the rule or enforcement will be increased and they won't like the increase. Also, because it's so fresh, everybody is voluntarily cooperating in the spirit of it. I think timing is important, because if they drop the bomb and go to the next plan as per the letter, then we'll really get hurt.

Right now we're in a bit of a grey zone to give you direction. I'd like to say it would be the American Meat Institute, but today they're supporting the spirit of the rule because of the political pressure that everybody is under down there to cooperate. I'm hoping you come back with more information than I can give you. I can't say NCBA supports it today because there's no real.... Five years in the meat business is a lifetime.

Hon. Scott Brison: Mr. Cannis is going to ask a couple of questions.

Mr. Brian Read: Jim, did you want to add to it?

• (0945)

Mr. James M. Laws: One other thing that's important to remember is that they started this particular country-of-origin labelling rule at least five years ago. It has been in the works for five years. Then, recently when we had the contaminated pet food with melamine coming in from China, that added a lot of fuel to the fire. Then they were able to say, look, if we had had this country-of-origin labelling, that would have provided more clarity. That really provided the last little push to get it, I believe.

Hon. Scott Brison: The problem is that we're not China and we're not Mexico. We have a very different approach. We have to make that case not just to Secretary Napolitano but to everybody in the U. S.

I have one last request. Can you please provide us with several bullet points we can repeat in every meeting we have with the U.S. legislator on country-of-origin labelling and the risk to U.S. interests? That would be very helpful.

Mr. Brian Read: Will do, and we can get that back promptly.

Hon. Scott Brison: I'll pass to my colleague John Cannis.

Mr. John Cannis: Thank you, Mr. Brison. I'm glad you brought up Secretary Napolitano and the fact that we're not Mexico, which is so important.

Ms. Marchand, I was fascinated with your presentation, to tell you the truth. If I understand it, there are two systems in Canada, one in Quebec and one for the rest of Canada. Is that correct?

Do you think one of the impediments we have is that we can't standardize? Would you suggest we standardize, so we have something like a standardized system across the nation that we can use as we export to, I think, 63 different countries? Would that help us overcome? You talked about partnership and the way it works in Quebec. Would you suggest a standardized system would help us in any way?

[Translation]

Ms. Linda Marchand: It is true that we have two systems in Canada that are not equivalent. Discussions on this issue have been underway for several years.

It would be to our advantage, in Quebec, to have the other system in the Canadian west equivalent to ours for all species. Because when a crisis occurs, we are all part of the same country, and the borders shut down for all of us.

So yes, we are working on it. And yes, the Quebec system was offered to the other provinces and for other species. We offered our assistance not necessarily so that people would choose our system, but to ensure that we develop a system equivalent to the one in Quebec.

That would enable us to have the same benefits right across Canada and it would satisfy all of the international requirements that are currently in effect.

[English]

Mr. John Cannis: Mr. Read, in your presentation you say that you “continue to advocate for a special \$50 million dollar bridge fund” to help the industry. That proposal has been on your agenda for quite some time, I presume. Would that work in a partnership format, where your industry and the government would partner up with funding? Can you tell me just a little bit more about this request?

Mr. Brian Read: It would be my pleasure.

Mr. John Cannis: In other words, how would it help the industry as a whole?

Mr. Brian Read: Well, because of the current disadvantage of the \$30 to \$40 a head, all it would do is make our processing costs equal to the United States' processing costs.

This was requested two years ago. I'll be honest with you, I was really disappointed. And it would be strictly a federal program; it wouldn't be a federal-provincial mix or a federal-industry mix. It was something that strictly the meatheads—the meat-packing industry—had to adopt, and in a hurry, so that we could keep our markets open.

From a packing standpoint, within our own organization at the Canadian Meat Council, there was a lot of flux in terms of what we should do. We thought we'd better take the high road and make sure that we didn't make mistakes. But you know, our results of surveillance testing are greater than those of our trade partner's.

Mr. John Cannis: Is this a bridge financing type of set-up where—

Mr. Brian Read: No, it's not. It's just to make us equivalent with the United States.

● (0950)

Mr. John Cannis: I don't have any more time for questions, but I really want to know a little bit more about it. If you could send me something on it, I'd really appreciate that.

Mr. Brian Read: I'll catch you up on it, yes.

The Chair: We may get back to that.

I'm going to move now to Mr. Guimond.

[Translation]

Mr. Claude Guimond (Rimouski-Neigette—Témiscouata—Les Basques, BQ): Thank you, Mr. Chairman.

I would like to welcome our guests.

I am very happy to see that all the members are taking an interest in the topic of today's meeting, namely the cattle industry. I am very much concerned about one other aspect of the industry, mainly traceability. As Ms. Marchand was saying, for several years now we Quebec farmers have been working on the establishment of this system, which operates very well and which deserves to be exported to the rest of Canada.

In my opinion this meeting is of particular importance, because it is being held just before our trip to Washington to gain a better understanding of what is happening on the American side and to try to influence them in this debate and the restrictions relating to the marketing of meat in the past few years. For example, in recent years we had the mad cow disease crisis.

As Mr. Read was saying, we are going to try to better understand the pros and cons of the American COOL standards.

My first question is for Mr. Read. Would it be advantageous for Levinoff-Colbex if we insisted more on traceability, working together with the rest of Canada?

[English]

Mr. Brian Read: We've always thought that having traceability just shows the control and the concern about the livestock and our herd in this country. It's a foundation; it could be a foundation to make sure that borders stay open, because we all know the downside if borders close.

As long as we want to be export dependent, then I think we should move this forward. I'm that close to using the word “mandatory”, because I believe it could, in the long term, bring value to our product. The issue you have is that if you want to be a leader.... All the pros say that if you can trace back, it will make you a real leader in the world.

In the province of Quebec, they're able to do that under the ATQ. They've made great efforts. Linda and her staff have done a great job. They're able to do that from the calf from seven days, and so on and so forth; I won't go through her presentation again.

As we move forward, I think it might become a reality that it will be a requirement by other countries: if you can't trace it, you can't sell it. We've heard that domestically. The cost of doing it is the inhibiting factor. Today, when you want to compete globally, there is no value in it. The United States, our number one competitor, does not do it, and they're able to sell their meat worldwide. But I think if we want to be a leader, this is where the industry has to move forward and continue to move forward.

Does that answer your question?

[*Translation*]

Mr. Claude Guimond: My next question is for Ms. Marchand.

In Quebec, there is quite a debate about mandatory traceability. We have discussed this issue here within our committee with representatives from western Canada. The Americans are talking about voluntary labelling.

What is your opinion on the difference between mandatory traceability and voluntary traceability?

Ms. Linda Marchand: Well, I will be speaking to my own interests here. In Quebec, we decided to set up a mandatory system because the morning a health crisis erupts, we need to have all the information within an extremely short period of time. When we took the decision in Quebec to establish the current system, we didn't try to reinvent the wheel. When we first began discussing this issue in 1998, there had been many crises in Europe, if you remember, such as mad cow disease, foot and mouth disease and swine fever.

We organized a number of technical visits, during which we had the opportunity to meet with veterinarians and epidemiologists who had worked on these diseases and had tried to minimize their impact with the little information that they had. Once we had returned back home, they recommended to us that if we wanted to establish an efficient and effective system that would allow us to minimize the impact of such diseases and respond quickly, we should establish a mandatory system. We realize that this is a very tough requirement, but the morning that a crisis breaks out, the borders will be closed extremely quickly, and then it will be up to us to demonstrate that we can deal with the crisis. But if we don't have all the information we need, forget about it. And massive amounts of money will have to be spent to re-open these borders.

• (0955)

[*English*]

The Chair: Monsieur André.

[*Translation*]

Mr. Guy André (Berthier—Maskinongé, BQ): My question is for Ms. Marchand and Mr. Read.

The traceability system established in Quebec is important if we want to minimize to some extent the impact of a health crisis on both human and animal health. However, this system is very expensive. I realize that Colbex has had its fair share of difficulties in recent years.

How do you perceive the costs of these measures to ensure greater food safety for our fellow citizens? How do you see the federal government playing a role to minimize these costs and provide greater support to the industry?

Ms. Linda Marchand: A traceability system does indeed have a cost, but that cost is negligible compared to the cost of a crisis.

We often insure our houses against fire, when there may never be a fire. Yet we will have paid insurance premiums all our lives because we feel we have an obligation to protect our property. The purpose of the traceability system is to protect human and animal health, but we must never forget that a traceability system makes it possible for us to add information and provide added-value that protect our markets, and may help us develop other markets.

When we received the group of veterinarians from Japan who came to audit the Quebec system, Quebec exporters had an opportunity to access other markets, because information was available from a third party, and the information the exporters needed could be confirmed.

With regard to the federal government's role, in times of crisis the federal government is the first entity called upon to advocate our issues and show that we're there. In my view, this should be shared among the federal government, provincial government and industry, and we need to ensure that throughout Canada we have similar systems that meet international requirements and protect our consumers within our borders.

[*English*]

Mr. Brian Read: Again, coming back to the cost factor on this, we know what it costs if the border closes. But if you looked at it as a self-insurance program, then maybe you'd be going down the right road. The big thing that we would expect from people in this room is to go to our number one customer base, the globe, and get them to agree that, yes, if you do run into trouble, we will accept that; we guarantee that the border won't close if you can demonstrate control.

We have what we call a zoning thing in this country. An example is West Hawk Lake. I think you've heard about that one. But there's no guarantee the border will stay open even with that. It's based on emotion and the will of the day.

We try to bring science into our business. Please don't take any of this the wrong way. I believe in a democratic society, believe me, but politics can sometimes override science, and industry pays, whether it's livestock or manufacturing. So we need to negotiate with our trading partners, say this is what we can do, this is what we do—ATQ, CCIA are one aspect, zoning our country. Will our trade partners accept that? What does it mean to industry? If we can prove value in it by the border, if we do have.... Let's use the avian influenza. The Americans did accept that it was zoned in southern B. C. They had trouble with the bags of chickens, but they did accept it; the borders weren't closed. China backed off for a while, but it was a short-term thing. But it was based on emotion and the need of the day. They could have just as easily said, "Call us tomorrow."

That's what we need to do. We need to identify value in the process, and then you'll get everybody engaged—and that's work, communication, and the value in it. I would agree that we should look at it as a self-insurance program. Industry would be more than willing to work with this group or a selected group to move that forward.

•(1000)

The Chair: Thank you.

Thank you, Mr. André.

Mr. Julian.

[*Translation*]

Mr. Peter Julian (Burnaby—New Westminster, NDP): Thank you, Mr. Chairman.

What you are telling us is very interesting.

Ms. Marchand, in looking over the activity report, I saw no mention of exact costs. I know that Mr. Richardson and Mr. Guimond have both put some questions on the issue. I would like to know the amount that producers and the government were initially required to generate in order to implement a traceability system, and then what amounts producers and the government pay each year.

Ms. Linda Marchand: Here, we're talking about implementing the system. That includes developing the data base, providing assistance to all sectors in the agrifood chain in order to automate and transfer information, placing initial identifiers on all dairy cattle and beef cattle herds in Quebec, implementing four years of management and setting up a government inspection system. To cover all that, we received \$21.5 million over four years.

Now, producers are essentially required to pay for the work involved in declaration, the information they are required to transfer to ATQ. This really is their time. Moreover, they are required to cover the cost of identifiers. In Quebec, to reduce the cost of our identifiers, we have decided to work through calls for tender, and to select a single supplier for a three- to five-year contract. That's because our volume is not very high, and we provide the identifiers at cost price, at no profit to ourselves.

To cover management of the data base, the Government of Quebec provides \$3.4 to \$3.6 million each year. For the data base, each hour I transfer a copy of all my information into the government's crisis management system. That information can be used in real time if there were ever a crisis in the following hour. This applies to the entire system, including the disaster security system, all computer infrastructure, all support personnel in the industry, and all pilot projects. When we are given a mandate to incorporate a new species, a pilot project is set up in cooperation with the entire sector, from the production stage to the slaughtering stage. Thus, when products become available on the market, we can be assured that all regulations in force have been complied with by everyone.

Mr. Peter Julian: I see.

What sort of export and sale figures are we talking about here?

Ms. Linda Marchand: For Quebec?

Mr. Peter Julian: Yes.

Ms. Linda Marchand: In the hog industry, in which I worked for twelve years, over 55 per cent of the annual production was exported. That amounted to over 7 million hogs a year. In Quebec, the focus is more on dairy than beef.

[*English*]

The export of beef in Quebec represents—

Mr. Brian Read: Of our production, about 40% is exported. But prior to mad cow, we were into Japan and all over the world with it, and ATQ was a big part of our support agency. As you can see, they put on a great presentation that the world really admired. There is no doubt about it.

[*Translation*]

Mr. Peter Julian: I am trying to determine what the administrative costs of this system are in comparison with the sale figures, and, by extrapolation, to see how much it might cost to establish a national traceability system.

Ms. Linda Marchand: I can tell you that the system management costs have remained more or less the same each year, because the goal was to become automated—that is, to receive computerized information automatically by Internet or satellite. The goal is not for us to make the team twice the size it is. That is why we are going species by species. The more operations our system processes, the less costly it will be. This is why we are investing a great deal of effort in it.

Mr. Peter Julian: You have a very small team, but it appears to be very efficient.

Ms. Linda Marchand: Yes. Thank you.

Mr. Peter Julian: Do you not have some idea of what a system of this kind might cost if it was established nationally?

Ms. Linda Marchand: That depends on how the system is set up. Would there be a different system for each province? Would Canada be separated into two or three parts? At present, we do offer Canada-wide services for other species. We have signed the first-phase agreement with the Canadian Pork Council, and this should make it possible for all Canadian pork producers to work with Agri-Traçabilité Québec.

•(1005)

Mr. Peter Julian: Thank you very much.

I have three further questions.

[*English*]

You have already responded, Mr. Read, in saying essentially that you'd like to see a system like this across Canada, which is important given how small the costs are compared to the actual level of sales and exports that we have.

I have three quick questions.

First, we have talked a lot about the actual strength we have in our export sector and the type of product promotion support that we provide. There has been, I think it is fair to say, a criticism of government that we're not providing enough support in product promotion in our beef and pork sectors, so I'd like you to give us the figures on what you get in product promotion support.

Second, you've talked about cost, but is the meat inspection timely, or is that an issue as well for the meat council?

The third and final question is, if we go down to Washington, are we on defence or offence? In other words, are you happy with the final rules or would you like us to push back on the final rules? From your presentation it seems that you're concerned that essentially the agriculture secretary will want to push further than the final rule on this. Are you satisfied or at least willing to tolerate the final rule, or would you like us to push this further back?

Those are my questions. Thanks.

Mr. Brian Read: Let me start off with the last one first, if you don't mind, sir. I think I wrote them down, but if I missed one, catch me.

First let's talk about the final rule. The final rule is liveable. My only concern is what's next. That's the issue, and I think that is where we have to push back. We have an integrated system, whether it's pork or beef—I'm not close enough to poultry, so I can't go there for you—but we have an integrated system between the two countries that works well for both industry as well as consumable goods and the consumers themselves.

We believe what we have is an equivalent inspection system. We communicate well, but I'm not sure how well we communicate, so I don't want to be one up on them. There is no value in poking them in the eye, none whatsoever. We respect them. When I go to the United States to eat, I feel I'm eating as safely as I am in my own country. It's one of the few countries I feel comfortable in.

That's what we're asking: why are we implicated in it? That's the issue. The live pig guys will tell you a different story. They're feeling it today, and I don't want to speak for them because it's a serious problem. The live beef guys today are not feeling it because they're getting \$5 a head more this week, but where is it tomorrow? That's the issue. What's next?

That's the way I would approach this one.

Meat inspection: We travelled the world extensively by ourselves and we asked a question of the Minister of Agriculture yesterday. Our meat inspection in this country is second to none, and we shouldn't lose sight of that. We have more intervention, more food safety in my plant than I've ever seen before. I started in this industry quite a few years ago, when you smoked a cigar on the kill floor, and you possibly got drunk by supper. That's not allowed to happen. We fire people for that today. We put full face masks on people with beards and moustaches, and we have hair protection.

Hon. Scott Brison: It's hard to drink with a face mask.

Some hon. members: Oh, oh!

Mr. Brian Read: Yes. I'm just saying that's where the industry came from, and we should take pride.

The Chair: It used to be like that in the House of Commons.

Some hon. members: Oh, oh!

Mr. Brian Read: You're right. It did.

Some hon. members: Oh, oh!

The Chair: Now we don't have night sittings.

Mr. Brian Read: You're right.

I'm just saying that when it comes to promotions, I don't believe we do a good job on promoting the food safety aspect of this country, and how we embrace it, and how we cherish our consumer. I say that as a meathead, and I'm not a sales point or anything like that. It's a fact. With BSE, or mad cow, our system has been audited by the world—Japan, Korea, you name it, they've been here. Before they resume trade, they have to do plant inspection first. New Zealand has been here. I think Indonesia will be here May 1 or May 2, or something like that, and then right behind them another country comes in. Nobody condemns us on the way out. So I think when it comes to promotion, we have to start promoting and informing our Canadian people about what we do, and not sit there. Once the horse is out of the barn, you can't tell anybody anything. They all put plugs in their ears, and I'm no different. If you say, "Get a thousand", I'm listening. If it's "Do you want a thousand?", I've probably forgotten.

What was the next one?

Mr. Peter Julian: It was product promotion.

Mr. Brian Read: Can I finish?

•(1010)

The Chair: Okay, but we'll have to wrap it up with that one. Go ahead.

Mr. Brian Read: It was product promotion.

I believe we make a lot of good efforts. I think we're looking at synergies now. We're trying to say, how do we get better value out of it? When we get into product promotion, really what we're looking at is volume promotion. To give value to the product, you have to spread it out. The more customer base you have, the better. In this case it's the world, so we need the world at our hands.

Mr. Peter Julian: How much do you get in support for product?

Mr. Brian Read: Our company is a member of the Canada Beef Export Federation, so we take advantage of that. In terms of actual promotional dollars to the plant, we don't take any directly. We work with the national associations.

The Chair: Thank you.

I think we'll probably do only one round, so Mr. Keddy, I'll let you lead off, and you can share your time as you like.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): Thank you, Mr. Chairman. I think Mr. Holder will take the second part of this question.

I think the whole COOL regulatory regime we've struggled with as government. We certainly recognize that Canadian industry has done a pretty good job of abiding by the regulatory regime. I think you're being kind to your American counterparts. I think you're being very kind to them, quite frankly.

I want to comment on what you said at the end of the discussion, because this is really my point. I think it really does promote our system. I had a small flock of sheep before politics, and I also had some background in the forest industry, where we watch our product management very closely and have been watching since the eighties with country-of-origin regulations. I'd just like to explain something on that.

You talked about zoning systems. Nova Scotia, New Brunswick, P.E.I., and Newfoundland have a zoning system for forestry that is separate from that for the rest of the country. We have a 72% private land base, and we work on the same basis as the Americans do. We proved that during “shakes and shingles” in the eighties and brought in a regulatory regime then to show that all of our lumber comes from Atlantic woodlands. In the last softwood lumber discussion, we were exempt from that. We couldn't get exempt from anti-dumping, but we certainly were exempt from countervail.

Mr. Brian Read: This is just a quick comment. Seven potatoes punted you out of the United States. That I don't understand. Sorry.

Mr. Gerald Keddy: Absolutely.

Anyway, the regulatory regime gave us a competitive advantage, and I think the ATQ in Quebec gave you a competitive advantage with BSE. You still exported your veal into Japan, which was a closed market for all of us. So I really think there's something here that we shouldn't ignore, and we're certainly looking at new markets around the world, and ongoing discussions, especially with the European Union. If there's any ability at all for us to move product there, we're going to have to have a traceability system.

I've always wondered—most farms have traceability on the basis of animal health—

Mr. Brian Read: And production.

Mr. Gerald Keddy: And production. And they have to; there's no way around it. If you just multiply that by a very small factor you can....

I think your comment is very good that we can guarantee the safety of our system and very few other countries can, quite frankly. I think it is to our competitive advantage. We do get some pushback from the beef and hog industries versus your opinion from the slaughter side.

It's just a comment, that's all. I know Ed has some direct questions.

I guess my question would be about keeping that market open. I don't think there's anything else to keep that market open. The Americans are going to be protectionist; they always are.

Mr. Brian Read: Yes, and I agree with that. But we need something from them in writing that they will accept our process. It's nice to say we're going to spend \$10 million on West Hawk Lake, but then when you sit down to try to quantify it—I apologize, Peter—to put value to something, you can't justify it. Industry can't sustain it because we have to compete with them.

Is that too simple?

•(1015)

Mr. Gerald Keddy: No, not at all.

Mr. Ed Holder (London West, CPC): I'd like to thank our guests as well for coming out today.

I've listened to a number of witnesses giving testimony over this last number of weeks, and I've been sitting in on agriculture meetings as well, and I'm getting a better sense of what is going on. COOL is probably, for our purpose today, one of the main focus points because it's going to be one of the key points we bring up in Washington.

I'm very compelled, Ms. Marchand, by what ATQ does. If that's the gold standard, if I can call it that, for meat safety and consumer safety, if that's the best standard we have—and let's presume for just a moment that the quality of what you do is, let me just say, virtually second to none—it's my view that the Americans.... COOL is just another form of U.S. protectionism, we know that, but the Americans will not do what is not to their advantage, and they acquiesce to their pressure groups, and I think we've seen the results of that.

Is there any sense that we could flip that around, though? I think of the ATQ model here, where you can say that if it's somehow made in Canada, that makes it a significantly better product. I hear all the comments you said and I've certainly heard other folks talk about the high quality of what we do, and it just seems to me if somehow we could flip it around and say that maybe Canada has the highest standard.... So if you want American beef, Americans, fine, but if you want the best standard, then it's Canadian beef, or Canadian hogs, whatever it might be.

Has there been any sense of trying to take that approach—as opposed to fighting COOL, actually going the other way and insisting on it? It feels a little odd for me to say that, but I wonder at what point we try to take that as an advantage point for us as producers.

Mr. Brian Read: Do you want to start?

[Translation]

Ms. Linda Marchand: I would like to add that a traceability system does not make it possible to determine whether the given product is of high quality. We know we have quality products. Inspections are carried out and, on-farm food safety programs are in place. What a traceability system makes it possible to do is to affirm that we are in control, and that we know exactly where the source of a given problem is. It also makes it possible to eliminate the problem so that international standards can be complied with. We are very proud of our traceability system in Quebec. At present, it is one of the most advanced of its kind in the world. Australia is very close behind us, but the United States are lagging tremendously because they have not implemented very much on the ground.

As I said earlier, Mr. Julian, in Quebec we have a commercial advantage. However, when there is a crisis in Canada, the whole country is shut out, and Quebec has to do a great deal of work to position itself in export markets.

Two and a half years after the crisis with Japan, that is what we did. Recently, we also received visitors from Korea, along with the people from Colbex. We are extremely proud of our system. We work very hard on it, but it would need to be instituted across the country in order to position Canada. Last year, we received European Union representatives who came here for audit purposes. At present, in Quebec we have an advantage. We are probably in a position to open markets in Europe and many other parts of the world.

A month ago, I attended the first international OIE Conference, which was held in Buenos Aires. Quebec was invited to present its system, which is considered one of the most advanced in the world. We left quite satisfied, after having listened to lectures and presenters for three days. It appears that Quebec is truly compliant with international standards.

[English]

Mr. Brian Read: I believe there's real incentive, and I agree with you. We have the Beef Information Centre working right now on a whole brand program in the United States. We contributed some check-off money to it. They developed a new leaf logo and put it on the package, so we are promoting as we speak. I think there is that opportunity.

Again, I'll be cautious. I'm not saying that our inspection system is better than theirs, but it's equivalent.

•(1020)

Mr. Ed Holder: I want to reiterate what Mr. Brison said about talking points. But from this standpoint, I'd like to get the impact on the United States, from both consumers and commercial agriculture industries, of the kind of protectionism we're seeing. Is it limiting our ability to export beef to the United States? So when you focus your talking points, can I encourage you to do it from the standpoint of U. S. interests? Would that be acceptable?

Mr. Brian Read: Absolutely. We're talking as a committee here, sir.

Mr. Ed Holder: Thank you.

The Chair: Mr. Cannan is next for a really short one, and then we'll wrap it up.

Mr. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Chair.

Thanks again to our witnesses.

I agree with the previous comments.

You mentioned HACCP in your presentation, Mr. Read. Are you involved with HACCP and ISO in your plants?

Mr. Brian Read: I am involved very much in that.

Mr. Ron Cannan: Is that helping with your exporting?

Mr. Brian Read: It's recognition. The world recognizes and accepts HACCP and our inspection program.

On the issue with the meat industry, if you go back over time we have a federal inspection system and a provincial inspection system. I'm in the federal system, so I'll talk about that. We have federal inspectors and vets in our slaughter plants and boning operations, and they regulate us. Over time we added another layer of food safety in there called HACCP. That became the responsibility of the operation. That means we had to put a QA manager on our kill floor, a QA manager in our fabrication operation, and supply groups to them. So we've added another layer of inspection and food safety that I don't think anybody is aware of. It's an added cost that has happened by default. It's a good thing and produces a better product.

On the other thing that happened—and I'll bring it up for your trip down to the United States—through BSE and the borders closing, we've all heard rumblings that guys like us made a whack of money running hard on the producers' backs. I'll be careful; I shouldn't have brought that one up. But we also reinvested in our manufacturing sector in this country. We increased our chilling capacities and all our food safety intervention programs because we had a few bucks to put in. Now, of course, that money is long gone. Some believe it's still there. People bought and sold, but that money is not there.

But we improved our production of beef in this country through that whole timeframe, which is a real plus for all of us in the long term.

Mr. Ron Cannan: It's good to know, and the barbecue season is coming.

Mr. Brian Read: Just cook it.

Mr. Ron Cannan: Thank you very much.

The Chair: That concludes our time, but I'm going to make an exception here for Mr. Guimond. Again, thank you, Mr. Guimond, for recommending these witnesses. It has been terrific.

I'll give you the final question, and then we'll have to wrap it up.

[Translation]

Mr. Claude Guimond: Thank you very much, Mr. Chairman. I appreciate that.

I would like to thank the three of you for being here today, and for making your comments so clear. I am a farmer, and farming often comes up. We see that farming is continuing to develop in Quebec, in Canada and in the rest of the world. This morning, you have proved that there are systems that are extremely useful and important for agriculture to develop.

My last question, which will be very short, is for Ms. Marchand. I know the answer, but I would rather have it given by you. Earlier, we talked about perhaps having to divide Canada in two or three parts. Would it not be better to...

Mr. Peter Julian: [Editor's Note: Inaudible] the possibility.

Mr. Claude Guimond: Perhaps in two, but that would be a different debate.

In my view, Agri-Traçabilité Québec could enter into partnerships with other provinces, with the federal government—with Canada—to provide an excellent instrument that would help agriculture develop. You showed that this morning. Am I right or am I wrong, Ms. Marchand?

Ms. Linda Marchand: You are right. Agri-Traçabilité Québec is in a position to work with Canada as a whole. We can even provide services worldwide.

I would insert a note of caution, however. A traceability system is not just a database. The central database could serve Canada as a whole, just like it currently serves the Quebec government, to ensure that herd health itself is monitored, regulations are complied with, and crises can be managed.

But we must not forget that traceability is a very demanding process for the industry, and that the industry needs to be provided with support. That is what the ATQ team does for all agricultural producers in Quebec, as well as for all stakeholders affected by the regulations, including slaughterhouses, shippers and the entire agri-food chain.

Thus, we can provide a food safety guarantee because of our database, and we can share our expertise. However, there will also have to be a number of teams able to provide support. That is why I talked about splitting Canada into two or three parts. This does not really mean separating the country into different parts, it just means ensuring that this system can be efficient and take in all the data. Because one day we will need that data, and the system will have to be efficient.

• (1025)

Mr. Claude Guimond: Thank you, Ms. Marchand. If you would like a briefing on how the traceability system works on the farm, I can provide you with one very soon.

[English]

Mr. John Cannis: It's one of the reasons we have to keep this darned thing united. Right there.

Some hon. members: Oh, oh!

Ms. Linda Marchand: I have a DVD.

The Chair: Thank you again, Mr. Guimond.

To our witnesses, you've been very helpful.

Mr. Read, you're going to pass along some additional information that will be very helpful in our visit.

You've all been very helpful, and I hope we can be helpful to you in our visit to Washington next week.

With that, I'm going to dismiss the witnesses. Thank you very much for your time today.

Mr. Brian Read: It's always humbling and an honour to be here. Thank you very much. If you need information, please, we don't have to be strangers.

The Chair: I think we're on the same team.

Mr. Brian Read: We'll grow together. Thank you.

The Chair: Ms. Marchand.

[Translation]

Ms. Linda Marchand: I would like to add that I still have some kits for those who want them. These are folders containing information on Agri-Traçabilité Québec.

[English]

The Chair: Excellent. She can pick them up.

Thank you.

[Proceedings continue in camera]

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