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Chair

Mr. Lee Richardson

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● (1140)

[*English*]

The Chair (Mr. Lee Richardson (Calgary Centre, CPC)): We'll resume the meeting, pursuant to Standing Order 108(2), on the study of Canada-South America trade relations. This is in regard to Canada-Colombia today.

We're going to hear from two groups with an interest. First, Sandra Marsden, president of the Canadian Sugar Institute, will make some opening remarks. She will be followed by Greg Simpson from Simpson Seeds Inc. Greg will also make some remarks with regard to trade between Canada and Colombia in his area of expertise.

I think everyone knows the drill. We'll open with brief comments of just under 10 minutes from both our witnesses. We'll then proceed to a round of questioning.

Welcome back, Ms. Marsden. I ask you to begin.

Ms. Sandra Marsden (President, Canadian Sugar Institute): Thank you very much, Mr. Chairman and members of the committee.

Thank you for the invitation to be here today.

The Canadian Sugar Institute is the national trade association representing Canada's refined sugar producers.

I would like to have been here with one of my members as well as one of the sugar beet producers, but it's harvest time in southern Alberta. Unfortunately, I am here on my own. I will try to reflect the interests as best I can.

The Canadian sugar industry was established in Canada before Confederation, principally to process raw cane sugar as an alternative to more expensive imports of refined sugar. That was obviously to serve a growing industrial base in Canada.

The industry includes both refined cane sugar and beet sugar produced from sugar beets in southern Alberta. The industry has evolved and rationalized in response to competitive pressure and is globally efficient and competitive by world standards. We have three cane refining operations in three provinces, in Vancouver, Toronto, and Montreal. We have a sugar beet processing plant in Taber, Alberta.

The rationale for the Canadian industry has not changed since its inception. Its principal function continues to be to supply high-quality refined sugar on a just-in-time basis to food processors. That's because 85% of our production is sold for further processing in Canada. That includes confectioners, bakers, breakfast and biscuit cereal manufacturers, as well as beverage and dairy processors. The remaining 15% is sold at the retail or food service level. Despite that small size, that segment of the market is extremely important to the profitability and viability of the industry. I'll get back to that in a few moments.

Bilateral negotiations with such large sugar-producing countries as Colombia and Guatemala in the southern hemisphere are difficult for our industry. This is because these negotiations create more import penetration in the Canadian market without providing any offsetting export opportunity. It's a complex story, largely because the sugar economies of the world are plagued by government intervention that supports markets and protects those markets from competition. As well, it creates incentives for exports, including export subsidies.

In Canada we're somewhat unique. We don't have domestic and export subsidies. Our refined sugar market is insulated but for a $30-per-tonne tariff, which is small by international standards, only 5% to 8%.

We in the Canadian sugar industry, including sugar beet producers, have appeared before this committee many times in relation to various bilateral and regional negotiations as well as the WTO Doha Round. Unfortunately, on the regional and bilateral side, these agreements tend to pose more of a threat than an opportunity for our industry.

Imports of refined sugar from Colombia, Guatemala, and Brazil tend to target that more profitable small segment, the 15% of our market in the retail and food service sector. Small-volume losses in this market impose a very significant economic impact on our profitability.

The government's own studies have shown the impact of this. Studies were done in the early lead-up to the Central America Four negotiations. The conclusion of those studies was that the cost would exceed $30 million in the short term and threaten the closure of at least one plant, most likely in western Canada. The threat to our operations is also significant, given the close link we have to food processing in Canada, such as confectionery manufacturing.

Bilateral agreements have real consequences for our industry. This isn't just a threat. This leads back to the Canada-U.S. FTA and the NAFTA. The problem is that these agreements created a situation of one-way free trade. We opened our market. Our tariff was reduced to zero with the United States, while the United States maintained its protective quotas.

Today we continue to face a small quota of 10,000 tonnes in the U.S. for refined beet sugar, which represents about 0.1% of the U.S. market of 10 million tonnes. Unlike many other agricultural commodities in Canada, we haven't realized the potential of exports to the United States.

The only potential for us to see that improvement is either through emergency relief—the U.S. is in somewhat short supply now because of an explosion at a refinery last year—or through, more importantly, multilateral negotiations. We really need the global pressure, the multilateral Doha approach, to change U.S. market access.

Unfortunately, we have to repeat our message many times. It is complex. We'd like to embrace freer trade, yet we are in a defensive position on the bilateral front.

I mentioned that this has had real consequences dating back to the implementation of the WTO, which the U.S. implemented in a way that actually reduced our access to the U.S. The consequence was that we closed the Manitoba sugar beet plant. Once a plant is closed, it doesn't come back. So the result of that was the loss of sugar beet production in Manitoba.

The Costa Rica FTA set a negative precedent for our industry, and we've been working very hard since that time to ensure that this model is not adopted in future trade agreements. This committee recognized that issue back in 2001, and in reporting the concerns of our industry it asked that they be taken into account in future agreements. The problem was the Costa Rica agreement created new opportunity for Costa Rica in Canada but again did not enable any offsetting export access. There was theoretical access created as “reciprocal quotas”, but unfortunately Rogers Sugar was unable to enter the Costa Rica market. In fact, the sugar industry in Costa Rica held the import licences for imports, so certainly they weren't interested in Canadian sugar. The cost to Rogers Sugar in the second year of that agreement was significant. They reported a $5 million loss in earnings tied to that competition.

Colombia is a much bigger threat to the Canadian market, a much bigger refined sugar producer. It's the fourth most efficient sugar producer in the world. Colombia is already selling refined sugar into the Canadian market at prices below our closest competitor, the United States. The only way our industry can fight that competition is to match those low prices or lose market share. That can't be sustained in the long term, so removing that tariff, particularly in the near term, would have a devastating impact on our industry. The two plants in western Canada are the most vulnerable, given that Colombia would tend to naturally export up to the west, so both the sugar beet factory and the Vancouver cane refinery would be more vulnerable.

These bilateral agreements are essentially a problem for our industry because the U.S. market remains closed. If we had that offsetting export opportunity, we would be less sensitive to imports from other countries. At the same time, these countries are frustrated by their lack of access to the U.S. market, so the various bilaterals that the U.S. has negotiated, such as the U.S.-Central America Free Trade Agreement, have provided only small increases in access for those countries while maintaining the over-quota tariffs in the order of 150%. So Canada becomes an attractive outlet for surplus sugar essentially because the U.S. market is closed.

We're doing everything we can to try to improve exports to the U. S. I mentioned there was a refinery explosion, and that is a very unfortunate situation to have to try to leverage to improve export opportunities. That's certainly not a long-term solution. We lost access for beet thick juice to the U.S. in the Farm Bill. I was just in Washington yesterday trying to appeal to officials at the USDA and USTR to find administrative mechanisms to facilitate entry of high-quality Canadian sugar when they have shortages. But even during this time of extraordinary need, there's little enthusiasm to address our concerns.

As this committee considers the question of the Canada-Colombia FTA, we also worry about the restart of the negotiations with the Central America Four, potentially with discussions with Brazil. We also have concerns about the fast-tracking of a Canada-EU negotiation. We just want to ensure that we're not a bargaining chip, that our tariff isn't traded off, and that these agreements recognize, for example, with respect to the EU, the massive subsidies, that 1.3 million tonnes of European subsidies are still permitted under the WTO, which represents the size of the Canadian market. This is another reason we spend significant time investing in work on the WTO trying to advance that agenda, because we see it as the only mechanism to address access to the U.S. as well as disparities in policies such as with the European Union.

So as we wait for the Doha Round to re-engage and for an eventual new global agreement that may eventually improve our export access to our natural market, which is the United States, we have no choice but to be preoccupied with Canada's bilateral agenda. That small $30-per-tonne tariff is extremely important to the industry, to the refiners and the sugar beet producers, so we will continue to encourage negotiators to protect that small tariff to buffer against the effects of regional and global distortions.

Thank you.

● (1145)

The Chair: Thank you, and I thank you for your comments regarding future agreements as well. That's very helpful as we go through this.

Mr. Simpson, from Simpson Seeds.

Mr. Greg Simpson (President, Simpson Seeds Inc.): Good afternoon. Thank you for the invitation to present to the House of Commons international free trade committee.

Simpson Seeds is a family owned company involved in processing and exporting of pulse crops. We've been in business nearly 30 years. As a commemoration of that date, we did a special edition of our newsletter. I did bring some copies for members, and if you're interested, I can certainly hand them out to you. If I don't have enough copies, I can get your cards and send them in the mail.

Our company has two processing plants in Moose Jaw. We also have one in Swift Current, and another facility, a processing elevator in Kyle, Saskatchewan. We currently employ about 80 employees. We service pulse growers in southern Saskatchewan; over 2,600 pulse growers depend on our company as a source for accessing international markets. Our company has grown over the years, and it now has access to over 70 nations worldwide.

Our vision is to be a leader in the pulse industry, and our mission is to bring nutritious pulses to the nations. In addition to this company, we are a third-generation farm. We have a succession plan under way right now to bring in the fourth generation—thankfully. We're pedigreed seed growers, and we bring new technology from universities and crop development centres to our growers in the region to make them the first-class growers that they are in the world.

I have a background as an inspector with the plant products division, which is now called CFIA, in Agriculture and Agri-Food Canada. I was chairman of the Saskatchewan Pulse Growers Association between 1980 and 1985, and I have served in various capacities with the Western Canadian Marketers and Processors Association, the former western pulse growers association. I am currently a member of the CSCA, the Canadian Special Crops Association, and I work on market development and the transportation advisory committee for Pulse Canada.

I've travelled the world extensively as an ambassador for Canada. I've travelled to many countries, such as Mexico, Spain, Italy, Greece, India, and Sri Lanka, so I have a very good understanding of the importance that Canada plays as a provider of food to the world.

As I've travelled, I've been impacted by the people through the work of missions—seeing the poor, the orphans, helping to feed the poor, and seeing the hunger first-hand. My heart bleeds for those people who are oppressed and for those who need hope for a better future. It is my view and my prayer that Canada, as a blessed nation, will fulfill her destiny for the healing of the nations. I believe we have a lot to offer by engaging in this trade and by having increased trade relationships, especially with countries such as Colombia.

Poverty is a real problem in Colombia. According to statistics on South America, poverty is reported in about 35% of the general population, and around 17% are in extreme poverty. That's a big number. Some 9.6 million people are living in extreme poverty. These people are huge consumers of lentils, peas, and chickpeas from Canada. It's obvious that we need to enhance our trade with Colombia.

International trade is important for employees and for processors. Simpson Seeds has about 80 employees: hard-working men and women who have mortgages to pay and families to feed. But we're not the only ones in this sector. I have an executive summary from a 2008 special crops processors survey that says there are over 1,100 people employed in this sector, in 96 facilities throughout Saskatchewan. The payroll is around $34 million. Over half of these processors are planning to expand in the next three years, and many are expanding in the next year. There were some five million metric tonnes handled through these facilities.

Our company is one of those that has expanded. We have just added a state-of-the-art red lentil splitting facility, and we plan on building a warehouse next year. We also plan to build a new head office on Highway 1, in Moose Jaw. It is very important that we provide an environment to work through the economic storms of this current global recession.

● (1150)

We also think it's important to recognize that this trade agreement is vital to the 18,000 pulse growers in Saskatchewan. Last year, we grew a record 2.3 million acres of lentils and on those acres we produced a very good quality crop of 1.4 million metric tonnes. Of those 1.4 million metric tonnes, 57,000 metric tonnes annually go to Columbia. It is a significant market; they're our number one whole grain lentil buyer, and without them it would have a negative impact on our industry. Our company alone deals with one customer that takes nearly 20,000 metric tonnes of that 57,000-metric-tonne market. That would represent, in our company alone, about 10% of our exports. That's how important it is for us to maintain this trade.

Lentils are also the most profitable crop on our farm this year. Spring wheat and durum wheats are in the tank. The Canadian Wheat Board this year can barely move 50% of our crop of durum. What's that going to spell out for the farmers next year? You can bet that they're going to be seeding these lentils post to post, fence to fence. We expect some three million acres to be seeded next year, so we need to make sure we continue to open the doors for trade so that we don't have any kind of disadvantage brought to our growers.

Keep in mind, the U.S.-Colombia trade agreement has been signed. It's a matter of time before they sign it, and if they sign before us, that will disadvantage us by 15%. On today's current market of $900 per metric tonne, CIF Buenaventura, which is one of the ports we deliver to, that would represent about a $135-per-metric-tonne disadvantage for Canadian growers. That would result, clearly, in the U.S. lentil producers having an advantage, and it would either cause Canadian growers to have to reduce production or drop our prices.

In summary, as stewards of this rich nation, we have an affordable and nutritious food for those in need. Second, the people of Colombia need these pulses as a source of protein. Third, the employees in the processing sector need our government to enhance the trade. Finally, farmers depend on the exports to Colombia to sustain one of the few profitable crops in western Canada.

Thank you for listening to our presentation. I'll be more than happy to answer some questions on this presentation.

● (1155)

The Chair: Thank you, Mr. Simpson. It was very interesting. I'm surprised at some of your comments, and I'm glad you brought them to committee. It's something we haven't looked at broadly in our discussions so far. Thanks for that. I'm sure you've provoked some questions.

We'll start over here. We have the agriculture expert over here. Is he going to lead off the Liberals today?

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

Ms. Marsden, do I take it that your bottom line is that the $30-per-tonne tariff remain? Is that what you're proposing?

Ms. Sandra Marsden: I think we've been pretty clear that that's our issue. Our market is already open. There's no tariff on imports of raw sugar. There's only a $30 tariff on refined. We have no export opportunity in this agreement.

Hon. Wayne Easter: That's what I needed to know. Basically, for the sugar beet industry and sugar industry in Canada, what are we talking about in terms of plants, producers? A rough number will do.

Ms. Sandra Marsden: We have the one processing plant in Taber. It's about 250 growers, with about 150 employees at the plant plus seasonal workers during campaigns.

Annual farm receipts for the growers would be in the order of $40 million, and then the value of the refined sugar that's produced at that plant...I don't have a specific number for that plant. Right now, sugar production in Canada is at about $800 million, so that plant would average about 100,000 tonnes of sugar out of our 1.2-million-tonne market.

Hon. Wayne Easter: I've been in sugar beet country and seen the plant structure. If the $30-per-tonne tariff doesn't remain, what do you estimate the impact on the industry could be? I've heard your argument before on the U.S., in which in that agreement—Canada being, as it usually is, the boy scout—the Americans ended up in our market and we ended up not in theirs, and that's the bottom line.

Mr. Chair, it doesn't seem to matter which party is in government, the farming industry always seems to lose out in some of those agreements.

So what would be the impact if that $30 per tonne is not negotiated?

● (1200)

Ms. Sandra Marsden: You're right, the U.S. is the bad guy, and we don't have access there. The only reason the U.S. is at bay is that we have anti-dumping duties against the U.S. right now. That case comes up for sunset review next year.

That's on the U.S. side. These other competitors are coming into the market. They're already here; we're already facing the competition, so it's already challenging.

The $30 per tonne may be enough to make it unprofitable for Rogers Sugar Ltd., say, in the west, to maintain two plants, in Taber, Alberta, and in Vancouver. Vancouver is operating under capacity. They'd like to increase capacity, but without new export opportunity and with erosion of the western market, that would be difficult.

I can't make the business decision for Rogers, but certainly one of those plants would be at risk.

Hon. Wayne Easter: Thank you.

Going the next step, then, the United States—and I think on this one it is doing the right thing—includes in the trade agreement itself the labour and environmental standards. We're looking at a side agreement here.

For your industry in Canada, do you know what labour standards we have to meet? These range from what our wage structure is like —you're in Alberta, and it's fairly high—versus Colombia's, to what our labour standards are like in terms of the safety conditions and the rules we have to meet versus Colombia's, to, if you know this, what the environmental conditions are that we each have to meet. Unless those factors are in the agreement, we are just disadvantaging ourselves.

Ms. Sandra Marsden: I can only make a general observation; I can't speak to the specifics of any of those particular factors. It's clear that we have good, high-paid jobs in southern Alberta. It's been challenging recently to get and retain workers in this economy. Certainly, it's a very different wage structure from Colombia's, and with very high standards, of course. We know the standards will be less, but I wouldn't want to comment on the specifics of those standards in Colombia.

Hon. Wayne Easter: I'll tell you what I think, Mr. Chair. What we're doing in Canada in our industry is competing against slave labour in other countries—that's basically the bottom line—in order for them to dump a cheaper product in Canada. We put ourselves at a disadvantage, and I think it's wrong.

Scott, I think you had one quick question you wanted to ask.

Hon. Scott Brison (Kings—Hants, Lib.): Yes.

Mr. Simpson, you mentioned that the Obama administration is moving forward with ratification, or with supporting the FTA and moving it through Congress. That's my understanding as well.

If the FTA between Colombia and the U.S. is ratified before it happens with Canada, I'd like to know the effect on your industry. You started to talk about the effect.

Also, Ms. Marsden, for the sugar industry, I'd like to know what the consequences would be of U.S. ratification of an FTA with Colombia without ratification of a Canada-Colombia FTA.

Mr. Greg Simpson: Thank you for that question. I'll do my best to give you a concise answer about what I think would happen in the event that the U.S. Congress moves on the ratification of their agreement before Canada moves.

First, what would happen is they would have a 15% advantage on duties. As I mentioned, that would represent about $135 U.S. per metric tonne. That is a significant disadvantage for Canadian growers competing against them. What would naturally happen is that because of that disparity in price, importers in Colombia would clearly be looking to the U.S. as the origin or source of green lentils. There is an increasing amount of green lentil production in the northern tier United States and the Palouse in Washington. What they would do, then, is go into that market, taking away market from Canada.

Keep in mind that there are a couple of other forces in play that have come up in the last few months. The Canadian dollar is extremely strong right now. It weakened yesterday from 94¢ to 93¢, but we were on our way to 95¢ or 96¢ and could be back there fairly soon. This is a serious concern. If we end up being at par with the U. S. dollar, it becomes even tougher for us to compete.

Also, the U.S. and Canada both are dealing with very low prices of wheat, and it would become obvious to U.S. growers to increase green lentil production and take that market while Canada is still negotiating the FTA with Colombia. That's my view.

● (1205)

Ms. Sandra Marsden: And—

The Chair: You can finish this one up, but we can't go into another question, Scott.

Go ahead, Ms. Marsden.

Ms. Sandra Marsden: I appreciate the export perspective. Unfortunately, as I mentioned, we're on the defensive. If the U.S. were to ratify the Colombia FTA first, it would be better for us, because that would bring in more imports. It's not a huge amount—about 50,000 tonnes—relative to their potential export opportunity, but it would take some pressure off the need for Colombia to bypass the U.S. and come to Canada.

The Chair: Monsieur Cardin.

[*Translation*]

Mr. Serge Cardin (Sherbrooke, BQ): Thank you, Mr. Chair.

Sir, Madam, good day and welcome to the committee.

Madam, I wasn't able to fully appreciate your presentation, because the interpreter was speaking too quickly. I'm sure it was more than just candy.

As fas as sugar goes, in terms of the world market, how much sugar does Canada produce? Where do we stand?

[*English*]

Ms. Sandra Marsden: I usually refer to our refined sugar production as around 1.3 million tonnes. The world market is about 120 million tonnes, to put that in context.

Our industry is largely here to serve the Canadian market. Sugar is produced from raw cane at major ports and from sugar beets in southern Alberta, given its geographic position. We can't grow sugar cane in Canada, given our climate, so we're here to serve the domestic market.

We're different from a Brazil or an India or a Thailand, which are there to serve their own market and to export. Principally their exports would be raw sugar. We use that raw commodity to produce the product that Canadians consume. You can't consume raw sugar; it's not the raw sugar you find in a packet, which is really refined. It's a question of producing sugar of a quality that can be sold to canners, to bottlers, to dairy processors, to candy makers, and to bakers. In the absence of that nearby supply, which they need every day in their food processing plants, they have to look to less secure sources.

[*Translation*]

Mr. Serge Cardin: Is all of the refined sugar produced in Canada destined for the Canadian market? If not, how much is destined for export? Does your production capability meet the demands of Canadians?

[*English*]

Ms. Sandra Marsden: To answer your last question first, yes, the capacity is more than sufficient to meet all of Canada's needs. Our plants are under capacity, particularly in the west.

We export a very limited amount. Our major export market would be the U.S., but as I mentioned, we're constrained by a 10,000-tonne quota. We exported a little more last year because of that refinery explosion, and during Hurricane Katrina when they had a shortage. Other markets are very sporadic: a little bit in the Caribbean and under a couple of FTAs, perhaps; a little bit to Israel once, for a small quantity. But most of the major markets are protected. This comes back to why we invest so much time on the trade agenda; it's the only thing that's going to pry those markets open.

So it's a matter of trade barriers that restrict us.

● (1210)

[*Translation*]

Mr. Serge Cardin: You expressed your disappointment over the fact that no new markets were opening up. However, if we weigh your disappointment against the fear that we are being swallowed up by foreign markets, what is the difference in terms of the impact on Canada's sugar industry?

[*English*]

Ms. Sandra Marsden: I'm sorry, but I don't understand the question.

[*Translation*]

Mr. Serge Cardin: On the one hand, you deplore the fact that...

[*English*]

Ms. Sandra Marsden: Yes, I got that part. It's the final question.

[*Translation*]

Mr. Serge Cardin: On the one hand, you deplore the lack of new markets, while on the other hand, you are concerned about the Canadian market being swamped. What worries you the most?

[*English*]

Ms. Sandra Marsden: This is why our industry situation is so complex. We're not looking at a commercially level playing field. There is already significant import competition in the Canadian market, and $30 per tonne is not a barrier. We compete. The problem is the comparison between our import protection versus most other countries in the world. Our tariff is about 8%, depending upon world market prices. The U.S. tariff is 150%. The European tariff is 200%, and so on. If all things were equal, then things would be fine, but they are not. We're dealing with a situation where we lower that already low protection without any offsetting improvement in access.

Yes, we are here largely to serve the domestic market, but we have to be able to fight back. In any competitive environment you can't fight with your hands tied behind your back, which is essentially what we're doing.

Have I answered your question?

[*Translation*]

Mr. Serge Cardin: I realize that my next question isn't really about international trade and free trade agreements, but I was wondering about sugar use. Sugar, as we all know, is used in all types of productions. In an ideal world, the demand for sugar would likely drop because of our society's concerns about health issues such as diabetes and obesity. Soft drinks are getting a bad rap, and their manufactures represent a major client of the sugar industry in Canada.

As such, what would the future hold for the sugar industry if governments started to legislate the amount of sugar in food products?

[*English*]

Ms. Sandra Marsden: This is another very complex story, and we could have a whole committee hearing on this.

There is a lot of misinformation about sugar consumption. In fact, sugar consumption has been going down. Sugar consumption is not linked to obesity. It is overall caloric intake. There is a lot of focus on sugary beverages, while most soft drinks in Canada don't contain sugar produced in Canada. They contain high fructose corn syrup. It is a very complex story, but yes, there is a problem with obesity in Canada. Statistics Canada has just released a new report that indicates it is not the proportion of carbohydrate—sugar is a carbohydrate—or of fat. More importantly, they have found it is overall caloric intake.

It is a very difficult problem, but there is no simple solution, and certainly targeting sugar would not address the problem.

The Chair: Thank you.

That's a little more than seven minutes. Thank you, Mr. Cardin.

Mr. Allen.

Mr. Malcolm Allen (Welland, NDP): Thank you, Mr. Chair.

Thank you to the witnesses for coming.

Mr. Simpson, you have expressed some concerns around the timing of these FTAs vis-à-vis us and the United States. My colleague has expressed some concerns about their timing. Our sense of the timing is that it's not as imminent in the U.S. as some folks would believe, in the sense that it is hung up in Congress. I'm sure you are following it very closely. Based on your earlier comments, it seems you have kept a good eye on a lot of the proceedings, and I'm sure you're probably aware the FTA to the U.S. is blocked at the moment. It is not progressing, so I hope that will help allay some of your fears that we are perhaps not proceeding as quickly as you'd like us to do with this, but, as you know, this is still before the House here as well. We are still working through that.

Even though we're still doing that, we appreciate your coming, albeit I am not sure why, but then again I'm a new guy so I'm not quite sure of the process all the time. It seems kind of odd that we would have a committee meeting while we are in the House. Someone will help me to learn that one, I'm sure.

When I was scribbling some notes, you talked about your company's belief...and it is a family company, if I remember rightly—the sense of trying to feed the world, if you will. That is a fabulous philosophy, by the way, and I commend you and your family for that sense of what you want to accomplish, because that is eminently important to all of us, to reduce poverty across this world. In the Colombian context, part of the reason civil society groups out there are opposed to us rushing this through is about the human rights complaints, about paramilitary complaints, the deaths of certain groups of people in the country, like trade unionists. Do you see a role for your company? I recognize that your company is in the business of pulses, but based on the statement you made earlier about the philosophy and foundation of the family company, do you see any role for you and your company in that regard?

● (1215)

Mr. Greg Simpson: I feel that our role here in Canada, number one, is to have a standard, and I think wherever we go, we have a standard that a lot of people in the world can look up to. The similarity we have around this table is that we're proud to be Canadian. Many times, with those Canadian pins on our lapels, people recognize us and know that there's something we stand for.

Yes, I think our family, our business, can have a positive influence on other nations. As we engage with people in Colombia we can help to bring about change and be effective agents of change.

Mr. Malcolm Allen: I appreciate that comment.

Ms. Marsden, I've heard here and at the agriculture committee about rules-based systems, and the FDA is supposed to be one. I'm sure the rules are there. That's why we have agreements—to establish some form of rules.

If I've heard you correctly, it seems you've entered the game with rules that are almost stacked against your industry in the sense that the intent is to open.... And I take the word "free" literally, in the sense that both sides are free to do what they need to do and then go ahead and compete head to head.

For some reason this doesn't seem "free" to the Canadian refined sugar industry in this country. Maybe I misunderstood, but what's your sense of that rules-based system? Does it help you or hurt you?

Ms. Sandra Marsden: We need a rules-based system; there's no question. Our view is that the WTO is the best mechanism to ensure that the rules-based system is most equitable for all. The problem at a bilateral or regional basis is that it doesn't deal with all the rules. It leaves out domestic support, export subsidies, and a lot of elements of the rules. That exacerbates the inequities that are already there.

Mr. Malcolm Allen: If I heard you correctly, your preference would be for a WTO round versus continuing to make bilateral agreements with the southern hemisphere, where they grow sugar cane—for your industry, specifically, obviously. We don't grow sugar cane in Finland, but we certainly grow it in Guatemala, Costa Rica, and other places that would compete with you.

Is the WTO the only place you would like to see us go? Do you see any bilaterals at all, or has it simply been all uphill for your industry?

Ms. Sandra Marsden: In the case of the southern hemisphere, it's largely uphill, by the nature of those sugar economies. They are very large producers. They're very efficient and very well resourced, at least in the sugar sector of their economies. That doesn't necessarily flow through down the way, but certainly from the exporting point of view, their ports, their systems, are extremely sophisticated.

There are small niche opportunities in some markets. I mentioned the Caribbean. We do export some, so if there's a CARICOM agreement, for example.... We already have a full open market for CARICOM countries in Canada. There may be some small export opportunities, but it won't offset the damage as long as that U.S. market is closed.

Our preoccupation is clearly the United States, and that's why we focus on the WTO. We're not controlling that agenda, of course. We get involved in every FTA that's being discussed, and there may be some that do provide some modest opportunity. The problem with those agreements is that the rules of origin are such that the only sugar that qualifies for preferences is beet sugar from Alberta. So if it's an agreement with Jordan or Morocco, it's not going to provide a reasonable opportunity for us.

● (1220)

Mr. Malcolm Allen: It's kind of strange; it's almost like we should have sugar as the next currency. Every market you've indicated to us seems to have protected itself. The U.S. has protected itself. We, in a sense, have tried, but we're less protected. The European market has protected itself.

It reminds me of an old history class I was in once, about the spice trade and how it was used as a form of currency. Perhaps if the dollar goes too high we should trade sugar.

Ms. Sandra Marsden: Sugar was considered a spice many years ago.

Mr. Malcolm Allen: It's unusual to hear that sugar in this country would have been a huge trade irritant between us and the United States. It's actually sugar that's the trade irritant in the agricultural sector, albeit not downplaying all of the other pieces. In a sense, you're not able to export. The others have been able to export and then have found some things happen. I find that a strange piece.

You talked about the jobs in the west. What numbers would we be looking at if you were to lose both plants in the west?

Ms. Sandra Marsden: It would be 500 employees and 250 beet growers.

Mr. Malcolm Allen: So it would be a significant piece of the refining capacity.

Okay, Mr. Chair.

The Chair: Thank you, Mr. Allen.

Mr. Holder.

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

I'd like to thank our guests for attending this morning.

Ms. Marsden, I feel somewhat guilty. I take my coffee black, but my mum always had four sugars in hers. I was pleased to hear that sugar does not relate to obesity. It must be true, because my mother was about 90 pounds with her four sugars a day. So it must be true. That's a story for another time. It's history.

It's clear that I obviously feel a divergence of views on these issues between Ms. Marsden and Mr. Simpson. One of you—Mr. Simpson—clearly is promoting more active open markets. In fact I would call you a capitalist with a heart. That's how I would define you.

Ms. Marsden, with respect to your industry, obviously you have some deep concerns about the preservation of Canadian sugar. What's clear to me is that your focus is on the United States, and quite appropriately so, because of the amount of business that goes between...or could potentially go. Could you elaborate a little bit on your dialogue with the United States thus far? You said you just came back from Washington. That's an important issue relating to this committee, because the notion of protectionism in the United States is a big concern to us as well. So could you just elaborate for a moment as to some of the dialogue you've had with your American counterparts, perhaps as recently as yesterday, just to give us a better sense of how the discussion has flowed?

Ms. Sandra Marsden: We spent a lot of time dialoguing with the food processors, the sweetener users in the U.S., because they're our allies. Obviously they have interest in sustaining access to imports when they need them. We meet quite regularly with the United States Department of Agriculture and perhaps less frequently with the U.S. Trade Representative. Those are the two agencies that affect our access.

Most recently, since the Farm Bill.... I mentioned we lost access for beet thick juice. We tried to avert that. It started out as a bill and then it got incorporated into the Farm Bill. We were unsuccessful. So then we looked for other avenues to offset that. That was about a 35,000-tonne sugar equivalent, which was very significant for the Alberta plant. So we looked for other opportunities to offset that loss. I mentioned that the plants in the west are under capacity, so it's very important.

We were meeting with the USDA and USTR yesterday to talk about their administrative management of their import quota. They're under more restrictions now with the Farm Bill, which is making it more difficult to import sugar when they need it. They have a pretty serious shortage in the market, a temporary shortage in the market that is likely to be seen more seriously in the spring. So we're there in advance to try to encourage them to look at mechanisms to import high-quality sugar from countries like Canada. We're not asking for a special privilege for Canada, but just to enable the imports, to bring them in where they need to go. We have had some proposals, and we're going to be looking to the Canadian government to give us more support in pressuring those U.S. agencies to use some of those mechanisms.

● (1225)

Mr. Ed Holder: I might even suggest that you bring forward to this committee any of the overtures you've made to that extent. That helps, because when we make our representations in the United States, in Washington, that's useful. So to the extent that we can support your industry that way, I think that would be a very positive thing.

You mentioned, though, as well one of the catastrophes they had in the United States recently. You were looking to try to fill a void that was there. Could you just elaborate a little bit more? That response was not very positive, you say?

Ms. Sandra Marsden: The problem is that they increased the quota, but it was filled with a low-quality sugar that had to be processed by U.S. refiners. So it didn't get to the market that was needed. Customs and the various agencies were trying to come up with some mechanisms to ensure that the right sugar came in and it got to where it needed to go. We've been trying to come up with some creative ideas to push that forward. I would say that we could certainly use more support from our own government in advocating for that, so I appreciate the suggestion that we raise this with this committee.

Mr. Ed Holder: That would be helpful. Those communications could be forwarded to our committee, and that would help support your industry.

Mr. Simpson, as the owner of a first-generation family business, I salute the owner of a third-generation one. That's what's great about Canada—the sense of pride you can have. When I called you a capitalist with a heart, I was also going to call you the prince of pulse. I believe you are an effective ambassador for your industry across the world.

You talked about the access you have to 70 markets worldwide. I was quite struck by that. I guess there's a yin-yang effect with respect to what would happen if we don't sign this agreement. We know the United States has to resolve some problems with Colombia, just as we do. But we are directing ourselves, certainly the government is, to put this free trade deal forward, to move it along. What would happen if the United States was to put their agreement in ahead of ours?

Mr. Greg Simpson: What would happen is that Canadian farmers would be disadvantaged by 15%. In the case of lentils, that would be $135 per metric tonne. It is my conclusion that the buyers in South America—and we've spoken to them many times—would shift their demand from Canada to the United States simply because of price. A disparity of $135 is a significant disadvantage for Canada. We can't just go back to growers and drop the price that amount to compete. I suspect that over time we would lose that market share to the United States.

We also have to consider a weakening U.S. dollar. That gives them an advantage in accessing international markets. I'm not sure if that's been part of the modus operandi as they print trillions of U.S. dollars, but right now it has made U.S. goods more competitive internationally.

Mr. Ed Holder: I guess the opposite question is, to what extent? From the standpoint of the lentil industry, what would the impact be if we eliminated the trade barriers? You seem to be a supporter of freer trade.

● (1230)

Mr. Greg Simpson: Yes, we want to have freer trade. Right now the special crop sector has around $80 million in annual sales. So if we reduced that by 15%, we'd be seeing somewhere around $16 million in lost revenue to Canada. That's a fairly significant number.

Mr. Ed Holder: Chair, it would be helpful to have their presentations in advance. I appreciate the presentations as made.

The Chair: That was not the fault of the presenters, our agenda being what it was.

Mr. Ed Holder: That's why I referred it to you, sir.

Thank you both.

The Chair: If we could have been assured of getting the bill before the House in a reasonable time, we would have been able to schedule sooner. That was rather an ironic question from Mr. Allen, I thought.

However, we're going to move now to Mr. Easter.

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

On Mr. Holder's point, Sandra, I think people on the agriculture committee would appreciate that information as well. If there are ways that we can pressure in terms of the Americans, we need to do it.

Mr. Simpson, I think I understand this, but just so I'm clear, what you're saying on the 15% disadvantage is that if the Americans sign a trade agreement before we do, we'll face a 15% tariff wall plus the high Canadian dollar, which they would not.

Mr. Greg Simpson: That's correct.

Hon. Wayne Easter: I can tell you our experience in Ecuador. When they signed the deal there, we lost a $78 million wheat market. It was a secure wheat market for Canada and we lost it overnight. So I just want to be clear on that.

I want to come back to the USDA, Sandra. I don't understand. You're saying it's difficult, that even if their industry wants to import because they have shortages, they can't. What specifically is the problem there?

Americans claim they're free traders, but they're nothing of the sort. They're one of the most protectionist countries in the world. Even on supply management, which folks sometimes like to attack us on for being protectionist, the American dairy industry is more protectionist than ours is and we have supply management.

So what are the rules of the game there that are causing the problems?

Ms. Sandra Marsden: I don't know whether you want to know all the details, but essentially the USDA announces a quota increase of a fairly large volume—say, 150,000 tonnes. There are a few boatloads of semi-refined sugar waiting, from Mexico or Brazil. It's imported by the sugar refiner. Essentially, it's a means to keep the domestic market price higher for the refiners.

Of course, the users would have to buy that sugar at a higher price at a later date. So they wouldn't get it when they needed it, and then they would be locked into buying it at a later date.

Hon. Wayne Easter: Where's the problem, though? Is the problem in U.S. trade law, or is the problem in the refiners protecting their own interests so they can make more profit?

If they can bring in raw sugar, create some jobs in the United States, and keep us out of the market with a high-quality product, they are creating some domestic jobs and still allowing sugar to come in.

Ms. Sandra Marsden: They already do that. So this is a situation where they have a need beyond that, that they don't even have refining capacity to process that sugar in time. The problem is also legal interpretation, so the United States Trade Representative needs to work a little harder at finding a mechanism to bring in that refined sugar in an orderly fashion that doesn't disrupt their market yet provides users with quality sugar in a reasonable amount of time.

We're well situated to supply that through trucks and railcars. We can't bring in boatloads and dump it in.

That's what we're working on, and certainly I appreciate the suggestion of also going to the agriculture committee, because I think we can put a little more pressure, from a Canadian perspective, to find those.

It is in the interests of the U.S. user industry as well as our export—

● (1235)

Hon. Wayne Easter: It always amazes me how the Americans never restrict Alberta crude. They restrict everything else.

I have no further questions, Mr. Chair.

The Chair: Just be good at what you do.

Hon. Wayne Easter: An absolutely high-quality product.

The Chair: Mr. Cannan.

Mr. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Chair, and thank you very much to our guests this afternoon.

I really appreciate, Sandra, your perspective from the sugar industry. We've had, on many occasions, presentations from various representatives and broadcasts. Our colleague has been here as well, speaking and standing up for the industry. We know there are many challenges as we move forward.

One of the questions I have is specifically from our discussions when Minister Emerson was the trade minister. We had asked for some consultation process to take place with your industry. Can you maybe elaborate? Were you satisfied with that, and what kind of consultation took place?

Ms. Sandra Marsden: Which agreement do you mean?

Mr. Ron Cannan: I mean this particular agreement.

Ms. Sandra Marsden: You are asking how long this discussion has been going on in relation to this particular agreement. I would say that I have a good relationship with the agriculture negotiator. On the trade side, in terms of the international trade department, it would be less open and transparent, perhaps, but we certainly have a good working relationship from the agriculture negotiator point of view.

Mr. Ron Cannan: Is there some movement at all from initial discussions?

Ms. Sandra Marsden: Yes. I don't know whether I should chat about specifics here, but certainly—

Mr. Ron Cannan: Just in general, is there some amicable give and take in that respect?

Ms. Sandra Marsden: Yes.

Mr. Ron Cannan: You mentioned the capacity of the processing plants in Canada. Your main objective, obviously, is to supply our Canadian market. How much additional capacity would you be able to handle if we were to expand in additional markets?

Ms. Sandra Marsden: I don't have the specific capacities of each of the plants at my fingertips, but it would be in the hundreds of thousands of tonnes. We certainly have capacity to do more than we do today. Our market has actually shrunk quite significantly over the last year or two because of the loss of food processing. Some major confectioners have moved. They've taken advantage of free trade between the U.S. and Mexico in sugar and have gone to the U.S. to use some of the advantages of the free trade zone there, so we have capacity.

Mr. Ron Cannan: Thank you.

Thank you, Mr. Simpson, for your corporate social responsibility, your philanthropy and stewardship, and, as my colleague Mr. Holder alluded to, three generations—going on four—of leading by example.

Following up on Mr. Allen's comments, and having had the privilege of being a member of the trade committee that visited Colombia, I want to say that yours is one of many corporately socially responsible companies in Canada that are leading by example. As Mr. Allen alluded to, that's what we need to do: take our Canadian standards and show the Colombians how they can work in a competitive environment and still be socially responsible.

This leads me to the comments Mr. Easter made about the labour agreement. Unfortunately, he wasn't present when we had department officials here. Our concern was about the strength of the labour and environmental side agreements. Their comment was that it was the toughest agreement in the world, so it's a fact that we are very concerned about dealing with the labour and environmental aspects and our corporate social responsibility. I really applaud you on that initiative.

Specifically with regard to the trade agreement with Colombia, right now my understanding is that about 68,000 metric tonnes of lentils are sold every year to Colombia.

Mr. Greg Simpson: It's actually about 57,000 metric tonnes.

Mr. Ron Cannan: But do you know what Colombia's intake is?

Mr. Greg Simpson: Oh, okay; their total import is 68,000, yes.

Mr. Ron Cannan: Right now you provide about 85% of their supply.

Mr. Greg Simpson: That's right.

Mr. Ron Cannan: Who's your biggest competitor?

Mr. Greg Simpson: That would be the United States.

Mr. Ron Cannan: With this agreement, would you be able to take the remaining 11,000 metric tonnes?

● (1240)

Mr. Greg Simpson: I think we may get some additional growth. One of the things the U.S. has been doing is producing a different calibre. They have a mid-sized calibre, and I think we could probably compete in that same size and likely increase by possibly another 10,000 tonnes. Keep in mind also that the population is growing, so I think that overall the market will continue to grow on the basis of population itself.

Mr. Ron Cannan: I have one last question on the consultation. Are you satisfied with the amount of consultation with the industry and with government?

Mr. Greg Simpson: Yes, I think there's been good consultation. I know Pulse Canada has been involved. I know that people in Agriculture Canada have been working directly with the buyers from Colombia to hear their concerns about moving forward with a negotiated trade agreement.

Mr. Ron Cannan: Thank you, Mr. Chair.

The Chair: Thank you, Mr. Cannan.

Go ahead, Monsieur Guimond.

[*Translation*]

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

Good day, Sir, Madam.

My first question is for Ms. Marsden. First of all, I want you to know that the Bloc Québécois supports a free market economy. However, like yourself, we prefer multilateral over bilateral agreements. That's the first point I wanted to make.

You represent the Canadian Sugar Institute. How is your industry faring in Quebec?

[*English*]

Ms. Sandra Marsden: Atlantic Sugar has a refinery on the east side of Montreal and produces about 500,000 tonnes of refined sugar. That would be for the Canadian market—very little for the U. S., of course, because of the trade barriers—and would sell to major food processors in Canada.

[*Translation*]

Mr. Claude Guimond: How many jobs are we talking about here?

[*English*]

Ms. Sandra Marsden: I'm sorry, I'm not sure I have an exact number for Atlantic in Montreal. It would be in the hundreds.

[*Translation*]

Mr. Claude Guimond: There has been much talk in recent years of agrofuels and biofuels versus farm land and agriculture. We know that this is a very timely problem in Brazil, in South America and elsewhere. Do your purchasing policies take into account a sustainable development framework, a fair trade market and product provenance?

[*English*]

Ms. Sandra Marsden: Absolutely, and all our members have signed contracts with their raw sugar suppliers with respect to human rights and so on.

Generally, from a sustainability point of view, the sugar cane crops in the regions that our members would be buying raw sugar from, for example, would be harvested in a way that it's one of the most efficient products in terms of harvesting and raw sugar processing in the world. All the bagasse from cane is used to generate fuel. They've moved away from the burning of cane and so on, so yes, we pay close attention to that, and our members would pay very close attention to that in their purchases of raw sugar.

Certainly in Canada, from a sugar beet perspective, it's a very efficient industry. All the water is recycled. The beet pulp is used for animal feed. There is recycling and purification of the water on site, so it is very important to us.

[*Translation*]

Mr. Claude Guimond: Thank you.

Mr. Simpson, you spoke of your company as soon being a fourth generation business. Yours appears to be a well established company with a sound vision for the future.

How do you feel about the current free trade agreement with Colombia? The government maintains that in order to help the economic situation in Colombia, it had to sign the agreement and engage in significant trade with this country. Do you agree with that assessment?

You come from a family of farmers and you are a commercial grower of pulses. Did I also understand you to say that you grow pulse seeds for commercial purposes as well?

● (1245)

[*English*]

Mr. Greg Simpson: That's right, yes. We are exporters of pulses and pedigreed seed production.

[*Translation*]

Mr. Claude Guimond: In keeping with the sustainable development philosophy and the free trade agreement to improve the situation in Colombia, instead of exporting pulses, perhaps we could think about exporting pulse seeds to give Colombians the opportunity to grow their own lentil crops as well.

How would you feel about that type of commerce?

[*English*]

Mr. Greg Simpson: I think the problem with our seed is that it is specifically developed for our climatic zones, so our lentil seed from Canada would fail to produce any seed in Colombia.

Also, the problem they have in Colombia is that their farmers aren't sufficiently educated to farm lentils. They've been more adept at growing other crops. I believe people who have strengths should work on strengths in a global market, and obviously in Colombia it's not a strength to grow lentils. They are better to produce other commodities.

We produce lentils very efficiently, obviously, because Canada has grown this industry that was virtually unheard of in 1980 when we started our company, to now, where it's world-renowned. We're the world's largest producer of lentils, and that's because that is our strength. We are very competitive, high-quality producers.

I think it's best that we export our lentils into Colombia and let Colombian farmers produce what they're best at. I would guess one of those items would be coffee, which we all enjoy.

The Chair: Thank you, Mr. Guimond.

We've had a good round of questions. We got through the second round, and I'm pleased that we were able to do that. Great presentations.

With that, we will conclude, again thanking both of you for coming on short notice and making your presentations today. I very much appreciate it.

Thank you, and continued success.

Mr. Greg Simpson: You're welcome.

Because it was Friday when I got called, I wasn't able to submit the presentation. Now I can submit one via the Internet or e-mail it later to the clerk. Would that be fine, Mr. David? Then it would be available for people to have it translated and read once again.

I want to remind people that if anybody is interested in our newsletter, I have copies here.

The Chair: Good. Thank you. It is on the record. These are transcribed. You can see them on the Internet.

Mr. Greg Simpson: Oh, okay. That's good.

The Chair: Thank you again.

With that, the meeting is adjourned.

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