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Chair

Mr. Larry Miller

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• (1535)

[English]

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

I'd like to thank our witnesses for coming here today at reasonably short notice. All of us recognize some of the issues that have been affecting the pork industry, and I thank all of you for coming. If you could keep your opening remarks to 10 minutes or less, it would leave more time for questioning, but I also understand the importance of your remarks.

We are going to start with Mr. Jim Laws of the Canadian Meat Council.

Mr. James M. Laws (Executive Director, Canadian Meat Council): Thank you very much.

Good afternoon. Thank you for inviting me to speak today on the situation in the hog sector. My name is Jim Laws and I'm the executive director of the Canadian Meat Council here in Ottawa.

Despite the numerous challenges faced by the hog sector in 2009, including a world outbreak of H1N1, Canada's pork export business was double the value of Canada's beef business in 2009, with exports of 1,075,000 tonnes of pork, valued at over \$2.6 billion, to 114 countries in 2009.

We were pleased with the announcement on February 25 that Canadian pork products will be back on Chinese grocery store shelves after Canada secured the first certification agreement to allow pork imports into China. We are also very grateful for the work of the Government of Canada and the various trade missions that have been undertaken. China is a very important market to us, as it consists of 1.3 billion people. It's a huge market for Canadian pork. It's essential that we stay in that market.

On behalf of Canada Pork International, we're very grateful for the \$17 million fund for market research for Canadian pork products.

We're also very grateful for the creation of the recent agricultural market access secretariat, under Mr. Fred Gorrell. That will work quite well.

We continue to be challenged with our competitiveness, of course. The Canadian dollar just shot past 98¢, reaching its highest level since July 2008, spelling good news for guys like me who are heading down to Florida tomorrow morning for March break, but it's not good news for Canada's pork industry and meat exporters that have relied in the past on a weak Canadian dollar to compete.

Budget 2010 actually helps our industry by eliminating a wide range of tariffs on machinery and equipment. That's very much appreciated. As well, the Government of Canada's slaughter improvement program is designed to strengthen the competitiveness of the red meat industry by providing interest-free conditional repayable loans. We appreciate the additional \$10 million allocated to this year's budget for that.

Getting enough hogs for slaughter in Canada is becoming very challenging, particularly in Ontario, where capacity now far exceeds supply. Most recently, in Nova Scotia, Larsen Packers announced it will stop processing fresh pork at its plant in Berwick, Nova Scotia, resulting in the loss of about 40 jobs. The decision is the result of a reduction in maritime hog production. It was reported that the numbers had dropped so low that it was no longer possible to operate the facility profitably.

It would be wrong for me to sit here and speculate on whether or not other Canadian hog processing facilities will close their doors. That would be bad news for Canadian jobs and bad news for Canadian farmers who rely on the processors to purchase their animals.

What I can tell you is that Canada's pork slaughter industry currently processes only live Canadian hogs. The Canadian Meat Council had requested an updated animal health risk assessment on the importation of live American hogs for slaughter into Canada, but the draft new risk assessment is indicating no changes to the current protocols. Those changes would have ensured that requirements for importing hogs for immediate slaughter into Canada were comparable to those for hogs exported to the United States for immediate slaughter.

However, one big cost involved with the current protocol is having a veterinarian visit on-farm. In addition, there are the segregation costs and, of course, the cost of trucking the animals up. We do need to operate our facilities at full capacity to remain competitive with the United States.

On the human resources front, we've spoken to you in the past; it has certainly been to our benefit that Canada's temporary foreign worker program has helped the Canadian meat industry fill in the extra workers it needs. Right now, for instance, we're very pleased that the Province of Quebec has finally allowed the use of this temporary foreign worker program.

I can tell you that one company in particular, Lucyporc, from Yamachiche near Trois-Rivières, recently began selling high-quality pork to the European Union. They have hired several French-speaking people from the island of Mauritius, which is an island north of Madagascar, off the east coast of Africa. They are now all working hard in that facility. Other companies in Quebec, like Olymel, are taking advantage of that program.

Another issue in the area of competitiveness is Canada's system of pre-market label registration. We've talked about this in the past. With the new rules for declarations of additional allergens that are coming down and the work of companies in Canada to reduce the sodium in their processed meat products, we need more flexibility in changing and updating our labels so we don't have to pay for a new registration every time we want to make a change.

Nor should we have to wait for approvals. Many companies still report to me that this process causes delays, and compromises their ability to launch new products.

We have also recently requested that the Government of Canada—and they have agreed—start to review, to repeal, what's called “meat inspection regulation 92”, which requires all the meat-packing and labelling materials that come into contact with meat to be registered. I want to show you an example.

I'm first going to pass around this example of a Canadian canned product. As you know, this is the good old can that you put on its side and unscrew to get open. A Canadian company tried for over six months to get approval to use this new, more modern can made in Denmark, which is 30% cheaper than something available in Canada. It took them six months to get this can approved, but I walked into the store here in Ottawa, and here was a U.S. product and another U.S. product that I saw. You can see that the can is lighter and newer.

These products were on the shelf here in Canada, so it makes absolutely no sense to us that meat is the only food in Canada that requires its packaging material to get pre-approved, which sometimes takes from six months to two years. The Government of Canada agrees. They're going to start to review it; they will be starting information on it. For imports into this country, their packaging material doesn't have to be approved, so that's why we're asking for this to be reviewed. It makes no sense. We're pleased that the government is going to review this.

We've also spoken about meat inspection fees in the past. There was a report prepared. We're looking forward to working with the government on that. The Americans don't pay for any regular time inspection fees, while we do. We've asked for a fee structure similar to the American one.

Finally, there is the U.S. mandatory country-of-origin labelling. We fully supported the Government of Canada's submission to the Government of the United States in protest of the mandatory country-of-origin labelling, and its subsequent notice of WTO challenge. The final rule did provide some added workable flexibility that much improved the fate of the Canadian meat industry in the interim final rule. In the meat industry, we are less affected by the livestock sector because we can still sell into

restaurant and food service and to further processing. They're exempt from the mandatory country-of-origin labelling.

However, for any opportunities to grow the market, the retail sectors are definitely seriously affected by the rule. And again, we fully understand the incredible impact that country-of-origin labelling has had on the producers.

We look forward to your questions.

• (1540)

The Chair: Thanks very much, Jim.

I have one question that maybe you can deliver a response to later. I know that the last time you were here you talked about this same labelling issue. I'm not sure how many months have expired since then, but I'm surprised there hasn't been some kind of action on that.

We'll now move to Mr. Bob Reid. Bob is a producer and also the president of the Grey-Bruce Pork Producers.

Thanks for coming, Bob.

Mr. Bob Reid (Producer, As an Individual): I would also like to thank Larry for the invitation and the opportunity to speak to you today.

I come from western Ontario, actually right out of Larry's home riding.

We finish approximately 10,000 hogs every year in our facilities.

From a producer's perspective, obviously I hope that all of you are aware of the pain that we suffer through on a daily basis. There are several issues that I would like to highlight here today, but I would like to wind up by having you understand the problems we face on a daily basis.

I'll start off and just touch a little bit on business risk management. In Ontario there has been quite an interest generated recently in trying to develop a program whereby producers could at least get something closer to an insurance scheme based on the cost of production, which we would be willing to pay premiums on. Something we have to bring to the attention of federal members of Parliament is that we would like to see the federal government at least agree to the idea of contributing its traditional 60% share to that type of program for domestically processed pork.

In Ontario another issue we feel is very important is the problem of regional disparity among programs that have been developed across different provinces. While we certainly understand and support the idea that other regions of the country have decided to support their agricultural primary production at a higher level, I can openly say that ASRA, for example, in Quebec, is viewed by our province with nothing but envy. One of the things we would look at is whether federal funds need to be distributed with more flexibility to the provinces to allow for specific area priorities. We are not trying to pit one against the other or anything like that, but the goal would be to try to attain a more level playing field across the entire country.

Obviously your committee is looking at the programs that have been introduced recently, within the last year, by the federal government. I would like to say thank you for the ideas that have been brought forward. We recognize that at least there has been an attempt to do something to help us at the primary production level.

Regarding the transition program, which is an exit program for producers who feel they cannot survive in the industry any longer, I could say that from a producer's perspective it has been acceptable though definitely not popular. One of the things that producers have not liked is the idea of a reverse-auction process. There was a feeling that a lot of producers had been pitted against each other, and that made it very unpopular.

We question whether more dollars are needed to reach the target reduction numbers that originally came forward with the Canadian Pork Council's strategic plan.

I have one other quick comment on that. There are instances of contract producers, who follow a relatively new type of production model in our industry Canada-wide, being forced to leave the industry because of herd downsizing. I understand and accept the idea that animals have to be attached, and that this is the primary reduction goal.

• (1545)

On the other hand, if someone loses their contract because a large producer decides to downsize his own herd, for example, and cancels contracts, due to the fact that they have no opportunity to get another contract from another producer because the provincial and national herds are shrinking, they're left out in the cold. They have no option.

If you were to understand the level of the investment these people have made, oftentimes in excess of \$1 million for a state-of-the-art, modern hog facility... To be forced to just eat that when someone down the road who may own his hogs has a smaller herd, and a roughly equal investment, and has an opportunity to access some exit funds, I guess I just question whether or not that is exactly fair. I'm not saying that it should be opened up to all contract producers, but I am saying that perhaps there are some instances where some of those transition funds should be considered.

On the loan program, I'll shoot straight from the hip. Quite frankly, the loan program is very unpopular and is lowly subscribed to. Bankers don't like it. Producers don't like it. I hate to be negative, but it has been somewhat of a failure. I hope that together we can come up with ideas that can work more effectively to get badly needed liquidity back into our industry.

In closing, I'd just like to say that we all have to realize there are some fundamental changes going on in our industry at the primary production level. I'd challenge all of you, as members, as knowledgeable people about agriculture, on what your vision is for food production in Canada. There is some push to develop a national food strategy, and it's coming from right across Canada.

I guess the question is this: what would you like to see 5, 10, or 25 years down the road? Right now, we tend to lurch from crisis to crisis. It would be nice to know where we're all going. I will acknowledge that it wouldn't be very popular, but the government, either provincially or nationally, really doesn't have to do anything. I don't think food production will disappear in this country, but it will

evolve. I guess I question whether we should try to guide that evolution. Or is it okay with you folks to just let it happen?

This is just my opinion, but quite frankly, the fundamental changes you would see at the primary production level would involve the power falling into far fewer hands. All of the supporting industries around us, whether they're processors or input suppliers, right down to farm equipment dealers, have consolidated. I understand the reason for that. It's to gain market power.

But the fact is that the process on the primary production side is already well under way. Consolidation will take place. If you want an American-style industry, please tell us, and we'll let it happen. If you don't, I think we are badly in need of some help very quickly.

My question is can long-term policies be put in place that will create the environment where we can see profitability from the bottom of the chain right to the top? We have nothing against the meat processors making a profit. We have nothing against processors making a profit. All we ask is that we be able to make a fair living too. None of us have to be rich, but right now we can't even feed our own families.

With that, I'll close my comments and look forward to any questions you may have.

• (1550)

The Chair: Thanks, Bob.

We'll now move to Curtiss Littlejohn, who is also a producer.

Curtiss, 10 minutes or less, please.

Mr. Curtiss Littlejohn (Producer, As an Individual): Thank you, Chairman Miller.

Thank you for inviting me back here to speak. I've been here before.

For those of you who don't know me, my name is Curtiss Littlejohn. I am a producer from southwestern Ontario. My family and I farm just north of Paris, Ontario.

When I speak of my family, I speak of my wife, Tonny, and I speak of my children—David, Jackie, Christine, and Patricia.

These are kids who have a father who was a city kid. I grew up on Main Street in Cambridge. Agriculture was about the furthest thing from my mind. As I got married and my life evolved, I found that agriculture was a business opportunity for me like any other business opportunity, and if I applied business practices to it, I could succeed and I could flourish.

And indeed I did flourish. We were very fortunate. This industry has treated us well. We've come now to where we have a second generation. I have two children who are in university, both studying agriculture, both wanting to be the next generation that feeds this great nation of ours.

Unfortunately, circumstances beyond their control and beyond my control, and in fact beyond control of the Government of Canada, have made that almost a certain impossibility. The industry in Ontario and across this country of ours has been rocked by such things as circovirus. Four years ago we had this disease called circovirus. At that time there was no vaccine for it. Producers were hauling up to 50% of their livestock out of the barn dead and dying from this disease.

Then there were the outbreaks of PRRS. We had this normal crash of the hog cycle. We had the rapid appreciation of the Canadian dollar. We had record high grain prices. We had record high oil prices. I'm not saying these have impacted our industry any worse or any greater than any other industry, but I ask you this: what other industry in Canada, that feeds the country, that feeds the people who produce the GDP that we all live for, that we all strive for, has been hammered as hard as the hog industry? I think if you did a statistical analysis, you would find that in the last four years, the hurt in the hog industry far exceeds the impact of BSE to the cattle industry and the impact to our national economy.

Let me give you an example of that. In Ontario, in fact across the nation, hog losses for the last four years have averaged in excess of \$30 a hog. That sounds like a pretty simple number, but if you look at the average hog farm in Ontario being about 350 sows farrow to finish, or birth to market, each farm has lost in excess of \$1 million in equity. That's if they're still in business, if they could find a bank that would lend them money.

On top of that, we've seen that property values have now plummeted. We're in the middle of trying to negotiate settlements with some of our creditors. We just recently had an appraisal done. A barn that two and a half years ago I spent a million and a half dollars on has a contributory value on my property today of less than \$200,000. That is the market reality. And I'm an efficient producer. In 2008 I produced almost 1.7 million kilograms of pork. We benchmark ourselves against herds around the world, because we compete with and participate with a genetic supplier that insists that we do that. We ranked in the top 10% of their herds around the globe—the top 10%—and I lost \$400,000 that year. I am an efficient producer. I believe in sustainable agriculture. We're very productive. Yet I can't make enough money to feed my family.

The Government of Canada has done some wonderful things. We have some great programs here. We have AgriInvest, we have AgriStability, and we have AgriRecovery, which actually, I believe, should have been used to help us with the circovirus problem. But these programs were not designed, nor was it even considered when they were designed, that we could have what we've gone through. If you asked Stephen King to write a horror story, he couldn't come up with something like this. Unfortunately, I've had friends in Ontario who have chosen to take their own lives over this issue. It's a sad state of affairs.

I'll move on now to the programs that the government and the Canadian Pork Council have consulted on and put in place. For the most part, these programs were well thought out. They were put in place with good intentions. As my grandmother used to always laughingly tell me, when I'd be out boozing with the boys on Friday night and would say that we had good intentions and wouldn't do anything crazy, "The road to hell is paved with good intentions."

The hog farm transition program has been a hated, wanted thing in this country. At what time have we ever paid people to stop producing food in a world that goes hungry? I agreed it had to be done. I supported the program. As a matter of fact, I sit on the management committee and I help administer the funds.

● (1555)

But when you look at what that does and what that says to the world, it says that this country is not prepared to support sustainable agriculture. It says that this country is not prepared to help send aid around the world when it's needed, because we're letting our national hog herd get to a point where we can't even support our own processors. What does that say?

Fifty percent of the livestock in the transition program will come out of the province of Ontario, the province with the largest population. I was going to say the largest GDP, but I guess that's not true anymore. We're now a have-not instead of a have province, but we have the largest population and we have the largest segment of further processing. Work done by the Ontario pork marketing board shows that in Ontario we probably have an economic advantage in terms of the way we feed our hogs. Most of our farms are small family farms. The transition program is decimating that. Farms that have been producing hogs for generations are going out of business.

We have the hog industry loan loss reserve program. I will compliment the government, and I will compliment this committee, which I am sure put forward some good comments on it.

The best part of that program is that there were no caps. For once, the Government of Canada and Agriculture Canada recognized that we have large farms in this country, and they were not penalized.

Mr. Randy Hoback (Prince Albert, CPC): Please say that again.

Voices: Oh, oh!

Mr. Curtiss Littlejohn: This is supposed to be non-partisan, Mr. Hoback. I hope we keep it that way.

Mr. Randy Hoback: I mean it. That's why I'm saying, "Say it again".

Mr. Curtiss Littlejohn: Everybody was here.

The CPC supported that program. I have been quoted by the minister seven times in the House as supporting that program. I did support the program on the basis that 75% of the hog farmers in this country could access it. To date we have three percent: three percent.

As a producer who participated in this, I'll say to my MP, and I'll say to you as members of Parliament, we should be ashamed of ourselves that we would allow a program to be that ineffective, to be that ineffectual in assisting producers. If they keep going, there will be 220 producers on that program by the end of the month when the program expires, and not all of the funds will have been used. There will be a surplus in that of somewhere between \$150 million and \$200 million, depending on what the final loans come in at.

I challenge you to get to the minister, to get to the government, and to make sure those funds stay where they were intended to be, in primary hog production. Do not let them just be recaptured and recapitalized somewhere else in the budget as found money. Those dollars were put here for the hog industry. Let's use them for the hog industry. They need to be rededicated.

Somebody up here in Ottawa told me many months ago that if all the dollars in the program were used, the program would be a success. If we have three percent of producers accessing money, I would suggest then that the gun registry was a blazing success because it spent a billion dollars. We have the emergency advance payment program. Thank you for the money. It kept me in business. It kept my farm afloat, but we have some issues with that, and I think we need to address them, and I'm sure that my friends here on the Canadian Pork Council will do that.

I have one final issue that falls a little close to home, and on behalf of a number of producers who have contacted me as their Ontario representative on the Canadian Pork Council, I'm going to bring it forward. In the 1980s, Farm Credit Canada was very innovative in how it dealt with the crisis that this industry went through. They used things like debt set-aside, and they used trailer mortgages because everybody finally stood up to the plate and recognized that property values and equity were gone. There's nothing we can do to change that. We have a dollar at par. We have an industry that has changed.

As for that barn that is worth 25¢ on the dollar today, or less than 25¢, I will never recover that money and neither will the bank. Neither will Farm Credit, but they will move that debt on to somebody else who will be allowed to compete with the investment that I made at 20¢ on the dollar. Now I realize that Shylock has to have his pound of flesh every once in a while, but I suggest to you that there are other ways we could deal with this.

The larger issue I have—and it's an issue directly with Farm Credit Canada—is their unwillingness to disclose public information. When Farm Credit gets into negotiations with farmers, they do an internal appraisal. They use comparable sales, which are a matter of public record. I've had at least half a dozen farmers contact me and suggest that Farm Credit will not release to them even the lot and concession of those sales. So these farmers are told to go refinance and come back and pay off their debt, but in the meantime Farm Credit is using sales and sales comparables that the appraiser I used can't find.

It's public information. I'm not asking for these producers. I'm not asking for Farm Credit to show us their analysis. I'm not asking for Farm Credit to release their internal documents. I'm saying that the sales are a matter of public record and Farm Credit Canada, when asked, should release the lots, concessions, and rural numbers of

those farms so that farmers don't have to spend thousands of dollars on appraisals, they can spend hundreds of dollars.

Thank you.

• (1600)

The Chair: Thank you, Curtiss.

Now we'll go to the Canadian Pork Council.

Jurgen.

Mr. Jurgen Preugschas (Chair, Canadian Pork Council): Thank you very much, Mr. Chairman, and thank you again for the opportunity to appear before you.

With me are the vice-president of the Canadian Pork Council, Jean-Guy Vincent, from Quebec, and Stephen Moffett from New Brunswick. Stephen is chair of our safety nets committee, and he has been here before as well.

I'm going to try to go through fairly quickly here. Many of the topics I was going to discuss have been talked about already by Bob and Curtiss. But certainly the fact that our industry has had negative returns since 2006 is one of the reasons we keep coming back here.

We are seeing a small sign of improvement right now. This summer producers will have the ability to lock in break-even or very small profits. So there is a little bit of bright light on the horizon, and part of it is due to the low inventory of animals coming to market, both in Canada and the U.S. We are a little bit hesitant to be too optimistic about the future right now, as prices are shown to be falling next winter again.

As you've heard, our industry in Canada is a very efficient industry. In terms of efficiency, we can compete with anyone in the world. We have some of the highest health standards in the world. We've got breeding stock that we supply to other parts of the globe. Those countries come to us. And one of the reasons is the very top-notch genetics we have, but also the very high health standard this country has. In fact, we are getting more and more international companies wanting to establish in Canada so that they can spread their genetics around the world.

It is important that we keep our industry and that we keep it a strong industry, in addition to what we discussed before. Our industry represents some 75,000 jobs in this country, and we certainly would like to keep most of them here. Some of them are falling by the wayside, as we've heard already, with plant closures and the risk of further plant closures with the reduction in production that we're seeing.

We've certainly been adjusting to it in Canada through the losses we've incurred. Our production numbers now have reduced by over 20% in the last five years. In fact, the hog farms have reduced from the January 2006 survey of 12,320 farms down to 7,360 farms this January. This means we've lost some 5,000 producers in this four-year period—quite devastating for our industry. And I think we see a risk of many more closing down. It doesn't include the ones on the hog farm transition program, or most of them, and it also includes the risk of many foreclosures that are happening as we speak and guys just not being able to continue because of cashflow.

Certainly the programs the government has put in place have helped. We're appreciative of AgriStability. The emergency advance payment program was definitely quite helpful, which you have heard as well, even though... The difficulties with the cull breeding swine program and the hog farm transition program—paying people to get out—are always a challenge, and we fight with this in principle internally as well. But they did help some of our producers transition out. Then there's the hog industry loan loss reserve program, and I'll talk a little bit about this later.

• (1605)

Let's take the hog farm transition program. About 430 producers took advantage of that, and it will pay out about \$75 million. Those producers are required to stay out of production for three years. We had our last tender last week.

It represents some 137,000 sows that are being taken out of production, and that's out of a sow inventory of about 1.3 million. So a little over 10% of our sows have been taken out of production by that program. This is in addition to nearly 130,000 sows from the cull breeding swine program. So the government has helped the industry transition out of about 20% of the Canadian sow herd.

The results of HILLRP have certainly been less positive and you heard it very well from Curtiss already. So far there have only been 207 applications approved for that program. We know a lot of time and effort was put into it by the government and we appreciate it. We felt it was a program that was well designed. Unfortunately, the results are not showing that. The lending institutions have been a little bit reluctant, to put it mildly, to lend out the money that is available.

We had evaluated that we probably needed about \$1 billion for this and that's how the program was initially designed. It appears that we're only going to be in that \$300 million or \$400 million that's actually going to be lent out under that program. It's just a fraction of what we expected and therefore we are disappointed in the results of the HILLRP.

What are some of our future challenges for our industry? I talked about AgriStability. It has been good for the hog farmers in this country, but the danger now is that because of the viability test and the three years of negative margins—which then says your farm is not viable—as of this year our hog producers will get nothing more from AgriStability because of the viability test. It's through no fault of their own. This is something that needs to be addressed. I know I've talked to you about that before, but it's money that certainly the government's going to save because that will be money that won't be paid out. But it will kill our producers because their negative margins make it that they're not viable.

As well, the AgriInvest fund has not helped hog farmers at all because of a timing issue. It actually took money away from hog farmers and gave it to others, because we did not have those margins to get it. It's something that was detrimental to the hog industry because of a timing issue. Certainly the difficulty to access credit is still...and that's proven by the lack of success of HILLRP. Even with government guaranteed loans we can't access credit, so it is really, really tough.

The feed companies have been extremely patient with our producers this past year, but what's happening now, with the failure of HILLRP, is that the feed companies are now saying to our producers, "Guys, you've got to pay up." Well, we don't have money. The producers don't have money. So what are they saying? They're saying, "Okay, you're now on cash. Try to term out or do something with your debt that you have right now, and we'll charge you high interest rates on it, but your feed is now on a cash basis only." Without access to credit, that is becoming very difficult and is putting quite a number of producers into bankruptcy proceedings.

• (1610)

So what are we looking at to move ahead? With the HILLRP money—I think that's one of reasons we were here—if that money isn't all used, which it appears it is not going to be, and we are left with \$150 million or so... As Curtiss said, that money was earmarked for the hog industry. We would ask that you take a serious look at how the money that is left over can be reprofiled and used for the hog industry.

Our suggestion would be that it be used—we've handed this out before—to implement our strategic transition plan that we have been working from this past year. If that money were put in there, it could be put to use for all the hog producers in this country for the future, hopefully a brighter future.

With that, I'll finish my remarks.

The Chair: Thank you very much, gentlemen, for keeping close to the time.

We'll now move to questioning, with seven-minute rounds.

Mr. Valeriote.

Mr. Francis Valeriote (Guelph, Lib.): Gentlemen, thank you for taking time from your day to come here. We know time is valuable to you.

First I want to validate all the concerns and emotions that you have expressed today, even your anger that may exist. I certainly sense some of that, not just today but at previous meetings.

We are somewhat conflicted. We hear—and I am trying to be non-partisan, but the fact that I'm sitting on this side asking the question I guess suggests a certain degree of partisanship—compliments about certain programs. Where I become conflicted is that I hear these programs are working and this is great, but then I hear these programs aren't necessarily working; there is either not enough money or the protocols need to be changed.

Getting directly to the question, I find the transition program rather draconian. To bid for the lowest price, in my opinion, is absolutely ridiculous. In the same instance it is lauded by many of you as being an effective program. How would you change that? Can you tell me?

I am concerned that a transition out is a transition into nothing. I mean, not all of you have farms beside the next subdivision that needs to be developed. With reducing farm values and things, how could that be improved?

Mr. Littlejohn, you were speaking vigorously about this. Could I ask you the question, and then Jurgen?

Mr. Curtiss Littlejohn: The program is designed in such a way that people have to make business decisions. My issue with the program is that instead of supporting viable producers to remain in business, we are helping to move producers out of business. There are examples of families who have had farms over three generations and are choosing to move on. I don't know if that's the right strategy. People are going to exit the business and move on, but it's trying to find the balance between the two. It is a very tough and emotional issue with the producers.

•(1615)

Mr. Francis Valeriote: Bob, you spoke about whether to let it run wild in a capitalist system or introducing effective regulations to help. From what I've seen so far, the support isn't enough. Assuming that I am a person who wants to hear how we can better support you, tell me what you need.

Mr. Bob Reid: That's a difficult question, because obviously within our industry there is a wide range of ideas. I would like to see profitability from top to bottom. As far as how you achieve that, there may be several different answers or routes.

Right now we are suffering a bit from a market imbalance of power. There may be some dictation from parts of the supply chain further up from us as to what price they are willing to pay. There is no negotiation; there is a bit of dictation down the chain.

Personally, I like the idea of an industry round table that includes not only producers but processors and retailers. If we can explain to them exactly what it is they're doing to us... Is there a disconnect there? Do they realize, do they understand, where this may lead?

Mr. Francis Valeriote: Would dealing with the government's refusal to meaningfully invest and follow up on its commitment to its 60% of the AgriStability program and helping the business risk management side of it—somebody referred to the fact that the program isn't effectively being implemented—be the best way to start?

Mr. Bob Reid: I believe that it is a bridge. I think business risk management is something that can be implemented over a relatively close timeframe. If government powers choose to go in that

direction, it can be done relatively quickly. There again—getting back to my earlier point—as to what we want our food industry to look like, top to bottom, we need a much longer-term strategy.

Would it help if they committed to that? Certainly.

Mr. Francis Valeriote: You made reference to a transition report you presented. Could you highlight again some of the main features of that report? Where would you like to see the money that hasn't been spent on the hog industry loan loss reserve program invested?

Mr. Jurgen Preugschas: Sure. We have to remember that the hog farm transition program was designed to deal with those who would not be eligible for the HILLRP program so that we wouldn't have a bunch of farms on the market afterwards reducing land values and property values. That was part of the reason for that program. That's one of the reasons we supported it. And I believe it was relatively successful.

The transition program is all-encompassing. It was developed not only by the Canadian Pork Council but also by the work of the Pork Value Chain Roundtable, which identified some of the areas, everything from efficiencies to marketing to innovation to production to the structure of the industry.

I think Bob brought up very clearly that we need to ensure that our structure is such that all of us end up with, let's say, a liveable allowance. Right now all the risk is carried by the hog producer. If there is money left over, they may make a profit. If not, they lose, and everybody else takes their margin. Somehow we need to develop that, and that is part of the thinking in the strategic plan as we move forward.

•(1620)

Mr. Francis Valeriote: Have you ever asked to meet with the minister—

The Chair: Frank, you're out of time. You'll probably get a chance to come back.

Mr. Francis Valeriote: All right.

The Chair: We'll move to Mr. Bellavance, for seven minutes, please.

[Translation]

Mr. André Bellavance (Richmond—Arthabaska, BQ): Good afternoon. I am delighted to see you. I am also delighted to hear very eloquent and relevant testimony, like Mr. Reid's and Mr. Littlejohn's, who live on the land and are sharing their experiences with us. But I have mixed feelings about this as we are meeting with you again because the situation in the hog sector is still extremely difficult. You are also the first to appear since prorogation, which means it is still an urgent matter.

My first question is for Mr. Vincent. I recently attended the general congress of the UPA. I have no doubt that you are familiar with the resolution that was passed by the congress of the Union des producteurs agricoles on the Advance Payments Program. We understand that the government has extended the deadline for repaying the advances made under the Advance Payments Program to September 30, 2010. But, at the congress, we heard that you are afraid that people will not have enough cash on September 30, 2010 even if the deadline has been extended. That means that UPA asked for a stay on the repayment of advances made under the Emergency Advance Payments Program.

Have you talked about this specifically with the minister? You mention a stay, but how long would that be? One year? Two years? Or do you want the repayment to be spread over several years? What is behind this resolution? I am sure you played an active role in drafting the UPA's resolution, but you could not prepare a 25-line paragraph. Could you tell me your opinion on this topic?

Mr. Jean-Guy Vincent (Vice-President, Canadian Pork Council): Thank you, Mr. Bellavance.

Mr. Preugschas clearly explained the position of the Canadian Pork Council, which I am representing, but your question is directly related to UPA's last congress. At the outset, I would like to say that you are doing a great job. First of all, you are my MP and I appreciate the work that you are doing.

You were asking about Mr. Ritz. I feel we must recognize the work that he has accomplished in the last months in order to open doors that were previously closed to export.

But, in response to your question regarding what that meant exactly, I must stress that, everywhere in the country, not only in Quebec, producers are asking themselves what will happen after March 26 and September 30. We have no idea.

I am not going to repeat what has already been said, but I would like to mention that, as producers, we have to know where we are going. In addition to what I have said, we must also know what the hog sector policy is. What can producers count on nowadays? We do not know. That is what we have to find out. We must know what is happening. Producers have been going into more and more debt. We have reached our full capacity to carry debt. All credit is due to producers who keep going in the sector and are trying to stay afloat. But they cannot do it alone.

Taking this further, we could ask ourselves if we will be able to bring innovations to the agricultural sector in 2010. Does Canada want to compete with the United States? Are we willing to do what it takes to help hog producers in Canada and Quebec get through this crisis? Together with the Canadian Pork Council, Canadian producers have focused on quality. They have implemented product quality programs in order to be able to export the products.

What can a producer expect from the government? We are waiting.

• (1625)

Mr. André Bellavance: Mr. Vincent tells us that producers are still waiting. So, unless Mr. Preugschas has now met with Minister Ritz about this issue, there has been no specific discussion on it.

Will the minister not have every right to ask what the deadline will be if this stay is granted? This is perhaps the question that comes to mind. Are you able to answer it?

[English]

Mr. Jurgen Preugschas: I certainly can't answer for the minister—I'd love to—but the minister did publicly state at the Canadian Federation of Agriculture meeting that he would consider putting another stay on the repayment of the emergency advance payment program. He has since sent a letter out to every producer in Canada stating that at this time he cannot do it.

What I would read into this is that as we get closer to the date of September 30 he would consider it, depending on where the situation is. We will certainly be asking him, because we're quite clear that our producers are not going to have the money to repay it. We are going to be asking for a further stay of that money.

[Translation]

Mr. André Bellavance: For how long would you need a stay like that?

[English]

Mr. Jurgen Preugschas: Well, I don't know the rules really clearly on that, but I believe he can only put on an act of stay for 12 months at a time. You probably know that answer better than I do, but I believe it's for only 12 months at a time.

The Chair: Thank you, Mr. Bellavance.

Mr. Atamanenko, seven minutes.

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

Since I've been here, since 2006, we have met a number of times. I wouldn't be surprised if at the first meeting I was at, in 2006, all of you were here.

You know, it appears that everybody has good intentions, but some programs are working and some are not. For one, I'd just like to have a quick comment on this hog transition program.

According to the *Co-Operator*, "To continue to allow new bidders to join into the auction without increasing the funding, is to create a free-for-all that pits producer against producer." I would like some comments. Honestly, I don't understand exactly what that's saying.

In general, it seems that at least since I've been here we've been hearing the same story. I remember one pork producer—maybe it was even one of you—said, "Help us compete against foreign governments. We have to somehow do something."

Mr. Reid, you mentioned a national food strategy, that we need some kind of vision.

How do we get good-quality pork to Canadians and allow you folks to make a living? That's the key. And we haven't answered that yet.

In my province the fruit producers are facing the same situation. They're producing good quality. They're innovative. They're doing new things. And yet all it takes is apples from Washington state and they're out of business. There are rumblings there about orderly marketing. We come back to the question that I have often posed about supply management, a program that doesn't cost the taxpayer anything and keeps people basically having an income.

Is there some talk? Is this the answer? In the last four years nothing seems to have changed a lot. Obviously we have to do something. Is this the direction we have to be going in?

I'll throw that open to anybody who can answer.

• (1630)

Mr. Jurgen Preugschas: I can certainly address the supply management issue.

We understand that for the producers in the supply management system, it's very good because they are pretty much guaranteed a margin above their cost of production. But what it would mean for our industry is a reduction from 75,000 jobs to probably around 30,000 jobs. It would put a lot of the members who Jim represents here and their plants out of business.

You think the one small plant in Nova Scotia is a problem. You're going to see half the plants in Quebec go under, and half the plants in Ontario. You'll see the brand new plant in Brandon go out of business.

If that's our choice, that's fine. If you talk to those workers and say you're putting a plan in place that'll make them unemployed, that is a route to go. We believe we produce GDP for this country and work for our citizens of this country, and we want to export and feed other parts of the world. We think we can do that. I think there are some things we need to tweak, without a question, but I would say that from a Canadian Pork Council standpoint, this is what we would rather be doing.

Mr. Stephen Moffett (Director, Canadian Pork Council): Thanks, Alex. It's an excellent question. And you're right, I think I was probably here at that first meeting as well.

It's been a real challenge. There are a lot of things that went on, including commodity prices. Various commodities just went crazy. And a lot of those are inputs. It just made us extremely uncompetitive.

I'll suggest to you that certainly things are changing. The market hog price in the States has come up dramatically since last summer. I think we would all agree there are much better times ahead.

It's just that we've gone through such a long period of time. Our producers are pretty bruised. I have lost so much equity—

Mr. Jurgen Preugschas: I mean, look at him. Look at all the bruises.

Voices: Oh, oh!

Mr. Stephen Moffett: Yes, I'm the poster boy of a bruised industry.

We are bruised, and just the ability to access credit, to be able to do the things and run our business the way we used to be able to is challenged.

The Canadian dollar, as Jim mentioned, is over 98¢ again, and so even though the American price has come up so dramatically, that negates a lot of that increase in value and just continues to hurt us. I think there are areas where the government can get involved... certainly Jurgen mentioned some of the improvements in market access, and we know there are still a lot of opportunities. Korea certainly is one of the biggest ones as well as the European Union. If we can move ahead and get some pork moving into Korea, it will make a huge difference. We know that China is open to us now. We think that's going to make a huge difference, and there are some other things the government can do.

We've talked about the issues around AgriStability. It was mentioned earlier. There are the issues of the negative viability test and the coverage on negative margins. Our problem is that the producers, with the situation they're in now, can't afford another crisis. So if an individual comes up with, let's say, circovirus or some other disease, he just can't weather that anymore, and he doesn't have the protection from AgriStability. So I think we need to make some changes to the AgriStability program.

I think the advance payment program has been a really good program for us. In actual fact, we talked about an additional stay next September. Our preference really would be to declare an emergency again, because many producers did not access the program when they could have, and in hindsight maybe they should have. Many producers did not access the full amount or didn't access it at all, and under the regular APP cannot access as much in any case. So that would be our preference, because quite frankly, the biggest challenge is getting access to credit.

The Chair: You have about 20 seconds left, Alex.

Mr. Alex Atamanenko: Curtiss, do you have any thoughts or comments?

Mr. Curtiss Littlejohn: The only comment I have is about the APP, if whether you can do another emergency advance. The government uses the model of a 600-sow operation when it does its calculations for where the industry is. Raise the limit in the APP to reflect that 600-sow farrow-to-finish operation. Today the \$400,000 limit is around the 250- to 260-sow operation. Open it up again, and raise the limit, and it would be a definite asset to the majority of producers in the industry.

• (1635)

The Chair: Thank you, Curtiss.

We'll now move to Mr. Hoback for seven minutes.

Mr. Randy Hoback: Thank you, Chair.

Actually, Curtiss, I'm just going to pick up where you left off.

That's why I hate caps, and that's why I asked you to repeat it. It wasn't necessarily for the benefit of everybody around here. I've talked to my colleagues across the floor, and they understand that. The reality with caps, with AgriStability, for example, is that when you have good years, you want to establish a good margin; you can't take advantage of that margin when it starts to turn down. It doesn't give you the strength, the financial time, to keep going through that bottom. It actually leaves you shorted out.

I have a situation in my riding where a couple... They're big farmers. They're efficient farmers, very good farmers. But under AgriStability, the husband and wife get geared together. They grabbed his dad and put him in there. They grabbed his kids and put them in there.

Well, as a family, they farm 30,000 acres, but as individuals they farm maybe 4,000 or 5,000 each. But that doesn't matter. They're capped. And that's a big problem. That's a problem not just for the federal government. It's a problem that the provinces have to understand when we start negotiating these programs.

That's why I say these caps are bad. We should at least get them back to being reflective of the year 2010, not 1980. So that's the point I was trying to get you to make again, because it is a hurdle that I see in our AgriStability programs.

I have one question, and Stephen, you started to touch on it a little bit. You see a light at the end of the tunnel. You say some things are happening, prices are coming up and stuff like that. What structurally is changing to bring the prices up? Is it the reduced demand? What I'm trying to get at is structurally what has to change in order to get profitability back in this industry? Does the dollar have to go back to 65¢? Because we know that's probably not going to happen for a long time. What will country-of-origin labelling do if that's finally put to the side and actually corrected? What else has to change? I know market access is a big thing, getting more markets. We're working hard. At pretty well every break, the minister is in one country or another selling beef or pork. What else do you see has to change?

Mr. Stephen Moffett: Thanks.

I say I think there's a light at the end of the tunnel because some of the things are already changing. Certainly the market for pork is getting stronger. We went through the H1N1 fiasco last summer, and that's obviously behind us. We don't have the press that goes along with that. Some of the markets that were closed to us as a result of that have been reopened.

On the market demand in general, the recession—I almost said depression—we went through this last year is certainly coming to an end. Whether it has ended or not, it's certainly coming to an end, and we see people buying more meat products. Meat products are certainly sensitive to a recession. We see people buying a lot more pork. China was closed to us at one time, and that's opened up now. People are telling us that China will be the next Japan. There will be a huge increase in demand for us.

Certainly there is a significant decrease in production. American production is much less than ours. Our production is down something like 20% from 2005. That's a huge decrease. We know that Mexican production is down close to half of what it was. There's

a tremendous amount of product moving from the U.S. and Canada into Mexico. So the demand for our product is certainly increasing.

I see some improvements in our input costs. Fuel prices are down from where they were when oil was \$140. Fuel's still fairly expensive, but grains seem to be stabilizing, let's say. Proteins are getting a little less expensive.

We've had the question over the last two or three years that if things are so tough maybe we should just look into something else. People will obviously continue to eat pork, and most of us would like to be able to continue to produce that. I think there are better days ahead.

We just have to deal with some of these issues, as I mentioned with the CAIS, and try to protect the risk of carrying on in business and help make it easier for producers to access credit.

Mr. Randy Hoback: So you're looking for more bridging just to get us out of the valley, but you do see a light at the end of the tunnel. Is that fair to say?

Mr. Stephen Moffett: Yes.

Mr. Randy Hoback: Okay.

Jean-Guy, did you want to make a comment on that?

[*Translation*]

Mr. Jean-Guy Vincent: To answer your question, which was rather specific, we must recognize that we are competing with the Americans. The question is how far are we willing to go to compete with the Americans? After all, they are our main competitors. The Americans want to keep their market shares and even increase them. So we have to find out how far the Canadian government is willing to go so that we keep our market shares and continue to compete with the Americans.

We have good products. Canadian producers are known for the quality of their products, in fact. So we are asking ourselves how much the Canadian government is willing to invest so that Canadian hog producers can continue to operate and to compete with the Americans. We are able to do it because of the quality of our products. As I said earlier, ever since Jurgen has been with the Canadian Pork Council, he has promoted the quality of our products so that we have a major place in the markets.

So my answer is a question. If the Canadian government answers that question, it will provide the necessary funds for Canadian producers to carry on and to compete with the Americans.

● (1640)

[*English*]

Mr. Randy Hoback: Well, there are two parts to that question. If you look at what our government has done to compete... Again, as for Minister Ritz, I don't think he saw his home all last year because he was out opening up markets for the beef and hog sectors.

I look at you and I say, "What are you going to do as a producer to compete?" It's tough to say this now because you don't have the sources or the funds to do that. It's always easy to say that we can go and do a marketing plan and everything else, but we never seem to do that when we're on top of the market. We always wait until we're at the bottom of the market and then we react. That's unfortunate, but that's the reality of the things that happen when you go to the marketing of different hogs.

If you look at what our government is doing... We're trying to do everything we can and we're working with you guys to keep you there, but there are some hard realities that come with any industry, whether it's grain, hogs, or beef. There are times when people have to make tough choices, and it's horrible. I'm a grain farmer and I understand that. In 2005, I was faced with those choices myself. I still farm—scaled back but still operating—but those are the tough choices that you have to make.

All I can say is that I look for programs that are going to bring you up and bridge you when the time comes down, but if there's a structural change going on in your industry such that it doesn't see a light at the end of the tunnel, then are we helping you by keeping you in there for another 10 or 15 years?

But as you've pointed out, Stephen, there are some changes coming forward. I feel optimistic that way. Now we have to convince the banker that there's some optimism so that your barn goes up from \$250,000 in value to a million dollars again. Because what's he going to do, sitting there with a barn, if the industry collapses? He's not going to get even \$250,000 for it. He may get \$50,000 for it. That's why he's sitting there and holding back. We threw government guarantees at those loans and they still wouldn't touch them, so that tells me how serious it is for this industry.

Also, the FCC is usually the bank of last choice for farmers, and if they're going cautious on this industry, that sends up a big warning flag to me as a producer, because I know that the FCC will usually bend over backwards to try to get a loan through for a farmer. That tells me there are some structural things that have happened in the industry and that need to be addressed.

We can do the market access, which Minister Ritz is doing, and we can give you funding to go out and develop those markets, which we're doing through our AgriStability programs and AgriFlexibility and all of that, but we also have to get from A to Z sometime soon here too.

The Chair: Thanks, Mr. Hoback. Your time has expired.

Mr. Easter, you have five minutes.

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

To be honest, I hardly know where to start, but first of all, thank you for coming here on short notice. Given the situation this industry's in and the fact that the loan program is coming near the end of its time, I think we felt that we needed to have you in to get some recommendations from you folks.

I will say that I'm extremely frustrated, and not just with the government. I have never been so disgusted at a meeting of ministers of agriculture—and I'll put this on the record—of all political parties

and all governments in Canada as I was at this last Toronto meeting. Whether it was NDP, Liberal, or Conservative, they were all there.

The only one who wasn't there was the Bloc, guys, or the Parti Québécois.

I mean, to come out of that meeting with the crisis this industry's in... Canadians would just think, "Oh, well, everything's fine, and everything's going along". So I'll just put it on the record: I'm damned disgusted at every federal and provincial minister related to agriculture in this country.

I've been listening to what you've been saying. I want to go through a list here to see if this is what you're saying.

First, you're saying to rededicate any money left in HILLRP to producers somehow, maybe in a strategic plan. Is that what I'm hearing?

Second, for AgriStability, allow it to work. Change the viability test and change the reference margins. There was \$900 million left in that program or \$900 million less spent in that program last year. It wouldn't be a trade violation if we in fact did that. We could actually get cash out to the industry.

You can tell me if I'm wrong on these things.

Third, re-establish the emergency advance payments program.

Curtiss, I think you're saying to up it to a higher level.

I just get the feeling from listening to you that you don't think Farm Credit is doing its job as a lender to the farm community. You can respond on that if you like.

I need a response on those points.

I have a couple of questions as well. I'm really concerned.

Curtiss, do you folks know how much of the money that went out in HILLRP actually went to pay back the advance payments program? I'll be honest: I don't know where Ritz was in this and I don't know where the officials in Agriculture Canada were, but I sincerely feel that Agriculture Canada had the wool pulled over its eyes by Finance and Treasury Board.

As you know, adding more debt isn't going to solve our problem, but the government got paid off and you're carrying more debt. I think that's wrong and I think Finance pulled the wool over Agriculture Canada's eyes. We have to find a way to reduce debt.

What are your thoughts on those points? Is that where you want to go?

I guess the bottom line here is that, yes, we're losing part of our industry. If I went into the figures in Atlantic Canada, you'd be shocked. We're down 66% in production and down 70% in breeding stock in P.E.I. Even barley's not going to have a market. It's an absolute disaster in Atlantic Canada. And what it's being replaced with is American product. That worries me too.

What are your thoughts, Jurgen?

• (1645)

Mr. Jurgen Preugschas: I'll give you just a quick answer.

On the APP repayment, there's about \$312 million out in APP loans, and the HILLRP program has paid back somewhere around \$30 million. So it's not a huge percentage of that at all.

On your questions concerning rededicating the money that is left over, absolutely; we feel that is a critical question, and something that we would ask you to consider here.

As we've stated before, AgriStability does need some fixing. That is a priority for us without question. If we could have a second round of the emergency advance payment program, certainly we feel that would be critical to helping those producers who didn't take full advantage of it, or who didn't take advantage of that program at all. So yes, those would be three key questions.

In addition, concerning structural change and what we can do long term, I think it's very critical that we take a look at that. We tend to be very critical of programs because they don't always work for everyone. I think we need to have a full and complete discussion on what we can do, where government can maybe help us, for a transitional period of time. Then we can get the money out of that fund, if you will, in the future so that we don't continue paying in year after year where government is unhappy, opposition is unhappy, producers are unhappy, and the general public is unhappy.

I do think we do need to get our heads around that. That is part of our thinking in our strategic transition plan, to look at that and at how we can make those structural changes.

The Chair: Thank you.

Mr. Storseth, for five minutes.

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

First of all, I want to thank everybody for coming today. Some of you we have seen many times. It is a very important issue. I know you had short notice, so I appreciate the discussion.

There have been so many numbers thrown out there today. There has been much talk about programs. You are here because we as a committee want to come to some kind of consensus after you leave on the recommendations that we will forward on to the minister. I am going to try to stay out of some of the stuff and get into more detail on a couple of things.

Jurgen, I will start with you. One of the things I keep hearing is that cashflow is a major problem. What is your recommendation on how we address that? Obviously there are concerns that the program that's in place isn't doing the job that needs to be done. What is your position on how we address cashflow?

• (1650)

Mr. Jurgen Preugschas: One of the answers would be a second issuance of any emergency advance payment program. We had hoped that the HILLRP would work. It hasn't worked. That would be a key aspect, and the one single thing. But secondly, and as important, is addressing AgriStability for those producers who for 2009 won't be eligible.

Mr. Brian Storseth: Yes.

In terms of market access, what is the most important market that you need us to open up, or that we need to open together?

Mr. Jurgen Preugschas: We need to pass the bilateral free trade agreements that are in there right now, such as with Colombia. Korea's hasn't been negotiated yet, but that is a critical one. Korea is critical and the EU is very critical. The last time I was here, I mentioned that a small country like Chile has more bilateral trade agreements than we do. We need that.

Mr. Brian Storseth: You mentioned Colombia. Why is it so important?

Mr. Jurgen Preugschas: Colombia is one of the ones that have already been negotiated. It's not a huge market. I don't remember the exact amount, but they buy some products for which we don't have good markets. That's why it's critical that it gets approved, not only for us but for the beef sector as well.

Mr. Brian Storseth: Mr. Littlejohn, do you have a comment on both cashflow and market access?

Mr. Curtiss Littlejohn: Cashflow is a significant issue in a lot of operations. Weaner pig prices picked up about three months ago. A lot of people in farrow-to-finish operations sold off little pigs to provide cashflow. Now they're getting into a cash crunch. So cashflow is huge.

In terms of the emergency advance payment program, a second round of that, especially if you take whatever that \$400,000 is, at 275 or 280 sows... Take it up to the 600-sow model that Agriculture Canada uses; that would be great.

As far as access into markets, the EU is a major market. It's a market that people have said could add \$5 to \$10 a hog to the price that we could receive on hogs, because they use a part of the pig—the ham—that is not widely used in North America. That is very critical.

The other thing I would comment on is getting our meat processors on an equal footing—paid inspection, give them accelerated depreciation so they can reinvest in tools, and equal application of the law, as Jim said, on things as simple as a can—things that have put our guys at a disadvantage for years.

Mr. Brian Storseth: Would anybody else like to answer those two questions?

Mr. Bob Reid: The only comment I would make is that I'd like to see perhaps some help from government in re-establishing our own market.

Wayne, you brought up the idea that there is product that's flowing fairly easily across the border from the United States. It would be nice to be able to convey the message to our own consumers here at home that we can more than supply your market, and we want to. So make the connection that if they demand and buy our product, a product of Canada...

I would like to see the cans that Jim passed around here have a great big label right across the front that this is a product of Canada, because there are far too many people who go to the local supermarket and don't know; they assume that it's a product of Canada, but they don't know. It's not clear enough.

Mr. Brian Storseth: I have just a quick question, because he's going to cut me off soon.

There are 207 applicants who have been approved on the program. Does anybody have any idea how many applicants there were, or there currently are?

Mr. Jurgen Preugschas: It's virtually impossible to tell. A lot of people would go to their bank or their financial institution to talk about it and they were discouraged from applying, saying, "Oh, you're not going to apply". We have no indication of exactly how many people have applied.

Mr. Brian Storseth: Okay.

Thank you very much.

The Chair: Thank you, Mr. Storseth.

Ms. Bonsant, five minutes, please.

• (1655)

[*Translation*]

Ms. France Bonsant (Compton—Stanstead, BQ): I always find it absurd that honourable members around this table who have farms say that things are going very well. They say that because they have a salary. But you do not have a second job to make up for the salary you are losing.

How is it that the government guarantees \$400 million to banks, which then lack the courage to give you loans? Something is wrong here.

Do you think that the government should be tougher on banks so that they lend you money from the \$400 million they received? I do not think you will be going to Disneyland with the \$400 million, will you?

[*English*]

Mr. Stephen Moffett: Yes, I'll comment on that. That's probably one of the biggest frustrations, and quite frankly, I've heard it from the government as well, just how willing banks are to lend money. It's a real challenge.

From our point of view, we get into this recession that we have, which has been very much brought on by some of the issues that banks got into, so credit just tightened right up. That's one issue.

As Jurgen said, there certainly was a lot of effort put into this. We certainly had some input into the HILLRP program. They're very disappointed at how much the financial institutions were willing to lend. In many cases they would say to producers, "Look, you don't have a good enough business plan. That's part of the criteria, therefore don't even bother applying."

How do you get banks to free up credit? That's definitely one of the messages we want to bring, that getting credit is hard and that's why we say that the APP program is good for us because it is accessible. It has worked really well. To get banks to lend is a real

challenge. I've talked to banks and even with a loan guarantee, they won't lend to you. So what do you do?

One of the comments I would make is that certainly Farm Credit also were pretty hesitant at the start. Quite frankly, Farm Credit were opening up toward the end of the program and were more approachable. I work with a lot of people at Farm Credit, and I think they're very good people and I think they're doing a great job at what they're doing. But you'll realize that they certainly have the direction that they need to operate similar to a bank, and they need to make money and not lose money. If we want them to make loans that wouldn't be otherwise made by a charter bank, for example, the government would need to give them that direction and to develop other programs that would make credit more accessible to hog farmers and other parts of the agricultural industry.

Mr. Curtiss Littlejohn: I'll raise one issue.

Back in the eighties, with Farm Credit, there were points when farmers were in the same situation they're in today. The values of their properties were down. They were out of cash. They couldn't operate. It was no real fault of their own; it was due to the circumstances that came together. Since that time Farm Credit has taken on the role where they're not a lender of last resort anymore; they're now more of a commercial lender and thereby living by those rules. One of the rules of commercial lending is, "We'll do an accommodation, but please take your piss-ass business somewhere else."

Why are we willing to sell Alex's property to Jean-Guy at 50¢ on the dollar and take the loss, yet we're unwilling to negotiate down and have Jean-Guy keep that property at 65¢ on the dollar so there's a win-win? It's not a crippling debt for Jean-Guy, but Alex is also not losing half of what he has invested. That type of mentality requires direction from government through Farm Credit to enact that type of policy. It doesn't matter who the government of the day is, they need to do that.

One of the comments that will quickly come back from people in government is that although Farm Credit is a crown corporation, it is stand-alone and has to operate like a bank. Oh, poppycock; if the minister can phone up Farm Credit and get into salary and bonuses for employers, he can sure as heck phone them up and say that with the help of the government they're going to assist this industry to transition.

[*Translation*]

Ms. France Bonsant: That will cut to the chase.

[*English*]

The Chair: You have about 30 seconds left if you want it.

[*Translation*]

Ms. France Bonsant: Fine.

I do not want to upset you, Mr. Reid, but the new government regulation requires the content of a product to be 98% Canadian before it can be labelled "product of Canada". What do you think?

[*English*]

Mr. Bob Reid: I do not believe that is unattainable. It's something we should strive for and give our consumers an informed choice.

• (1700)

[Translation]

Ms. France Bonsant: We asked for it to be 85%. Do you think that is enough to warrant the “product of Canada” label?

[English]

Mr. Bob Reid: I don't see a problem with that. But perhaps the best person to answer that question is Jim.

Is that attainable?

Mr. James M. Laws: I'm not sure I'm exactly the best person to answer that question.

[Translation]

I am not the best person to answer that question, but I can still say that some are able to meet the 98% standard. However, others would like more flexibility because some ingredients are not available here. Anyway, we also asked for more flexibility so that we can change our labels more quickly.

[English]

The Chair: Thank you, Mr. Laws.

Mrs. Bonsant, I'm surprised that you want to allow 15% foreign content in that versus 2%.

[Translation]

Ms. France Bonsant: Mr. Chair, sugar cane does not grow in Canada.

[English]

The Chair: Mr. Richards, you have five minutes.

Mr. Blake Richards (Wild Rose, CPC): Thank you.

First of all, I want to thank you all for being here today. I believe five of the six of you up there are actual hog producers, and we certainly appreciate you guys coming here today and sharing your personal stories, and also, of course, speaking on behalf of the organizations you're representing. Particularly, Mr. Littlejohn and Mr. Reid, you have shared very clearly your personal stories and some of the challenges and struggles you've personally faced.

I can understand and sympathize with those because I come from a hog farming background myself. My two brothers and I, so three boys all told, were all working the farm at one time, but, for better opportunities elsewhere, left the farm, much as you've indicated has been the case in your personal situation, Mr. Littlejohn, with your two sons. My dad, fortunately enough for his sake, was able to get out of the industry. Things weren't good at the time, but it was before things got really bad in the last few years. So I do sympathize and understand the situations you're facing and what you're dealing with right now. I do appreciate you coming here to share that with us.

I certainly have heard, I think pretty much unanimously from all of you, how you support some of the things our government is doing to try to help. There were some very kind words from all of you about some of the programs, but also particularly on market access and our attempts there to work towards providing that market access to deal with the future, to help improve markets and opportunities for farmers, really across the board and certainly with hog farmers included among those.

I heard some comments about the market access secretariat and the work it is doing. Of course, we have a minister who, it amazes me, invests so much personal time in working on opening up the markets. When he's not here, he's travelling all over the world to try to help open those markets, and we certainly appreciate the recognition of that. I heard China mentioned, and some of the work there, and some of the work in Korea. Hopefully, our friends across the table in a couple of the parties over there heard the urging to see the Colombia deal passed through Parliament. We heard some talk about the slaughter improvement funding, and we might want to hear a bit more from you about what that might mean, but we heard some positive words about that.

I know there's reluctant support for the transition program itself among producers, but I think we all recognize the need for it. I think we've done a fairly good job to combat and fight COOL in the United States. So there are a lot of positive things we're doing as a government.

We talked about the loan programs. Despite the fact that we worked with producers and we worked with the Canadian Pork Council on this, and I know it was felt by all that the program was well designed and should work, clearly, unfortunately, it hasn't worked. I believe it was Mr. Reid who commented, speaking about the program, that bankers don't like it, and producers don't like it. I would say the reason producers don't like it is that bankers don't like it. They're very related. We've gone over that a little bit today. I've heard some questions on that, and I've heard some of the answers you've given regarding what might be done to try to make that happen to a better degree.

I've heard you talk about the need to look at the money that won't be given out under that program, unfortunately, and that's not for a lack of trying by any means. I know I've had conversations, particularly with you, Jurgen, about the changes we've made and the fact that some of the changes we brought forward have helped to some degree, but we'll still see some money left in that program without a doubt.

I did hear you talk a bit today about some of the things that can be done to maybe see more money come out of that program. I'm looking for some ideas and some thoughts on what we can do to help, because, going forward, we do want to try to deal with making sure the program works, although this one didn't work out the way it sure appeared it would. It's been briefly touched on that there might be ways we could see the money left over be reinvested or spent to help producers.

Do any of you have any ideas of how that money might be utilized to help the industry?

• (1705)

Mr. Jurgen Preugschas: Thank you, Brian.

I believe what we need to do is take a look at what we've put together as the strategic plan. Once we find out how much money there is and where we can best use it, I think that becomes the key issue. So I think it's too early to get too specific right now—number one, because we don't know what the dollar value is and generally we want to look at the whole picture. We do need to work together on that and I think take some direction from the Pork Value Chain Roundtable on it, which does include packers, processors, feed companies, veterinarians, provincial and federal governments, as well as certainly the primary producers. Actually at the last meeting we had a retailer there as well.

So we do need to take a look at that and then make a really good decision on where to spend it, not just come up with ideas here right now.

The Chair: Thank you, Mr. Preugschas and Mr. Richards.

Mr. Easter, five minutes.

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

Almost, but not quite, I'm going to resist the challenge of questioning the commercial that Mr. Richards gave the minister. My own personal view—and I've said it in the House—is that I think this minister has one of the worse records of failure this country has ever seen when it comes to this file. And that's proven in this last budget.

Mr. Pierre Lemieux (Glengarry—Prescott—Russell, CPC): That's mean-spirited, Wayne.

Hon. Wayne Easter: The reality is that this is the first budget in at least thirty years, when we've got the industry going through a crisis in hogs, a crisis in beef, and some of the potato industry is in serious trouble... Our debt is four and a half times that of the United States. Debt increased \$9 billion since this government came to power at the farm level. And yet not one new dime—not one new dime—is in this budget for agriculture. That's the first time we've seen that, guys, in thirty years.

So never mind your commercial for the minister.

I have a couple of questions. According to previous testimony, Jurgen, I think you suggested that about 25% of the pork consumed in Canada was U.S. pork. Is that number remaining constant? Is it increasing? Is it decreasing since last fall? Where are we at in terms of perhaps the most up-to-date numbers?

I do know that in my area, when you go into Superstore, it's hard to buy Canadian pork sometimes. I went in the back room and it's stamped USDA.

Mr. Jurgen Preugschas: Thank you, Wayne.

You know, what's really disturbing... I don't have updated numbers of where it's at, except that the trend line is upwards—and that's disturbing—of imports.

The other part is that the U.S., in their discussions with their U.S. trade organization, has targeted Canada as a lucrative market to move even more product into. So that concerns us for sure.

Hon. Wayne Easter: Maybe we can talk a little further to that at a later time.

Curtiss, you indicated in your remarks that on the loan loss reserve program, you had hoped that there would be 75% uptake. I think that's what you said.

• (1710)

Mr. Curtiss Littlejohn: Correct.

Hon. Wayne Easter: And only 3% of producers are benefiting from the program. Why is that?

Mr. Curtiss Littlejohn: A lot of the uptake in the program is, as I think Stephen commented earlier, the attitude that the banks have taken.

I'll give you an example of the chartered bank that I deal with. When we approached them and said we wanted to submit an application, they said, fine, you're perfectly entitled to do that, but there are a couple of things you have to do. First of all, you have to have your accountant prepare the business plan.

Well, accountants are great at figuring out how to keep tax dollars from the government, but they really don't do a lot of good work when it comes to business planning. And that was going to be a \$3,000 bill in my case.

Second, they said, you have to prove that you're viable for the next two years.

I asked what that meant. They said I had to prove that I was going to make money.

Well, back in November, that was a pretty hard thing to prove.

Third, he said, by the way; if you get this loan, we immediately will place you in special risk, because you're a high-risk loan.

Hon. Wayne Easter: Does that mean you pay a higher interest rate?

Mr. Curtiss Littlejohn: You will pay higher interest rates and you will be subject to a lot different day-to-day interpretation. If you happen to put a cheque in and your paycheque doesn't hit the bank, there is no leniency. It's done. It's not picking up the phone to the bank manager and saying the electronic deposit didn't make it in last night, but it will be there this morning.

Well, we're sorry; that cheque is getting bounced back, because you are outside your covenants. There's a lot more expense involved. And that is what we've heard across the board.

I went to one chartered bank and I talked to the agrologist, the guy who helped prepare the application. I asked what we would have to do to get an application in. He said that if I could get my existing creditors to take 40¢ on the dollar, he'd help me build a business plan. We'd apply under HILLRP, he said, and I might have a 30% chance at getting it. He said this bank is just not lending to the hog industry. And I think you can ask any one of these gentlemen here and they will tell you the same story.

Unfortunately, the banking industry right now does not view the hog industry as a viable place to put their money, and yet as short as five years ago, Farm Credit was lending 100% to 105% of the value of a new barn to get people into the hog business.

Hon. Wayne Easter: Where's Farm Credit at in this mix?

Mr. Curtiss Littlejohn: Farm Credit is doing what good banks do. They're doing their due diligence. I'm not sure if that's good or not.

We were told by Farm Credit that we have too much debt. I held up the letter from two and a half years ago that said that they were happy and pleased to give me the money to put me in that debt situation. I said, "Folks, you're telling me something here that I don't understand."

At the end of the day, you have to work with it. If there's one thing I would bring forward that you could do with Farm Credit—and I'll say it again—it would be to get them to release public information. Those lists of comparables that farmers need to help value their farms when they go to other lenders are public information. They're in the registry office. They don't have to release any private information or any work they've done. Just get them. I think all it would take would be a call from the minister to tell them to release that public information to those who ask for it.

The Chair: Thank you, Mr. Littlejohn.

Mr. Lemieux, you get the last five minutes.

Mr. Pierre Lemieux: Thanks very much, Chair.

As my colleagues have said, thank you so much for being with us today.

You know what? Your testimony in front of us has been excellent. It's been very cohesive, which I like. In other words, you all have the same message, and yet you represent individual producers right through to different organizations. I just want to say that it is very helpful, because it shows that you're working together as an industry to find solutions.

I just have to disagree with Mr. Easter on his strong rebuke. As you know, from living it on the ground, none of this is a science. There is something of an art to this programming, because people can't see the future. I think everybody has been trying to put in place a program, or actually a series of programs, that will work for the hog industry. Some of them have worked very well.

We spoke about APP and it being very beneficial. I hear you about the limits, and I hear you about probably needing another extension.

One of my colleagues mentioned opening foreign markets. Tremendous work has been done there. The installation of the secretariat is more good work.

Then we have these programs we're talking about. Some of them have worked better than others.

For example, with the banking, I mean, I'll just say that I'm very frustrated with the way banks have handled this, as well. You know, Mr. Littlejohn, if I were a banker, I wouldn't want to have you in front of me. You seem to be very well prepared, and you have all your information at hand.

We have tried to take measures to encourage the banks to proceed with these loans. We were backstopping 80%, and then we went to 90%, certainly on the APP portion, to reduce the risk to the banks. I think everyone recognizes that we can't tell the banks when they should loan money and when they shouldn't. But we can certainly

put in place what I'll call tools to lower the risk for banks to help them in their decision-making.

Certainly it would be useful if the take-up rate were higher than 3%. I don't think anyone argues with that, and that's where fine-tuning is required in these programs. It's easy, sometimes, for the opposition to throw a dart and say that things should have been perfect right at the outset. But I think we all had high hopes at the outset, because we all worked very hard together to put in place this program.

I wanted to follow up on a question. I think Mr. Hoback was asking Mr. Moffett if he sees a light at the end of the tunnel. The answer was yes. I wanted just to get a bit more information on that. How long do you see this tunnel being, for example? Do you have any sort of feedback on when you will see things actually moving in a positive direction and can say that, yes, recovery now is much closer than it was before? What sorts of specific indicators would you be looking for?

I open the question to anyone who else who would like to add to that answer. I'm interested in knowing the industry's perception of when recovery would be starting to take hold.

• (1715)

Mr. Stephen Moffett: Well, I probably would suggest that the Canadian Pork Council doesn't have an official position on when the price will turn around.

Mr. Pierre Lemieux: Yes, I understand, absolutely.

Mr. Stephen Moffett: But I will tell you what I think. Certainly since last August and last fall, as Curtiss mentioned, prices were really low. The U.S. wholesale price of pork was 45¢ to 50¢, and now it's 75¢. So that's a dramatic increase just since last August, let's say, at the height of the H1N1 crisis.

If you look at futures, which is probably one of the best ways of predicting what the price will be in the future—it's certainly by no means accurate, but it's what we use—we see better prices this summer. We would see that the producers would likely be making a small profit this summer, based on what the futures are telling us at this point.

Beyond that, futures are looking at lower prices again next winter and then good prices again the following summer, and that's fairly typical. We've gone through a tough three-year situation, and you would expect that the next two years would be good.

So I would suggest that 2010 could be an okay year and that 2011 hopefully will be a good year for hog producers. Our biggest challenge to that, of course, is the Canadian dollar. The question was asked a little while ago. You hear more and more people suggesting a par dollar or the dollar even going above par. In the long, long run it doesn't really matter where it is because the economy adjusts. Our challenge is that as long as it's increasing, it makes us uncompetitive. It makes Jim's industry uncompetitive and it makes our industry uncompetitive. Some of our inputs automatically adjust, like grain prices, but our labour costs and most of our normal costs don't automatically adjust. They do over a long period of time, but as long as the dollar keeps increasing, it really makes it tough for us.

So we're at 98¢ now. If we could stay at 90¢ to 95¢, and just stay there, I could see us being in pretty good shape over the next two or three years. If the dollar continues to increase, it's going to make it hard.

But I didn't answer your question exactly, because I don't know.

Mr. Pierre Lemieux: No, that's okay. I actually just wanted your impressions, not a definitive answer, because there aren't many definitive statements that people can make at this point in time. So I appreciate that.

Thank you.

The Chair: Thanks, Mr. Lemieux.

I think it's certainly good to hear—we know the issues in there—and good to see a little bit of light at the end of that tunnel, as you said, Mr. Moffett. I know that all of us around this table certainly hope the prices do improve over the next couple of years. So that's good.

Again, we just have a little bit of committee business to finish up here, but I'd like to thank all of you for travelling here. I think we heard, as Mr. Lemieux said, a pretty consistent message. Again, thank you very much. I think it was very good. Thanks again.

We'll talk to you in a minute, but I just have to talk with the members here.

In just a couple of minutes we will have the subcommittee report. The subcommittee met this morning, and we just have one small change to the report. I did have a chance to speak to the members who were at that this morning. I believe the clerk is passing out the report. The minister and the department staff were having problems with the dates that we had suggested in there. They are all available to come this Wednesday.

So if we could take this report, we can juggle the dates in there to basically get all the business done. It's just a matter of changing some of the dates. If you allow the clerk and I to do that, none of the business that was approved by the subcommittee this morning will be deleted from that. We'll just have to manage our time a little better.

Okay?

So I would entertain a motion to pass that subcommittee report as amended, if possible.

It is moved by André.

Any discussion?

All in favour?

(Motion agreed to)

The Chair: Yes, Wayne.

● (1720)

Hon. Wayne Easter: So is the minister here on estimates on Wednesday?

The Chair: Yes, and the department staff and CFIA, I presume.

Hon. Wayne Easter: Is he going to be here for two hours?

The Chair: The request went out.

Hon. Wayne Easter: For two.

The Chair: Yes. That was something that was asked for.

Thank you.

The meeting is adjourned.

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