



House of Commons  
CANADA

# Standing Committee on Agriculture and Agri- Food

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AGRI • NUMBER 039 • 3rd SESSION • 40th PARLIAMENT

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EVIDENCE

**Thursday, November 25, 2010**

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**Chair**

**Mr. Larry Miller**



## Standing Committee on Agriculture and Agri-Food

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• (0850)

[English]

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

I'd like to welcome Ms. Moritz, Ms. Aylard, Mr. Foster, and Mr. Meredith.

Thanks very much for coming in today.

Before we start, I want to remind the committee that we need five minutes at the end of the meeting to deal with a couple of housekeeping motions.

**I also want to read for you a section in chapter 20:**

The obligation of a witness to answer all questions put by the committee must be balanced against the role that public servants play in providing confidential advice to their Ministers. The role of the public servant has traditionally been viewed in relation to the implementation and administration of government policy, rather than the determination of what that policy should be. Consequently, public servants have been excused from commenting on the policy decisions made by the government.

I'm also going to remind members that while you spar with each other from time to time, that's acceptable, but if comments are brought in that were made by somebody not here or not participating in this meeting, I will be ruling you out of order and it will cease.

With that, I'm going to turn it over—

Mr. Easter?

**Hon. Wayne Easter (Malpeque, Lib.):** On a point of order, Mr. Chair, on that point, I would ask the clerk to check out that statement under the parliamentary rules. We don't need to do it now and take time—

**The Chair:** Check what statement?

**Hon. Wayne Easter:** Your statement that you cannot use quotes as they're not here. It happens—

**The Chair:** I didn't say quotes, Mr. Easter.

**Hon. Wayne Easter:** What did you say, then?

**The Chair:** I said that if you start making derogatory comments about any individual.... There were both the other day. There were quotes and then there was other stuff. That's all. I will rule on that accordingly. Quotes are acceptable—

**Hon. Wayne Easter:** Okay. That's fine.

**The Chair:** —as long as you can back them up.

**Hon. Wayne Easter:** I have one other question. We expected to have the department at the meeting on November 6. I don't believe

you were here that day, Mr. Chair. I believe Mr. Eyking was in the chair. We were told that the department people were in Toronto and therefore unavailable. That's fine, but as a committee we made the request that we wanted the clerk to find out who was in Toronto and at what meetings. That was to be reported back to us, so I want to make sure that that's to be done.

Okay. Thanks.

**The Chair:** Do you want that now?

**Hon. Wayne Easter:** No—as long as we get it.

**The Chair:** Okay. Thank you.

Who wishes to go first?

Mr. Meredith?

**Mr. Greg Meredith (Assistant Deputy Minister, Strategic Policy Branch, Department of Agriculture and Agri-Food):** Yes, Mr. Chair. I'll go first.

I think we've distributed our opening remarks, so I won't read them out to you, but I do want to cover some key points.

As you know, the agricultural jurisdiction is shared federally and provincially. In 2003, we established the first sort of national policy framework that brought the federal government together with provincial and territorial governments to align our programming and policies to make sure that we're better serving the agricultural sector.

The agricultural policy framework initially focused on branding Canada as a leader in safe food and environmentally sustainable practices for food and agriculture. The subsequent policy framework, Growing Forward, which began in 2008 and will run out in 2013, extended that ambition, but added a great deal of flexibility for provinces to design programs that are locally relevant and effective. It also invested considerably more money in innovation, recognizing that the international landscape has changed.

We're just at the point now where we're starting our next policy framework. We began with consultations in May and June of this year. After some intense and creative brainstorming, we're naming it "Growing Forward 2"—for now. We've spent a great deal of time talking to leaders in the sector and others about what the world will look like in 2020, about what the opportunities and challenges will be looking out over the next 10 years, and in using that as a basis to design the next policy framework. I just want to talk a little about what we've been hearing.

On the demand side, the world looks like agriculture's oyster, because there is growing demand, both in terms of large population increases—mostly in countries like India, China, Brazil, Russia, and other areas—and in terms of income increases in those countries. For Canada, this means that there's an opportunity literally to feed millions of more people, given their higher disposable income. We know that consumption patterns change when incomes go up: there's a lot more dairy consumed and there's a lot more animal protein consumed. So there are opportunities for us in those areas, both on the growth side and on the income side.

There's also a considerably greater demand today for foods with specific attributes, namely mostly in the health areas, and we've seen major growth in crops like canola to feed a world that is hungry for healthy foods. There's a huge opportunity for foods with specific attributes.

On the supply side, of course, Canada is really well placed with its considerable arable land and water, which isn't the case in many other countries. China, for example, has surface water that in many cases is not even suitable for agricultural irrigation anymore. So Canada is well placed, both in terms of natural resources and technology and innovation.

Our farmers are amongst the most productive in the world and we think we'll be very well placed. Those in the sector are telling us that they're going to be very well placed to take advantage of changing consumption patterns and population growth that will be demanding more food.

The challenge for us, though, is that as populations grow there are competitors on the horizon. In Ukraine, Kazakhstan, and Russia, if they get their act together and improve their yields, they can become significant competitors in grains and oilseeds. Brazil is already an emerging giant in agriculture. So we do have our challenges ahead of us, and our farmers, I think, are up to the challenge.

We do have to become more innovative. We do have to become more productive. Innovation, we think, is going to be key as we go into Growing Forward 2, and innovation in a number of senses. One of those is in the traditional sense of research and development, in providing our farmers new technologies and new crops, with better agronomic characteristics to improve yields, but also with characteristics that will improve the attractiveness of our crops for specific consumer demands, like health attributes.

We also see innovation applying in terms of business models. Globally, what we're seeing is a supply chain that's becoming more sophisticated, with global suppliers demanding greater performance on the environmental side and the food safety side. As those business models change, Canadian farmers will have to adapt to those more sophisticated supply chains, and we think we are ready to do that. So innovation is going to be quite key.

● (0855)

Among the other things we are hearing from the sector is that infrastructure is an important driver, both for innovation and for our attacking domestic and global markets. We look at infrastructure from a traditional point of view; in other words, you do have to move your product to market. You do need to have ports at railways and highways, but you also need to have the infrastructure in place for

regulatory policy and the legal framework, and you need the human infrastructure in place, that is, people who are smart and entrepreneurial and ready to move. The sector is telling us that we need to focus on that part in GF2.

We're looking at attacking domestic and global markets. The committee won't be surprised to hear from me that we do see greater interest amongst consumers about where their food is grown and greater interest amongst consumers about getting access to local food and understanding their connection with local agriculture. There's a domestic market opportunity there for our farmers, as well as a global market.

In this day and age, with changing standards, demands from consumers, and demands from supply chain managers for sustainable agriculture, clearly the environmental performance of the sector is going to remain very important. We need a sector that is adaptable, able to respond to new market signals, and able to deliver what consumers and supply chain managers are asking for.

So where we're at right now is that we've done our first phase of consultations and we're going to move into the second phase.

[*Translation*]

The first phase of industry engagement was held in May and June 2010 with a series of national and regional workshops held across the country. Over 400 farm leaders and other key value chain stakeholders engaged with FPT governments on the long-term challenges and opportunities facing the sector. These engagement sessions were very productive and provided valuable insight into stakeholder views.

Phase 2 is scheduled in March 2011 and will be geared towards defining policy options and securing an endorsement on the proposed GF2 framework model. Phase 2 engagement will try to include the general public as well as various associations, opinion experts and issue experts.

Phase 3 will take place after an agreement in principle is announced by FPT ministers in summer 2011 and is tentatively scheduled for winter 2011.

For the last strategic framework component, we worked very closely with the departments and we intend to the same thing this time. We want to secure a very serious commitment from the sector toward the next strategic phase.

● (0900)

[*English*]

We have made a good start. We do need to undertake some significant engagement to refine the future directions for Growing Forward 2 and we intend to undertake that in the next year or so.

**The Chair:** Thank you.

Now we have Ms. Moritz, assistant deputy minister, farm financial programs branch.

**Ms. Rita Moritz (Assistant Deputy Minister, Farm Financial Programs Branch, Department of Agriculture and Agri-Food):** Thank you, Mr. Chair.

I would like to go through the remarks very quickly. We did distribute them to members. I think they will set a context and give some examples to start the conversation that we're going to have today. Thank you.

As Greg just said, the programs we deliver were developed after significant consultations for Growing Forward. Some also had parameter changes made after that, and there were subsequent consultations with stakeholders in each of those instances as well.

There are currently over 30 different programs aimed at helping the sector grow as a competitive, innovative, and environmentally sustainable sector that proactively manages risk. These programs are delivered by AAFC, sometimes by officials in the department itself, sometimes in partnership with other federal departments, and sometimes by third parties who work on our behalf or with us, but often in partnership with provinces and territories, as Greg mentioned earlier.

These programs are designed based on industry input and are implemented and administered according to legislation, government policy at the federal and provincial levels, and with a view to international trade considerations and obligations. We try to work closely with industry and governments to monitor the delivery and also the ongoing performance of these programs. The depth and breadth of the programming is best illustrated with some key examples.

I'd like to start with the business risk management programming. We have a long history of farm support that has taken many forms over the years. APF Growing Forward business risk management program changes were driven by producer consultations and represented requests that industry had been making for some time.

As you know, the BRM suite is now comprised of AgriInsurance, AgriInvest, AgriStability, and AgriRecovery. The AgriInvest program and the AgriRecovery framework are new approaches to help producers manage risk. Fundamental changes were made to margin-based programming under the AgriStability program. These include: better methods of valuing inventories; improved interim payment mechanisms; the broader criteria for negative margin coverage to allow support for those facing back-to-back losses; targeted advances to get money out quickly when disasters occur; and as well, some administrative streamlining.

Since 2007, the suite of BRM programming has provided significant federal and provincial assistance, with over \$6.4 billion going to Canadian producers. A substantial amount of this funding has been in support of the livestock sector. For 2007-08, BRM programs provided over \$1.24 billion to cattle and hog producers, and for 2009-10 more than \$1.1 billion is projected to flow to livestock producers through these programs.

Individually, the programs are also providing significant coverage, and we have some examples there. Under AgriInvest, for example, \$1.1 billion has been contributed into those accounts. As of this month, \$670 million remains in those accounts and is available to producers to assist in managing risks. Under AgriStability, \$1.9 billion in payments has gone out since the introduction of the suite. For AgriInsurance, for the 2007 to 2010 program years, \$2.9 billion in government premiums have been paid and \$3.4 billion in

indemnities. For AgriRecovery, we've had \$773 million committed to provide assistance through 21 initiatives in eight provinces, including \$450 million quickly made available to western producers in response to the flood.

Under the loan guarantee programs, we have the advance payments program, a federal loan guarantee program that offers cash advances to producers so they can maximize their marketing opportunities. In 2006 the Agricultural Marketing Programs Act was amended, and program improvements were introduced to the advance payments program.

The cash advance limit was increased to \$400,000 from \$250,000, and the interest-free portion was increased at that time to \$100,000 from \$50,000. In addition, more commodities were made eligible, such as livestock and horticulture. This program benefits more than 37,000 producers each year.

In 2009 the Canadian Agricultural Loans Act was passed. It expanded eligibility to beginning farmers and to more agricultural co-operatives and allowed for intergenerational farm transfers. Since the act was passed in June 2009, 3,418 loans have been issued for \$184.2 million. Of these, 288 loans have been registered to beginning farmers, for a total of \$25.6 million.

● (0905)

Transition programs are another type of program that we offer. We have two examples here. Transition programs such as the hog farm transition program and the orchards and vineyards transition program are helping to reposition sectors for the longer term.

The HFTP was one response to the Canadian Pork Council's objective to rightsize the industry, as set out in its strategic transition plan. The orchards and vineyards transition program is aimed at helping the tree fruit and grape industries in B.C., Ontario, Quebec, New Brunswick, and Nova Scotia adapt to market and industry pressures.

Under the research and innovation banner, the Growing Forward science and innovation initiatives have opened the door to greater opportunities for industry to engage in research activities that will foster competitiveness. The initiatives for developing innovative agri-products in the Canadian agri-science cluster are good examples, with over 100 proposals from the sector.

Another example is the agri-opportunities program. This is a five-year program that supports the commercialization of innovative products. It has approved 27 projects so far. They are expected to result in over \$100 million in benefits to primary agriculture and to create 360 jobs over the next five years.

[Translation]

Additional programs have also been developed to respond to specific needs. Through one such program, the Initiative for the Control of Diseases in the Hog Industry, the government supports the Canadian Swine Health Board in its efforts to establish the foundation for a disease risk management framework for the Canadian hog sector.

The Board brings together stakeholders from across the hog value chain and across the country to address important issues that farmers are facing when dealing with disease risks and their impacts on the profitability and the competitiveness of the Canadian hog farms.

AAFC is also investing in the future of the sector by developing Canada's agriculture graduates for a career in the industry. As part of the Government of Canada's Youth Employment Strategy, or YES, the Career Focus Program provides employers with up to \$20,000 in matching funds to create internship opportunities for recent graduates from agriculture-related post-secondary programs.

The program offers an economical way for employers to attract talent and provides new graduates with a valuable first job that hopefully will help pave the way to a career in the ever-changing agriculture and agri-food industry. Through an annual budget of \$864,000, the program funds about 60 agricultural internships across the country.

The 2010 Budget allocated an additional \$30 million for the 12 departments delivering CFP under the YES. AAFC's share of this special one-year additional funding is \$726,000, bringing the total 2010-2011 AAFC allocation to \$1.6 million. As a result of this additional funding, AAFC will fund 106 agricultural internships this year.

Over the last few years, AAFC has also embarked on a service and program excellence agenda. Based on past earnings and feedback from clients, from program administrators, industry associations and other governments, a number of initiatives have been undertaken to meet sector needs, to improve efficiency in program delivery and to measure program impacts against desired outcomes.

Despite the wide range of programs and the level of assistance available to the sector, we understand that there are some concerns with some programming in some parts of the sector. This feedback will be an integral part of the considerations for future program development to ensure that we continue to meet the sector's evolving needs, as Mr. Meredith stated earlier.

• (0910)

[English]

**The Chair:** Thank you very much. Now I'll start with questioning.

Mr. Easter, you have seven minutes.

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

Welcome, folks.

Mr. Meredith, in your remarks you talked about being basically bottom line, more innovative, and more productive. You said that our producers are among the most efficient in the world. I don't disagree with that. They are productive.

But that has been the answer spelled out by governments since 1970, when I started in this racket: just be more productive and things will be all right. Well, that hasn't solved the profitability problem on the farm, for a number of reasons.

In fact, if you do some research, every economic indicator is positive, whether it's production per acre, exports, output per farmer, cost per unit, or whatever, except for one indicator, and that's net farm income. It just isn't there, in many cases.

Ms. Moritz, you threw a lot of numbers out there, but the key is what it means on the farm for the primary producers and their families. Regardless of the money spent on hogs and beef, the numbers sound decent, but they're not.

Canada is not standing up to the rest of the world in terms of our support for our agriculture sector versus the rest of the world. Those are the facts. I'm not blaming the minister. I'm not blaming the department. But I think we have a town here that's run by the Department of Finance, and they don't understand agriculture.

Yesterday, Peter Clark put out a release on American subsidies, and this is what it says. Peter Clark's company found that "U.S. federal, state and local governments continue to subsidize their agriculture industries with a labyrinth of programs that are conservatively estimated at over US \$180 billion in 2009". That means they're somewhere between 200% and 300% higher than they are for Canadian farms.

Yesterday, in *The Globe and Mail*, we saw that investment companies are buying the land out from under farmers in Canada and in other countries around the world. Farmers are becoming serfs, really, on their own Canadian land.

I make those points because this government and previous governments, in my view, in the past 20 years have never done enough at the primary production level, regardless of the numbers you've mentioned.

I want to go to some of the programs that are in place. The most worrisome at the moment are the repayment conditions for the emergency advances. The repayments had to start June 1, 2011 for cattle and had to be paid back over ten months. For hogs, it starts March 31, 2012. I'm told by industry in my province that 80% of the industry will go into default if those conditions remain in place. Somewhere around 50% of the industry is in Ontario.

Now, are there other options being considered? What can be done here to assist these farmers? The program was announced. They said that when economic conditions improve, repayments will be returned. This will drive more producers out of business, especially in eastern Canada. They don't have the program that was put in place in Alberta. What are the other options to keep farmers in business instead of this fixed timeframe payment?

**Ms. Rita Moritz:** Mr. Chair, perhaps I could start with just a few points to again put this program into context. The advance payments program actually functions under a piece of legislation called the Agricultural Marketing Programs Act. It's a federal loan guarantee program and, as I mentioned in my opening remarks, it gives producers cash advances to maximize marketing opportunities, the notion being that they are—

• (0915)

**Hon. Wayne Easter:** Madam Moritz, we realize all of that. We're all on this committee. We understand that legislation and how it works. We have to find some solutions here for these producers. If you're telling me that nothing can be done because of the legislation, then tell me that. I want to find an option here that works so that these moneys can be paid back over 10 to 15 years or some such option. Are those options available?

**Ms. Rita Moritz:** I will let Ms. Aylard tell us about what in effect will happen under this legislation. The point I want to underline is that we consulted the industry sectors, trying to do the best we could for the livestock sector in these situations, and then used every flexibility we had under that legislation to do what we could in those circumstances.

So we did use the flexibilities that are there under the legislation. Perhaps we can talk in more detail about what the situation might look like with the repayments and then what would happen if somebody did go into default.

**Hon. Wayne Easter:** Include in that answer, then, whether this stay of default can be continued into the future.

**Ms. Jody Aylard (Director General, Finance and Renewal Programs Directorate, Farm Financial Programs Branch, Department of Agriculture and Agri-Food):** The decision for the stay of default to be extended is a decision the minister would have to take, so I can't speak to that.

**Hon. Wayne Easter:** But is it legal to do it? I'm told it isn't and I'm told it is.

**Ms. Jody Aylard:** Well, it does run counter to the objective of the program. As Rita Moritz described, the minister has a mandate to operate marketing programs under that act, so it's not a program for long-term loans—

**Hon. Wayne Easter:** Yes, but let me interrupt again, because I'm going to run out of time.

The problem here is that the objective of the program and the advance payment program is to get money out there so that people don't have to put their product on the market right now and drive down prices. This program was brought in place because of an extreme economic downturn in the market—the results of BSE, the results of circovirus, and a number of other things—and it was supposed to be designed to assist farmers.

Is the program misplaced, then, that it's not putting the money in place to assist farmers? In my province, 80%—do you hear me?—80% of the industry is going to be in default next June. We're going to lose another industry. We need to find other answers.

**Ms. Jody Aylard:** I can speak to the flexibilities that are—

**The Chair:** Your time is up, but I'll allow her to answer.

**Ms. Jody Aylard:** Pardon me?

**The Chair:** I was just telling him that his time is up, but I'll allow you to answer the question.

**Ms. Jody Aylard:** If it adds some clarification, I can speak to the flexibilities that have been put in place for producers when they go into default, to reduce the costs of that situation. At this point, should producers go into default, they have been given a five-year repayment timeline; the normal timeline is three.

The costs of actually going into default have been reduced to the extent possible. They would have to repay the interest they owe on that advance, but for the interest-free portion they would only pay a quarter of one per cent, and 1.5% plus prime going forward, so we have tried to reduce the costs as much as possible. For a producer who has a \$160,000 advance, for example, that's a reduction in interest costs of about \$35,000 over the normal prime-plus-three default penalty that goes forward.

We have rules within the program and we have tried to maximize the flexibilities we have to reduce the impact that would have for those producers should they go into default.

**The Chair:** Thank you, Ms. Aylard.

Now we'll go to Mr. Bellavance for seven minutes.

[Translation]

**Mr. André Bellavance (Richmond—Arthabaska, BQ):** Thank you, Mr. Chair.

I want to thank the witnesses for being here.

Mr. Meredith, on the subject of program review, you mentioned some phase one consultations that the department engaged in in May and June of 2010. More consultations are planned. As you surely know, the members of the Standing Committee on Agriculture and Agri-food also consult with the agricultural sector, which in turn consults its own members. These consultations lead to a number of recommendations and possible solutions, as we saw when the committee travelled to different locations recently to consider the future of young farmers. During its tour, the committee heard many comments about certain program shortcomings. As I have always said, some programs work well, some are more or less successful, while others do not work at all. I think that is quite normal. It is wise to conduct a program review after a period of a few years, to see what types of improvements can be made.

I just want to make a few specific recommendations about the AgriStability program. I have singled out four recommendations that emerged from the consultations with producers. I am sure you are aware of the producers' demands, but I would like to hear your opinion of each of the changes they are seeking to the AgriStability program.

One of the recommendations that was made is that for the purposes of reference margin calculation in a given year, producers should be allowed to use either the Olympic Average or the average program margin of the last three years. The highest amount would be the one retained. This change would ensure that certain producers who currently do not qualify for the AgriStability program because of the Olympic Average would now receive some payments.

Another recommendation calls for the elimination of the viability test applied to negative margins.

A third recommendation calls for increasing negative margin coverage from 60% to 70%. I believe this particular recommendation was mentioned this week when producers testified before the committee.

Lastly, it was recommended that producers have the option of either taking advantage of the 15% coverage above the reference margin or of participating in the AgriInvest program.

These are just a few of the recommendations we received. These changes to the AgriStability programs have been fully endorsed by the agriculture sector. I would like to hear your comments on each recommendation.

● (0920)

**Ms. Rita Moritz:** First of all, we have already heard these comments from the agriculture sector. I will ask Danny Foster to respond to your comments.

[English]

**Mr. Danny Foster (Director General, Business Risk Management Program Development, Farm Financial Programs Branch, Department of Agriculture and Agri-Food):** As mentioned, there are three changes. Or was it four?

**A voice:** Four.

**Mr. Danny Foster:** Four changes, and actually, a number of changes have been proposed by the industry, but you hit the main ones: the negative margins, the cap, and the choice of a methodology for calculating the reference margin. Those options have been brought to federal-provincial ministers several times for discussion and analysis. The ministers have agreed that they want to wait to make changes to programs in the context of the next BRM suite of programs.

So we're looking at these options in the context of what the next suite of safety net programs, if I can use that terminology, should look like. We've done our work. We've taken it to the federal-provincial ministers, they have considered the changes that have been brought forward by industry, and they have made the decision that this has to go into the mix of what the next round of programs should look like.

[Translation]

**Mr. André Bellavance:** Although you are looking into all of this, you are also in the process, as you no doubt realize, of developing the next strategic agricultural framework. I'm sure that you have examined each of these measures.

Is there anything you think should be done? From your perspective, or in the opinion of the minister, are there certain points on which you will stand firm?

**Ms. Rita Moritz:** We also have some other suggestions. We are getting them together and weighing the impact and the costs to departments. Producers will continue to receive compensation while we work on the next strategic framework.

We are looking at policies and at the same time, trying to provide as much information as possible about what this means in terms of

programs. We do not wait until these policy discussions have taken place.

**Mr. André Bellavance:** So then, you are saying that you are weighing your options at this time and that no one option has been discounted. As far as these recommendations go, you have no major objections to, for instance, increasing negative margin coverage from 60% to 70%. Right now, you are not in a position to say that for some reason or another, you cannot do that.

**Ms. Rita Moritz:** We have a responsibility to provide the minister and the government with the most reliable information on the various options that are being presented to us by the sectors.

● (0925)

[English]

**Mr. Danny Foster:** Some of those changes would be easier to make if ministers made that decision. Others do have challenges—like giving producers the choice of the top 15% or a margin-based program. You can well imagine producers trying to make that decision and finding out at the end of the year, “Geez, I made the wrong choice”, and that they should have gone with the margin-based program rather than the 15%.

There's a lot of complexity when you start giving options on an annual basis to producers to choose which one they want. Even if we said it was a one-time choice, I have a lot of experience of realizing that the one-time choice doesn't last long. When producers find out that they're disadvantaged by the choice they've made, there would be pressure to make choices.

There are many issues around the one-time choice, as an example, though some of them are feasible to implement. But again, ministers have made the decision to assess these in the context of the next framework of BRM programs.

**The Chair:** Mr. Bellavance, your time has expired.

Mr. Atamanenko, you have seven minutes.

**Mr. Alex Atamanenko (British Columbia Southern Interior, NDP):** Thank you.

Thank you for being here. I'm going to start with a general question. Then I have some specific ones.

Wayne mentioned that U.S. subsidies are somewhere around \$180 billion this last year. We've always known that the Americans tend to pump more money into their farming sector on a per capita basis than we do. I just completed my own tour across the country, based on food sovereignty and food security. A couple of major themes that came out were that there's a tremendous number of local initiatives—some of you referred to that today—and the other thing was the whole idea that in some instances, perhaps, trade has impacted negatively on farmers. We've seen that with the way the dumping that's allowed in Canada has hurt our fruit industry.

This committee a number of years ago made a recommendation, supported by all members of all parties, that we should be encouraging local procurement for federal government institutions. The response we got from the department was that we have to be careful, because of certain trade obligations, about countervail duties. At the same time, I know there are states in the United States that do this. Illinois, for example, has said that by the year 2020, 20% of the procurement for local state institutions will come from local farmers.

I'm wondering in general whether somebody is studying or looking at how the Americans are able to inject this amount of money and still stay within trade agreements. I get the feeling that we're afraid to do some of this because of the trade agreements. Maybe that's just a general question. Are we starting to look at this to see how we can support local producers, do programs such as local procurement for federal institutions, and at the same time somehow keep our trade agreements?

That's the first question.

**Mr. Greg Meredith:** Thank you. That's a complex question, but in effect you're right, Mr. Atamanenko. Our trade obligations prevent the federal government from biasing procurement toward a given commodity or Canadian products only.

I think there's a lot of risk in that. You saw the problems we faced with the United States and their Buy American strategies in the post-recession period, when our government had to work very, very hard to try to exclude Canadian firms from that because of the loss of business. It's a difficult trade path to go down if you start to bias toward local procurement.

I think there are strategies for marrying up consumers to local farmers, and those kinds of initiatives are actually taking place right across the country. We do work in the department to try to help our producers get involved in the value chain so that they can connect with consumers. We have a number of value chain round tables that bring together the producers in the sector with the processors and others to make sure we're responding to consumer demands.

You mentioned dumping and other issues. We actually do have access and have successfully used access to anti-dumping in the tree fruit industry in British Columbia, for example, so trade rules do work for Canada. I'm sure you know that in the WTO one of our major objectives is to limit and reduce as much as possible trade-distorting domestic support of the very kind you're pointing to in the United States.

In terms of the amount of support the U.S. delivers to its sector, it varies on a commodity-by-commodity basis, but overall, the producer measure of support is actually higher in Canada than it is on average in the U.S. I would be pleased to provide that information in detail to the committee. It does seem counterintuitive when you see the numbers that are thrown around. I haven't read Mr. Clark's study, but I know Peter very well, so I will be talking to him about it to see what kind of methodology is behind that. But in OECD estimates, Canada is actually a bit higher than the United States.

• (0930)

**Mr. Alex Atamanenko:** To follow up on that, you mentioned that we have problems with the countervail and it's not a good path to go

down, but the bottom line is that they're doing it down there. Somehow, at least one state—if not more—has determined that they're going to be supporting local farmers for local procurement. It doesn't seem quite right that you have two countries that signed an agreement and one country is able to do it and support their farmers to that extent and we're saying that we can't do it.

In regard to dumping, the feedback I'm getting from the fruit industry is that we do have this mechanism that exists, but by the time the wheels start rolling it could be months down the line, and it will be too late. Whether there's a win or a loss, our farmers will have lost that money, so the way it currently stands is not working.

To follow along with this, the feedback I'm getting from the tree fruit industry is that AgriStability isn't working. The question they are asking is whether the government is prepared to consider a program based on the cost of production. The fruit industry is different from the grain program. You probably know that to get pears going it takes seven to ten years, while for apple trees it takes four years. This industry is one of the industries that is being harmed by the dumping practices, yet it's more difficult for the farmers and the horticulture industry to access the programs we have.

I noticed, Mr. Foster, that this is under review by the provinces and the federal government, but is there some specific consideration to keeping this industry afloat to make sure they don't continue to plow their orchards under in order to convert them either to grapes or to subdivisions?

**Mr. Greg Meredith:** Well, on the specific question of whether the Government of Canada is interested in supporting a cost-of-production series of programs, the answer is no. We do get pressure. We have had it from Quebec, and from Ontario recently in its risk management program, and we do have calls from various other commodity groups to partake or participate in cost-of-production programs.

The real risk there is countervail. If you have region-specific or commodity-specific subsidies like that, you are risking countervail. We've seen this many times in the hog industry—hog, pork—and we've seen countervail actions taken against provincial programs. The risk is very high there, particularly when you have commodity-specific and region together, that you're going to trigger a countervail. That's a very, very difficult process for producers who are export oriented. As you know, it can take years to resolve. During that period of resolution, the countervail is in place and hurting the industry. It triggers all kinds of other pressures for more program payments, which are almost going to stimulate more countervail risk.

So the short answer is, unfortunately, no, we're not looking at those kinds of programs right now.

**Mr. Alex Atamanenko:** Thank you.

**The Chair:** Thank you, Mr. Atamanenko.

Mr. Lemieux, you have seven minutes.

**Mr. Pierre Lemieux (Glengarry—Prescott—Russell, CPC):** Thanks, Chair.

Thanks for the presentation today.

There are a lot of numbers flying around, but I would like to just highlight a couple of numbers. We have Growing Forward, the current suite of business risk management programs. One of the criticisms is that these programs are not paying out, that money is not being delivered to the farm gate, and that farmers aren't receiving any kind of help from the government.

However, I was pointing out at the last meeting that, as far as I could recollect—I didn't have exact numbers—billions of dollars are flowing out to farmers to help them through difficult times. So if we're just going to focus on the business risk management programs, could I have you underline or highlight, perhaps, how much funding has moved through the BRM programming in Growing Forward, the current suite of programs, since 2007?

• (0935)

**Ms. Rita Moritz:** Thank you.

Perhaps I can just start by very quickly highlighting what we call the BRM one-pagers.

**Mr. Pierre Lemieux:** Okay.

**Ms. Rita Moritz:** These are documents that I understand we send to members and we also deposit in the Library of Parliament on a regular basis; every time, we deposit in up-to-date detail what total government contributions are as well as federal contributions by province. We will use this to maybe give you some statistics, and then we're always willing to answer questions on what is in these one-pagers as we go through.

**Mr. Pierre Lemieux:** Okay.

**Mr. Danny Foster:** I'll give you the high-level breakdown of that \$6.4 billion.

**Mr. Pierre Lemieux:** Well, okay. I'm sorry, just the high level was how much...?

**Mr. Danny Foster:** It was \$6.4 billion.

**Mr. Pierre Lemieux:** Okay. So \$6.4 billion has flowed through to the agriculture sector through BRM programming alone since 2007.

**Mr. Danny Foster:** Yes. That's the federal-provincial cost-shared programming.

As an example, the AgriInvest contributions to date are over \$566 million. In addition, the federal government topped that up with \$563 million as a kick-start to the AgriInvest program, which is a new program that was brought in as of 2007.

AgriStability has paid out \$1.9 billion since 2007. On AgriInsurance.... And this is only the government contribution to the premiums. This is not the indemnities that have been paid out, which are much higher. The reason we report on that basis is that indemnities reflect, in part, the producer contribution to the program. AgriInsurance contributions to the premiums are almost \$3 billion since 2007. AgriRecovery has actually paid out \$457 million. I think you'll recall that Ms. Moritz mentioned the commitment of \$773 million in terms of what's been announced. Of that amount, we've actually paid out \$457 million to date.

So that's the \$6.4 billion. I would also point out that this in essence, reflects two years, two program years. On 2009, aside from the AgriInsurance, we're still very much into the processing of

AgriStability for 2009, and AgriInvest, so those numbers will continue to climb for the 2009 program year.

**Mr. Pierre Lemieux:** I think it's important to know that over \$6 billion is flowing out into the agriculture sector through the BRM programming alone.

Second, pork and beef are in a particularly difficult situation. What do we expect will be paid out through BRM programming in 2009-10? Do we have a feel for how much the sector might receive through BRM programming?

**Mr. Danny Foster:** With respect to the hog and cow sectors, the livestock sector, we're always a little sensitive about the numbers for trade reasons, but in our forecast for the livestock sector for 2009-10, we're looking at over \$1.1 billion.

**Mr. Pierre Lemieux:** Those are big numbers.

I want to ask a second question about CAIS versus AgriStability. There have been times when people thought they were the same program, with different names. There were changes made to AgriStability, to improve it over CAIS. Could you highlight some of the key changes that would actually benefit farmers, something the farmer would see as a benefit? Could you put it in context for me?

**Mr. Danny Foster:** Sure. I'll speak to the changes to AgriStability and to the whole suite. We went from production insurance and the CAIS program to a four-program suite, which included AgriStability.

The main differences between AgriStability and CAIS are in inventory valuation. That was an important change long demanded by the agriculture sector, especially the livestock industry. It reflects declines in prices of inventories in the year that they happened. That was a significant change. We've also expanded the eligibility rules for negative margin coverage. We realize that the industry is asking for further changes, but we significantly expanded the eligibility rules for negative margin coverage so that more producers could become eligible.

We put in the targeted advance mechanisms so that sectors like the hog sector, which has been in dire straits for the last three years—with some sign of recovery this year, until last month—could access AgriStability funds earlier. For example, the targeted advances for 2009 totalled some \$140 million. That money was sent out to producers. In provinces that wanted to participate, they gave the producer a letter that said: "You're eligible for  $x$  amount. Sign below". If the producer signed, he got a cheque immediately. The targeted advance mechanism has been an important feature for the hog industry over the last few years.

Those are the main ones.

● (0940)

**Mr. Pierre Lemieux:** There was talk about the province having a role to play in BRM programming. Sometimes people say the federal minister should take leadership and implement these changes. Can you tell me about the relationship between provincial agriculture ministers and the federal agriculture minister and how it affects changes in programming? Can the agriculture minister just charge forward, say he is making changes, and tell the provinces, "By golly, these are the changes, take it or leave it"? Or is there some sort of consensus that must be raised? What might be some of the driving factors that the province uses to make its decisions on whether it will support pending changes right now or not?

I realize that I'm short on time, so just a short answer on that, perhaps, would be helpful.

**Mr. Greg Meredith:** Oh, rats!

**Voices:** Oh, oh!

**Mr. Greg Meredith:** The short answer is that the rationale for having the federal and provincial governments participate jointly in these kinds of programs was a very destructive, inter-regional competition that existed before the agricultural policy framework, in which certain commodity groups and certain sectors would be very heavily subsidized, and that would force another province to try the same thing.

It was very, very destructive to producer groups and very inequitable to producers across the country. So the decision was made and has been sustained by ministers that it would take a certain number of majority provinces to agree to a change and covering a certain amount of agricultural production.

So the short answer is no, the federal minister can't make these changes; they are genuinely federal-provincial-territorial collaborations, and there is no unilateral movement.

**The Chair:** Thank you.

Now I'll move to five-minute rounds.

Mr. Easter, I understand you're splitting your time with Mr. Valeriote.

**Hon. Wayne Easter:** Yes.

The fact is, though, on that last point, the federal government could provide some leadership, Mr. Chair.

I'd like just a little clarification on the targeted emergency advances so I get this correct. Due to economic conditions, a farmer defaults on the targeted advance, but Agriculture Canada will give the farmer a break on interest. Is that correct?

**Ms. Jody Aylard:** I apologize, but I didn't hear the second part of the question.

**Hon. Wayne Easter:** Okay. The farmer is going to get a break on interest.

**Ms. Jody Aylard:** Yes.

**Hon. Wayne Easter:** However, the farmer will be charged interest on the default amount, albeit at a lower rate. Is that correct?

**Ms. Jody Aylard:** That is correct.

**Hon. Wayne Easter:** Okay. So the farmer is in effect going to end up paying more money. Further to that, then, the interest will be applied on the previous interest-free portion?

**Ms. Jody Aylard:** On the previous interest-free portion?

**Hon. Wayne Easter:** Yes.

**Ms. Jody Aylard:** Going back to the date of the advance to the date of default, he will be charged a quarter of 1%.

**Hon. Wayne Easter:** Okay. So he or she is paying interest on what was the previous interest-free portion back to the day of the default.

**Ms. Jody Aylard:** A quarter of 1%.

**Hon. Wayne Easter:** But if you can't pay zero, if you can't pay the money, a quarter of 1% is just going to put you in more difficulty.

● (0945)

**Ms. Jody Aylard:** This is the requirement under the act we have, the legislative rules to follow—

**Hon. Wayne Easter:** Okay. That's fine. I just want to be clear on the facts.

So there is a rumour out there, though, that the interest would be charged back to the origination of the loan. What's the story there?

**Ms. Jody Aylard:** The advances are in two parts. There's an interest-free portion and an interest-bearing portion. In the case of a default, the producer would pay 0.25% on the interest-free portion back to the date of the advance to the date of the default.

**Hon. Wayne Easter:** Back to the day of the original advance—

**Ms. Jody Aylard:** Yes, and then—

**Hon. Wayne Easter:** Okay, that's pretty serious—

**Ms. Jody Aylard:** He or she owes the interest that was charged for the interest-bearing portion over that same time period, and then from the day of default to the day they pay the full balance, it's prime plus 1.5%.

**Hon. Wayne Easter:** Okay. Thank you.

The last point on that, for clarification, is this: the producer, if he is in dual commodities, would lose the rights to advance payments on other commodities that he is producing. Is that correct?

**Ms. Jody Aylard:** That is correct. Again, that is a legislative rule.

**Hon. Wayne Easter:** Thank you.

Frank.

**Mr. Francis Valeriote (Guelph, Lib.):** Greg, you spoke of innovation, of developing characteristics to improve yield and health attributes, and I appreciate that, especially, as you say, while we're in competition with Ukraine, Kazakhstan, Brazil, and Russia—and frankly, in the face of global warming.

Two days ago, we had a group of people here talking about the need for public research, not private research. I understand that only \$125 million of your entire yearly budget is put into research, based on numbers that I've read. I could be wrong. Can you tell us what—if any—plans you have to expand public research and increase investment, and what suite of programs you might be looking at? Because clearly it's very important.

**Mr. Greg Meredith:** First, on your introduction, the development of attributes to serve market needs is really becoming quite a competitive advantage. Just as an example, with canola we're looking at things like introducing more omega-3s, enhancing ultra-low saturated fat traits, and building into the crops some attributes that perform better at the retail level for frying and things like that, so you have a leg-up on your competition.

In terms of the research in plant varieties and other public research, we've increased our research branch budget fairly significantly since 2006. It's now \$266 million. It was considerably lower, at around \$190 million, four years ago.

In the course of Growing Forward, we've also developed a number of collaborations with industry and not-for-profit organizations. I'll just take you through some examples. We've partnered with the Western Grains Research Foundation to look at wheat varieties specifically. We've invested \$8.2 million in that, and another \$2.8 million in the same organization in an association of partners for barley breeding, along with \$4 million in the Field Crops Research Alliance to look at drought resistance and disease resistance in field crops.

We have added three new breeders to our research branch who will do strictly public wheat breeding and we are hiring another four. Just as a small plug for our research branch, the committee might not be aware that over 70% of the wheat varieties planted in Canada came from our research branch. It is highly effective in producing new varieties that work for farmers.

**The Chair:** I'll move to Mr. Hoback, for five minutes.

**Mr. Randy Hoback (Prince Albert, CPC):** Thank you, Mr. Chair.

I want to go back to what Mr. Easter said, because there are a couple of things that have made it kind of interesting for me. Under the AMPA program, all the advances are guaranteed by inventories. Is that correct?

**Ms. Jody Aylard:** Yes. Advances are made—

**Mr. Randy Hoback:** Either inventories or—

**Ms. Jody Aylard:** —against inventory, either planned production or actual production, but they are secured by BRM programs in the case of crops that are in production and not yet harvested.

**Mr. Randy Hoback:** So if a farmer is going into default, basically he's telling us that he no longer has the inventory, so he has either sold the product and not paid back the advance, or, in the case of a crop failure, let's say, he would need to have either a BRM program or crop insurance to offset that security. Is that correct?

• (0950)

**Ms. Jody Aylard:** Yes. Where they've used those as security, those offset the advance.

**Mr. Randy Hoback:** I guess I'm a little concerned. Mr. Easter made a comment that about 80% of the producers in Ontario are going to be defaulting on their advances...?

**A voice:** In P.E.I.

**Mr. Randy Hoback:** Can you table that, Mr. Easter? Because that's a very startling number, and I'd like to see that report, because if there are 80% in default, then I'd also like to see what else is in that report. Can you table that for me?

**Hon. Wayne Easter:** [*Inaudible—Editor*]...discussions with the industry, including the minister—

**Mr. Randy Hoback:** No, no.... So this is your own opinion?

**Hon. Wayne Easter:** No. It's the opinion of the industry and the minister in P.E.I.

**Mr. Randy Hoback:** I guess my concern, Mr. Easter, is that you're throwing a number out here of 80%, which is a huge number. It's very concerning to me when I hear that number, but in the same breath, is it real?

**Hon. Wayne Easter:** Come down to P.E.I. and talk to farmers and the minister down there. They'll tell you the same thing.

**Mr. Randy Hoback:** Okay. I'll tell you what—

**Hon. Wayne Easter:** We'll have—

**Mr. Randy Hoback:** No, no. It's my time.

If it's 80%.... Can you check into that and verify Mr. Easter's number that 80% of the industry is in possibility of default and report that back to committee?

**Ms. Jody Aylard:** Each individual case for a farmer is different, so forecast numbers are a challenge to put forward. The situation, though, just to clarify, with the emergency advances that most of the hog producers and a large portion of the cattle producers took in 2008-09, the security requirements were different from the normal program. So what you described is correct most of the time, but in response to the demand for a cash infusion, the emergency advances were put in place. The BRM security requirements were different and they could get an advance on—

**Mr. Randy Hoback:** But I'm still confused, then. How did they get out of security...? How did we end up advancing the money without any type of inventory security?

**Ms. Jody Aylard:** Because the conditions of the emergency advances were different from the regular program.

**Mr. Randy Hoback:** Okay. So the Government of Canada took mercy on the industry in this case and actually said it would throw up an olive branch and give these guys some assistance to kind of get them stepping through this. Is that correct?

**Ms. Jody Aylard:** That's correct.

**Mr. Randy Hoback:** So we did everything we could under the existing...including ignoring a possibility of not having security in place?

**Ms. Jody Aylard:** I wouldn't say it was ignored. It was just a different condition under the emergency advance situation.

**Mr. Randy Hoback:** Going back to the AMPA programs themselves, one of the things I'm hearing about in my riding as I talk to constituents—and some of it has been addressed—is the timeliness of payments. It sounds like moving the offices out to the regional areas—moving them out of Winnipeg to Saskatchewan, for example—seems to be improving that.

One other issue that always comes up, which I think reflects the 21st century, is removal of caps. The reality is that \$400,000 on a grain farm now is nothing; it's not even 2,000 acres of inputs. Has the removal of caps been under consideration?

I'm going to keep listing off a few things here, so perhaps you'll want to take a few notes, because I know I'm going to run out of time.

On bankability, again, I know that a couple of years ago there was talk about creating a form that would be similar to income tax so that it was bankable, and so that when it was done you knew roughly how close you were to what you would get or not get when you filled out your forms.

Another thing I'm concerned about on the crop insurance side of things is the ability to purchase enough insurance to cover the inputs. As we look into new crops, new varieties of crops, and crops for non-food purposes, the inputs are going to be substantially higher than we saw in the past. We need to figure out a way for the producer to purchase that type of insurance. If it's through government, that may be one option.

I understand that private industry is also looking at providing those types of insurance. If private industry comes in and provides that type of insurance, are we willing to subsidize that insurance, equivalent to what we do in crop insurance? Again, that's a question I throw out there.

Removable barriers: again, that should come up in any program. We have a big barrier in western Canada in the wheat sector. It shows up in everything we do. I don't even have to mention its name. Again, those types of things should be talked about.

The other thing that I think is really interesting, and that I think you need to be aware of, is that we're seeing corporations now that are getting tremendous margins, especially in southern Saskatchewan with their lentils and peas and stuff like that, and they're capitalizing that margin when they go to sell their business, the same as quota got capitalized.

We're seeing guys who have substantial margins. When somebody new comes and buys their business, buys their shares, they're carrying that margin forward and saying, "Because my margin is higher than David's, I should get  $x$  number of dollars more." That concerns me because I'm not farming it any longer, but somebody else who is now taking over and farming it, and it could lead to an inflation in land values, based more on margin than actual production of crops. I guess I'd throw that out there too.

Perhaps I'll leave it at that. There are a few other things I think we need to look at. Maybe I'll finish off with mixed farms.

We're seeing guys being driven out of mixed farms because of the way the program is structured, because of the cross-subsidization of grain in your whole farm approach. If there's a way that we can

structure it so that we don't do this...because I feel it actually creates more risk in the long term. If the farmer is willing to offset losses from grain for cattle and vice versa, he shouldn't be penalized for doing that. But the way the program is structured right now, he is actually being penalized.

I'm not sure I have the answer to that, but in the same breath, I think it's something we need to be discussing. What happens is that we're seeing people specialize. For example, in the hog sector, when that sector goes down, their only insurance and their only saving grace is the BRMs—it's government and that's it. In the old days, which weren't always the best, if the grain was no good, the cattle came up, or vice versa. Well, we're actually encouraging guys to do the opposite of that.

I'll leave it at that.

• (0955)

**The Chair:** Thank you.

Mr. Foster.

**Mr. Danny Foster:** Thank you.

There was a point you made about high margins being experienced. What was that point? I missed it. I'm sorry.

**Mr. Randy Hoback:** When they go to sell their farm, their corporation, they actually say their margin is higher so they want more value for their corporation.

**Mr. Danny Foster:** And what was the point before that? I'm sorry. Do you remember that?

**Mr. Randy Hoback:** No, I don't. I'm sorry, Dan.

**Mr. Danny Foster:** I'll try to whip through these in terms of responses.

In terms of delivery, as you mentioned, we have devolved the delivery of AgriStability to Saskatchewan now, in addition to B.C. The federal government is delivering the AgriStability program in four provinces: Manitoba and three of the maritime provinces. The handover of the delivery has gone very well and hopefully it helps.

What we're hearing, too, is that having people on the ground working through the program with producers, to deal with some of the issues you've raised about bankability, is probably part of the solution. When I talk to producers, they say that once you walk through the program and understand it, it isn't as complicated as you think. I think moving it to the provinces is the right direction for delivery. Then you can deal with the whole package, including your AgriInsurance as well as your AgriStability.

On the issue around caps, you mentioned two caps. There is a cap of \$400,000 on the federal advance payment program. That was raised I think just a few years ago, when we added livestock to the eligibility for APP. We haven't heard a lot about raising that cap.

We have heard a lot about raising the cap for the AgriStability program, which is currently sitting at \$3 million. Going back to Mr. Bellavance's point, that's one of the issues the industry has also asked us to look at for some of the larger livestock and horticulture operations. I'm glad to hear that now the grain operations are bumping up against that cap as well. Again, this is something that would have to be part of the package going forward, which ministers would have to consider in terms of any possible changes to programs.

You mentioned bankability. Bankability, diversified farms, and long-term margin declines are the three key issues we hear about from industry in terms of needed improvements and issues that we need to address.

The long-term margin decline is an issue, but the program is not intended to address long-term margin declines; it's intended to address short-term income volatility. This is something that again will have to be part of the deliberations of ministers when they look at the next Growing Forward framework.

I think I'll pass it over to Greg, who can talk to the insurance issue.

**Mr. Greg Meredith:** Yes. You raised a really interesting issue about insurance. For context, I'll situate it this way.

There are a number of crops being developed specifically for non-food uses. A good example in your area would be the crops with high lignin content that are being grown for the biochemical industry. In other words, you replace petrochemicals with these platform oils such as lignin and produce some very high-value chemicals and chemical compounds out of it, which are green and natural and produce a very high return to the farmer.

The challenge—and this is one of the things we mentioned in terms of getting the infrastructure right for the sector of the future—is whether the regulatory environment and issues such as insurance can catch up. In other words, if you plant a crop that's basically now a weed, it's worth very little, and crop insurance pays out very little. Once it becomes a bioengineered crop that's being sold into a specialized market, the value skyrockets and the return to the farmer skyrockets, but the inputs are more expensive and the coverage from the existing insurance is nowhere near what the value of the crop is.

The provincial insurance organizations are looking at how to keep up with this and how to differentiate products sufficiently to address those issues. It is quite a challenge at the current time.

• (1000)

**The Chair:** Mr. Bellavance, you have five minutes.

[*Translation*]

**Mr. André Bellavance:** Mr. Meredith, I would like to come back to the question of production costs. Earlier, you alluded to the possibility of WTO challenges. It called to mind the time when people were invoking Article XXVIII to challenge milk protein imports. The department and the minister had alluded to the possibility of the same threat hanging over us. Yet, after pressure was exerted, Article XXVIII was ultimately adopted.

The disaster people feared never transpired. If the provinces are responsible for the programs, we can be virtually guaranteed that there will be no WTO challenges. I'm not sure what you are afraid of,

particularly since the European Union and the United States provide billions in direct subsidies to their producers whereas in this country, producers must often pay out of their own pockets to participate in the Farm Income Stabilization Insurance Program. I just wanted to point that out quickly.

I would also like to touch on the Agri-Flex program that was briefly mentioned. Earlier, I said that we are holding consultations and that you are engaged in them as well. No doubt you heard people talk about the importance of having a truly flexible program that includes income support. This is not the case right now.

Has the department asked you to look into this matter to ensure that at some point in the future, the Agri-Flex program will fund income security programs, something that in its current form it clearly does not provide for?

**Mr. Greg Meredith:** Thank you for the question. It is important to understand the situation surrounding Article XXVIII which originates in part with the WTO. This mechanism is part of our rules. Canada follows the WTO rules.

[*English*]

I'll switch to English for countervail. The distinction is that we're using a facility of the WTO to protect our milk industry—section 28 safeguards—as part of our right to use, versus countervail, which is everybody else's right and ours to use in situations where sectors are unfairly subsidized.

In the case of countervail and provincial risk management programs, the risk is very high. We've had several countervails against the hog sector, against cattle, and against wheat, hogs most recently in 2004. ASRA was under a countervail threat from 1985-99 and only came out from under that burden because most of its products, most of the Quebec products that were being subsidized, were not being exported in large quantities.

So many in the industry implore the minister not to put their industry at risk. Remember that it's the individual producer who ends up paying for a countervail. For example, if we were to subsidize the risk management program in Ontario that covers grains and oilseeds, included in the countervail action would be all of the western producers and all the producers in Quebec who deal with grains and oilseeds, so they would in effect be paying for the subsidy in Ontario.

The rules for the WTO actually do work. Section 28 is a good example. The recent work in COOL has some fairly positive results so far. The trade dispute panel on COOL, our taking Korea to the WTO for a dispute settlement panel over beef, and the recent market access we gained with the EU with 20,000 tonnes of quota beef are all examples of where the WTO is working. Unfortunately, it also works in reverse with countervail. The risk is very high and the minister has indicated that he won't go in that direction.

•(1005)

[Translation]

**Mr. André Bellavance:** I understand what you are saying. However, I heard the same threats, the same concerns, where Article XXVIII was concerned. It was the same story. Article XXVIII mustn't be invoked, otherwise the world will stop turning. However, let me say again that other countries are not afraid of going that route. I'm not saying that we should follow suit, that we should follow their lead and out-and-out subsidize, but when I say other countries, I am referring more specifically to the European Union and to the United States. It is a simplistic argument. The minister and the department are saying that we shouldn't go this route, because we would leave ourselves open to legal action, but there is nothing to indicate that this would in fact happen.

Would you care to comment on the Agri-Flex program and on income support?

[English]

**Mr. Greg Meredith:** Well, the government has indicated it will use section 28, and if it's challenged, we'll fight the challenge. I—

[Translation]

**Mr. André Bellavance:** I was no longer talking about that, Mr. Meredith. I was talking about the Agri-Flex program.

[English]

**Mr. Greg Meredith:** The countervail?

[Translation]

**Mr. André Bellavance:** I was wondering if any consideration had been given to adding an income support component.

[English]

**Mr. Greg Meredith:** Okay. Yes. Well, it's the same situation we're in. The minister had indicated from the get-go that AgriFlex would not be used for subsidizing provincial risk management programs, for the reasons I've already laid out on countervail.

I think it's perilous to underestimate the risk there, because once countervail is instituted, it's a very difficult situation to extricate yourself from. It's a five-year review, so you're looking at a five-year penalty on your export markets. I think the risk is real.

**The Chair:** Thank you very much.

I understand that Mr. Anderson and Mr. Shipley are going to share the time?

**Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC):** No. He's going to take the full time.

**The Chair:** Mr. Anderson, you have five minutes.

**Mr. David Anderson (Cypress Hills—Grasslands, CPC):** Mr. Chair, I'm glad to be here. I don't know that I have five minutes of questioning, so if Mr. Shipley is ready, that's fine.

I want to talk a little bit about the agricultural insurance side of things. In my part of the world, there has been discussion for many years about the possibility of private companies being able to do some of the work in terms of the insurance, and perhaps even on a larger scale than just western Canada—western Canada, mid-west, and those kinds of things.

Has the government ever taken any initiatives to look into that, to consider whether private insurance, in cooperation with farmers and government, might be able to provide the insurance needs that producers have? I guess I'm thinking primarily about the crop sector, but it may work in some other areas as well.

**Mr. Danny Foster:** As you know, the insurance programs we have are under provincial jurisdiction and are actually quite successful. They've been around for 40 years.

We have funded research, if you will, in looking at private sector models that could fill the gaps that aren't currently covered by the crop insurance programs. An example of that is the current effort that's under way in Alberta on price insurance for livestock. Now, that program is in fact being delivered through the provincial government, but it is fully producer-funded in terms of premiums. The provincial government is carrying out the administration and doing some potential backstopping of the program, but it is fully producer-funded in terms of premiums.

As well, we've been doing some studies on production insurance through the Canadian Swine Health Board. The federal government provided some funding to the Canadian Swine Health Board to work with private industry to see if we could come up with a hog production insurance model. Again, that's in process.

Where there are gaps, we are looking at all of the options in terms of how we can fill those gaps. Certainly, if the private sector can do it, I think we would say we would support continuing that work.

•(1010)

**Mr. David Anderson:** So you see private insurance primarily as filling the gaps rather than being a primary provider of insurance?

The hail insurance system has worked well—

**Mr. Danny Foster:** Yes.

**Mr. David Anderson:**—in my part of the world anyway, and I'm wondering whether if you have considered that in terms of crop insurance. Is there a reason why the government should be involved perhaps in premium payments rather than in being the supplier of the insurance?

**Mr. Danny Foster:** I think that is something we're going to look at in terms of Growing Forward 2. In fact, at the last federal-provincial-territorial ministers meeting, ministers asked officials to look at insurance-based options for risk management going forward. There was no restriction on whether that would be public or private. I think if it can be done privately and it offers producers the protection they need, that would certainly be something governments would support.

**Mr. David Anderson:** Okay.

Mr. Shipley may have a question or two.

Or Brian?

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

I'll take the rest of my Saskatchewan colleague's time; he's kind of out of the ag loop these days.

**Voices:** Oh, oh!

**Mr. Brian Storseth:** One of the things that I've heard a lot out west is about responsiveness on the timing of the programs. To be honest with you, we had a drought and it took a while to get our payments. It took about a year from when we wanted them. But at the end of the day, I couldn't help but recognize that the responsiveness increased quite a bit in the last flooding we had in southern Alberta and in Saskatchewan this year, as well as with what's going in the Interlake area.

What has the department learned from how we've come so far and so fast in the last year in speeding up? In all fairness, past governments used to take a decade before these guys got this stuff. It's a positive note, and I think things are getting better, but can you give me some of the lessons you've learned through this?

**Mr. Danny Foster:** I think probably the number one lesson is that we need to communicate better in terms of what the AgriRecovery program is about and what it's intended to do. The two initiatives you mentioned were done under the AgriRecovery program, which is a disaster framework. AgriRecovery is there not to provide assistance for lost income due to disasters, but to help producers move forward: what do they need to do to resume business operations or take actions to mitigate the impacts of the disaster?

In the case you mentioned, the pasture recovery initiative, which was a \$117-million federal-provincial initiative in Alberta and Saskatchewan, was about helping producers face the challenges they were going to incur this past spring, with their pastures being in poor shape because of last year's drought. We were giving producers assistance to help them with the feed costs so they could keep their cattle off the pastures till they could recover. It was very forward-looking.

That's why the assistance came out in the spring, even though what caused the need for that assistance was what had happened the previous year. So the timeliness was there. Basically, they needed the money in the spring to deal with their extraordinary feed costs, because they shouldn't be putting those cattle on pastures and further damaging the pastures.

Similarly with the flood, the whole idea was to get the assistance out early so producers could take the necessary steps over the summer to rehabilitate the flooded cropland. This would allow them to be in a position to reseed next spring. It's very forward-looking.

But at the end of the day, one of the key things is that we have to do a better job of communicating what this program is intended to do.

**Mr. Brian Storseth:** I agree. Thanks.

**The Chair:** Thank you.

Mr. Eyking.

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

I thank the officials for coming here today. I'm sure it's the day of the year that you all look forward to, coming in front of this committee, and we welcome you.

I have a collection of questions here, mostly dealing with programs and coming out of some of the presentations we've had from farmers over the last few months. One thing was about the

reference margins. As many of you know, whether it's weather cycles or price cycles, if you get it for three or four years in a row, what happens is that the reference margin gets so low that there's no uptake. The Olympic average going to 10 years was brought up a couple of times: is there any appetite for that? Is there a trade problem with that?

• (1015)

**Mr. Danny Foster:** Just as a reminder, the reference margin under the current AgriStability program is based on five years. What we use is called an Olympic average. We look at the previous five years, drop the high and low, and average the remaining three years. That becomes the producer support level going forward.

I've heard the 10-year comment. In fact, the five years was something requested by industry. The industry said that if they had their druthers they would prefer a five-year reference margin, because if you go to 10 years it's not reflective of the current operation. You get too far from where the operation is today. Certainly, the grain producers of today would not want a 10-year average reference margin. They would much prefer an Olympic average margin.

Anyway, industry asked for five years. But we also have to meet our WTO commitments, and a five-year reference margin would not allow us to report AgriStability payments in a disaster tier as green, so we had the option of using the Olympic average or the previous three years. We did an extensive analysis and found that the Olympic average tracks closest with the five-year average, and that's how we ended up with the AgriStability program.

So the 10-year average is something that would depend on the sector. Some sectors would say, "Yes, that's better because I had stronger years 10 years ago or seven years ago". But others would be saying, "No, I'd rather be going with my last three or four years, because they're my best". When we consulted with industry, they felt that five years was best.

**Hon. Mark Eyking:** If certain industries wanted it, would it be doable?

**Mr. Danny Foster:** It wouldn't be doable because we wouldn't be able to report the AgriStability payments as green under the WTO rules.

**Hon. Mark Eyking:** We had hog producers here, and they were talking about the hog program, HILLRP. Could I have a couple of quick answers on this one? How many producers are receiving that support? And how are the funds allocated?

**Ms. Jody Aylard:** Under HILLRP, there were 263 loans issued for a total of \$408 million. That program is finished now, so that's the maximum amount that will be issued under the program. They're distributed across the country in terms of the number of loans.

**Hon. Mark Eyking:** My final question deals with programs across the country overall. When we were doing our report on the future of agriculture, many times we had complaints, especially in Ontario and maybe in Atlantic Canada, about the different programs across the various provinces and how some are so different from others.

I have a couple of questions on that. Are they that drastically different? Is what's happening that young farmers and immigrants might be coming to certain provinces because of the programs?

Also, you mentioned, I think, that some programs could be looked at as a trade problem if one province has too lucrative a program. We hear about it. I don't want to point fingers and name names, but it's a given. I don't like the way the trend is going. You're going to have the have provinces and the have-not provinces in agriculture because of the treasuries of those provinces. Can you comment on those questions?

**Mr. Greg Meredith:** It is a concern for us as well. As I mentioned earlier, one of the reasons we moved to a national joint federal-provincial-territorial framework was because of the very points you're making, Mr. Eyking.

At the time, risk management programs were very different. There was a lot of inequity across commodity groups and across individual producers and provinces. The effort to construct the policy framework was to pull together, in one common framework, the business risk management programs and to make them as equitable as possible across the country. There has been drift and a number of provinces have built their own programs to top up. However, the federal government has refused to participate in those because it just exacerbates the inequity.

I want to make one distinction, though. In the context of business risk management programming, we really do try to keep them national and equitable. In the construct of the current framework, Growing Forward, the provinces asked, and quite rightly, I believe, that the proactive programming designed for promoting food safety, environmental sustainability, or innovation.... They said they knew better what that particular commodity group in that region needed. They wanted flexibility to design programs that would advance those goals and that would keep the outcomes national in focus, but then for the "how", they wanted to implement them on a regional or provincial basis.

That seems to have worked very well, because it means that programs are more responsive to the needs of the local producer. But that applies to the proactive programming. We really do want a common national program in terms of business risk management.

• (1020)

**Hon. Mark Eyking:** Do I have any time left, Chair? I have one quick question.

**The Chair:** You're over your time. We'll move to Mr. Shipley—

**Hon. Mark Eyking:** Mr. Hoback got a lot more than I did, Chair.

**The Chair:** —for five minutes.

You were well over. You were seven minutes.

**Mr. Bev Shipley:** Thank you, Chair.

Thank you, witnesses.

I have to tell you that many of the producers in Ontario are very optimistic about agriculture. I think it's actually one of the industries that has some the biggest opportunities in Canada, recognizing that in some of the programs we have some issues.

First, I would like to know what the agriculture budget was before 2006.

Second, I have specific issues when I talk about programs. On AgriInvest, some producers have been calling because they are not getting, are just getting, or haven't got their 2008 AgriInvest apps. Mostly these are corporations, but not 100% of them, and they can't get their 2009 until this is complete. It seems that if the form is not 100% right, it gets put into a non-compliant file. Rather than somebody picking up the phone and having it fixed, it drags out.

We also work with Agricorp in Ontario. Can you help me understand whether they have all of the hardware capacity needed to deal with the situation?

Next, can you tell me a little about where we are on traceability for pork and beef?

Finally, there is the importance of education. I'm so glad to see the uptake in terms of the youth employment program. But when we were meeting with young producers and looking at the future of farming, there was a key point with these producers. Some of them are the ones who—and I often sit down and talk to producer groups—never even talk about programs because they are focusing on the significant issues we want to deal with: research, sustainability of our industry, and how we are going to partner with them, because they believe in partnerships. That may be more of a comment, but on education, do you see that portfolio growing?

I'm sorry. That was about four questions, but I'll leave it at that.

**Ms. Rita Moritz:** Perhaps I can start and then have my colleagues jump in on some of these.

On the agriculture budget for 2006, we'd like to come back to the committee with that number. We don't have the details today.

On AgriInvest, it's true that we have had some growing pains in the implementation of this new program and, in some cases, in the exchange of information on this from provinces to the federal government. As you know, 2008 was the first year in which producers made deposits. Before that, we had the Kickstart program and the initial government-only deposits. To date, I'm told, the vast majority of 2008 deposit notices have gone out, with 2% still outstanding.

• (1025)

**Mr. Bev Shipley:** That is two years late.

**Ms. Rita Moritz:** We totally understand and we're moving as quickly as we can to put those out. In fact, in terms of timeliness, with all of the devolution that has happened in Winnipeg, we have brought back a number of employees on casual status to make sure we address those issues of timing. For sure, we're—

**Mr. Bev Shipley:** Is the system in place, though, so that in 2009 and 2010 we're actually going to be current?

**Ms. Rita Moritz:** One of the things that we did deal with this year was the implementation of a new system to do exactly that very thing and to automate more of the process. That was also implemented this spring. I entirely understand the concerns of the community. We're very aware of it and are doing our very best to get those out. In fact, on the 2009 ones, I think we'll do much better in terms of getting them out, and we'll rectify the 2008 ones.

On the Agricorp capacity in particular, not only are we working with Agricorp, but we're starting discussions with all of the provinces that deliver to see if there is an easier way for us to share technology and define data together in the same way, so that data sharing and information sharing happen more quickly and consistently. Then we'll be able to report, know what the service levels are across the provinces, and where the federal government delivers. We're working closely with Agricorp in discussions on what it would take and what we can leverage of investments that we've already made around technology, so that we don't make those investments 10 times over and that we share them across the country.

**Mr. Greg Meredith:** So maybe—

**The Chair:** Did you have something further on that?

**Mr. Greg Meredith:** Yes. There were a couple of other questions on youth and traceability.

On traceability, the pieces of the system that have to come into play are animal identification premises—identification and movement. The federal, provincial, and territorial ministers agreed, with the exception of one minister, that we should move to a mandatory system. They set priorities for cattle, hogs, poultry, and sheep.

We're actually very advanced in some areas towards a mandatory system; Quebec and Alberta have been very ahead of the game and have implemented mandatory traceability. We already have mandatory identification of sheep, cattle, and bison.

We do have to work on movement. In part, what needs to occur is that a regulatory and legislative framework needs to be put in place. Ministers asked for that and CFIA is working towards it, with the goal of having mandatory systems in place by 2011.

I think the two main institutions or governance mechanisms that are working towards full traceability systems include the traceability task team, made up of federal, provincial and territorial officials, and another body that works very closely with industry and is called the industry-government advisory committee, IGAC.

We think we're well on track with pork and will be able to implement full and mandatory traceability within the other sectors over the course of 2011, and hopefully before the end of 2011, as ministers requested.

**The Chair:** We'll now move to Mr. Storseth for the last round.

**Mr. Greg Meredith:** I'm sorry. I neglected to answer the youth question.

**The Chair:** I'm sorry. I thought you were done, Mr. Meredith.

**Mr. Greg Meredith:** Well, it was just a long pause, because I'm not as youthful as I used to be.

**Some hon. members:** Oh, oh!

**The Chair:** No problem. It's my mistake.

**Mr. Greg Meredith:** Minister Blackburn has put a very significant emphasis on youth and beginning farmers. Just last week, he held his National Future Farmers Network meeting to bring together youth leaders and beginning farm leaders from across the country. There's a number of issues, and this committee, having done all the work on beginning and young farmers, knows them very well, so I won't go over them.

But on the issue of education, I think it's unfortunate that the Canadian public doesn't recognize just how complex farming is. I think there's a perception that it's a fairly straightforward business. But a farmer has to be an entrepreneur, an accountant, a financial wizard, and a scientist and has to be able to work night and day. To be able to do all of those things, education is a really important facet of achieving success, and the youth and beginning farmers have put quite an emphasis on this.

In Growing Forward, there are number of programs that are actually designed to improve agronomic skills and training, as well as business management skills and training. In our consultations leading up to Growing Forward 2, we are getting a significant amount of feedback about the need for these kinds of investments in skills, education, and training.

● (1030)

**The Chair:** Thank you.

Mr. Storseth.

**Mr. Brian Storseth:** Thank you very much for coming in today. It was very educational.

One of the things I would ask is that since a lot of numbers have been given out today, could you guys summarize some of these numbers and give them to us? Being on the committee, oftentimes we learn about the vast amount of money that's going out and the streams it's going out in. It's important that the committee members have a summary of this, so if you guys could commit to doing that, I'd appreciate it.

The second thing I would like to say is that there are a lot of numbers being used on all sides, and it's very important when we start talking about this that we're accurate and we're not just trying to scare farmers off. Today we heard Mr. Easter talking about 80%, and certainly we would like to get some numbers verifying that. These are huge numbers.

Technology is amazing. I have the blues here from a couple of meetings ago, when Mr. Easter said: "There are several extremely important issues. I'd love to deal with biotech, but biotech is not going to do anything, as I mentioned earlier this morning, for the 30 people who are now going through farm debt review in my particular province. It's not going to do anything for some of the ones who can't cashflow their operations because of the announcement by the minister on emergency advance programs".

Thirty people in farm debt review in P.E.I. would be a substantial number of farms. Do you guys have the number of producers in farm debt review in P.E.I. at this point in time?

**Ms. Jody Aylard:** I do have the numbers. Farm debt mediation is a confidential process, and generally we don't like to talk about numbers less than 10 for any individual province. I can say that for Atlantic Canada there were 15 applications this year, for the four Atlantic provinces, and 12 applications have been completed.

**Mr. Brian Storseth:** Fifteen in Atlantic Canada?

**Ms. Jody Aylard:** Yes.

**Mr. Brian Storseth:** Okay. And you don't really want to talk about any province that's under 10. I guess it's one of the things we need to flesh out here: the actual facts and not just fearmongering, trying to scare producers.

**Hon. Wayne Easter:** On a point of order, Mr. Chair, I would suggest on this statement that if Mr. Storseth wants to question my numbers we invite the accountant dealing with the Farm Debt Review Board, that we bring him here. He'll tell you he's dealing with 32 accounts.

You know, this committee has a responsibility to fight for farmers, not to try to cover up problems in the industry. Thirty-two cases is the number the man is dealing with. I don't know if they're before the board at the moment, but he's dealing with 32 cases under farm review.

**The Chair:** Can I suggest that if you want to submit that as evidence I don't see any reason why the committee couldn't receive it?

Continue, Mr. Storseth.

**Mr. Brian Storseth:** Thank you, Mr. Chair. I'm not sure what Mr. Easter is so upset about. I'm simply trying to get the facts and deal with the facts here.

**Hon. Wayne Easter:** You're questioning my numbers, Mr. Storseth—

**Mr. Brian Storseth:** If there are indeed 32 cases under farm debt review, that's a substantial amount in P.E.I., but we need the numbers. As we've heard here, the numbers we're getting aren't 32. Quite frankly, it's the same as when he talks about the Interlake. I was talking to a farmer from the Interlake the other day who was at the meetings Mr. Easter attended where he claimed he had 50 people at each meeting, and that farmer told me they had fewer than 18 people at the meeting.

Now, I think it's important that we deal with facts. We need to stand up for farmers, and the people on this side of the table stand up for farmers because we are farmers, we know farmers, and we interact with farmers—we don't just plop in once in a while.

To go back to the witnesses. I would like to ask you a question on something that is very important. I know I don't have much time left, but it's very important. It is happening in Manitoba and it has been raised with me by some of our Manitoba colleagues, and that is the avian influenza situation that is currently arising in Manitoba. Can you give us an update on that situation, please?

• (1035)

**Mr. Greg Meredith:** Yes. You're quite right. There is a farm under quarantine right now in Manitoba. I must say that my colleagues in CFIA have moved very quickly on this. They have a protocol in place that allows them to act very quickly, which they've done. So the quarantine is contained and they've already started the trace-out and trace-back of animals and equipment that may have entered or left the farm.

There is a lot of collaboration with the Manitoba government and the industry in that kind of case. The initial examination of the strain suggests that it's going to be low pathenogenic, which implies that the infection intensity is relatively low, and we hope that pans out. It will be a day or two before there's a final determination of what strain of H and N it is.

There's a protocol in place with the United States that manages to contain and regionalize any border closure. We've already triggered that. We've informed the OIE, the international animal health organization, as well as all our trading partners, of the situation. We do have an understanding with Europe and we think we'll minimize any trade disruptions. But trade impacts are on a country-by-country basis and what CFIA does is suspend certificates for sensitive food products in some cases, mostly for animals. They'll suspend export certificates so that there's no product moving.

In the past in situations like this, CFIA has managed to reopen all borders within a two- to four-week period, and that's what they will aim for in this case. They've enlisted our missions abroad to have close contact with our trading partners. The level of exports of this particular industry is relatively low, so the short-term economic impact will be relatively contained, we hope.

Once we know the strain and we've done the trace, we'll be able to contain the quarantine period or the quarantine area. Right now, it's three kilometres around the indexed farm. For next steps, they'll be working with the farmer and the Health of Animals Act to look at compensation. A compensation mechanism is built into the act that allows for money to flow relatively quickly to the producer.

That's where we are at this stage. I think my colleagues in CFIA would be able to add considerably more detail.

**Mr. Brian Storseth:** Thank you very much. I'll simply remind you that this is a traumatic experience for this producer as well, and it's important that we have good communications with the local producer on this.

Thank you.

**The Chair:** Thank you very much.

I want to thank our witnesses for being here today. There were a lots of questions and certainly a lot of good, detailed answers.

Thank you very much. We'll let you go.

I remind members that we have two motions we have to deal with.

Mr. Easter.

**Hon. Wayne Easter:** There were numbers put out on the HILLRP program. I know you can't give us the names, but can you table before the committee the distribution across the country of the HILLRP program?

**Ms. Jody Aylard:** Yes.

**The Chair:** Thank you very much.

As you know, we have witnesses prepared to come in on Tuesday in regard to agriculture disaster relief programs. In order to have them here, we need to pass a budget. I have a motion that the committee adopt a budget of \$9,500 for its study on agriculture disaster relief programs. I would entertain that motion.

• (1040)

**Hon. Wayne Easter:** So moved.

**The Chair:** It has been moved by Mr. Easter. Is there any discussion?

(Motion agreed to)

**The Chair:** I believe the motion carries.

Also, we have another motion here, but before I read it out, we had some discussion earlier. In fact, the committee has adopted a steering committee report to do a study on the biotech industry, starting at the end of December, or before we break here.

As part of that discussion with a number of you, it was suggested that we travel, so I had the clerk prepare a motion for today, the basic intent of which would allow her to prepare a budget between now and Tuesday so that we could hopefully pass it on Tuesday, if everybody is in agreement. It would allow us to travel and visit some I'll just say research facilities or something related. Of course, I want to hear some input and some suggestions. We'll try to do all regions of the country. That's the long and short of it. I'm going to read it. Then we'll open it up for discussion and questions. It says:

That the Standing Committee on Agriculture and Agri-Food authorize certain members of the Committee to travel across Canada during the month of February 2011 as part of the Committee's study on the status of the Canadian biotechnology sector; and that the clerk of the Committee, in consultation with the Chair—

I should add "and members"

—be instructed to prepare a draft budget for consideration by the Committee as soon as possible.

What I meant by "and members" was that I would like suggestions from you for facilities we should visit. Is there any discussion?

Oh, there's one other thing. It would be nice to have this passed by Tuesday. The clerk found out that there will be a Liaison Committee meeting on Thursday, so we could have this considered at that point.

Mr. Valeriote.

**Mr. Francis Valeriote:** Randy and I talked about this, Mr. Chair. At the very least, we should be visiting Saskatoon, the university there, and the University of Guelph. In addition, at the University of Guelph and possibly in Saskatoon, there are other facilities—the Monsantos, the Syngentas, the Bayers, and others—with which we could also arrange meetings. I think there would be value to that.

In addition, I know that I could probably locate some professors at the University of Guelph who would be able to speak to us about issues that Monsanto, Syngenta, and Bayer would also raise with us, so we could have a very full conversation.

**The Chair:** Mr. Bellavance first, then Mr. Easter, and then Mr. Atamanenko.

[*Translation*]

**Mr. André Bellavance:** This question is somewhat more technical. I assume we are going to have some budget hypotheses. The motion does not specify how long the committee would be travelling, or where exactly it would go. In order to draw up a budget, we need to have different scenarios and to know how many committee members would be coming along, and we have no idea.

I agree with the proposed motion, but it does not provide enough details.

[*English*]

**The Chair:** Exactly, and of course, you have to start somewhere, Mr. Bellavance. If you feel that a facility or facilities in Quebec should be visited, please get the name or names to the clerk. Today would be better, if possible, but some suggestions, please.

As I said, she can't actually prepare that budget until we hear the names of some of these places. I know that I don't have any problems and I'm sure no other member of the committee does.... As I said, we need to visit all parts of the country, or at least all regions, I'll say that, and what have you. I know that Mr. Easter mentioned to me a facility out on the east coast. I'm not sure which one he means, but he'll let us know. It's important to do that. That's where we're going. This is general. We had to start someplace.

Mr. Easter.

**Hon. Wayne Easter:** Mr. Chair, there's the NRC facility at the University of Prince Edward Island that is looking at agriculture crops used in nutraceuticals, at health components, and at fisheries crops like lobster shells, etc. Pierre's not here, is here? He has been there a couple of times. I think that one is absolutely essential, and I would suggest a second one. This one is a new facility, started within the last seven years, and has over 100 scientists from around the world there, so it's a really forward-looking research centre dedicated to agriculture. That's one.

The second area is in Truro. At NSAC—I'm not sure of the proper name—we have Canada's organic centre. We should talk to them to see if they do research, because it would be the other side of biotech. It would be the natural industry. We could maybe stop there as well.

**The Chair:** If you or Mark would check into that and get back to the clerk, I think it would help to expedite this.

**Hon. Wayne Easter:** I think you could put Truro and Charlotte-town in at this stage.

**The Chair:** Okay. If you get those contacts and what have you to her, that would be the way.

Alex.

**An hon. member:** When are we going on this...?

**Mr. Alex Atamanenko:** I'm not sure. At this time, it doesn't seem that we know how long this would take. I'm not convinced of the validity of doing something like this. Often when we travel we go because there are people out there having problems or we want to check out what's happening with young farmers, etc.

I don't think this industry is particularly suffering. I'm just wondering if it would be more cost-effective to invite some people here just to get an update on what's happening rather than spending the time, the energy, and the cost to do this trip to visit research facilities. I don't know. I'm not sure how valid it is for us to do that.

•(1045)

**The Chair:** Mr. Eyking.

**Hon. Mark Eyking:** I was wondering about the timelines. When are you thinking of this?

**The Chair:** Because the budget is more than likely to come down sometime in February, my plan would be that if we do get approval to do this, if we were going west, for example, my suggestion would be that instead of us all flying to Ottawa on Monday morning, we would—

**Hon. Mark Eyking:** Is that in February or March?

**The Chair:** In February, and one of the reasons in my mind is that the earlier we do it, when we're back the less chance we have in getting caught up in budget debates. We all know that in a minority situation we're all going to have to be here at budget time. Again, that's going to be up to the direction of the committee.

I think we may want to do this during two or three different weeks. For example, Mr. Valeriote mentioned Guelph, Ontario. My suggestion there would be that we arrive in town on Sunday night and do that on Monday. We can probably all be back in Ottawa Monday night or, at the latest, Tuesday morning. We can make it work. We just need some kind of idea of where we want to go. We can sort out the schedule afterwards. The cost won't change that much.

**Hon. Mark Eyking:** Just as a clarification, Mr. Atamanenko is suggesting that maybe this is not the best idea for this committee at the present time.

Is that pretty well what you're saying?

**The Chair:** That's what he's saying.

**Hon. Mark Eyking:** If I may, Mr. Chair, what do you think we should be doing, Alex?

**Mr. Alex Atamanenko:** Given the fact that we didn't really start until quite late in getting this committee going and we're going to be off in January and coming back in February, I would say that we could do a short study that would take no more than maybe five or six meetings. We could have people here—maybe some of the folks who should have appeared before but were shut down on my bill, for example. We could get a snapshot of the industry here. Because by that time, there will be other things on the horizon. There's CETA, the agreement—

**Hon. Mark Eyking:** That's fine. Now I know where you're going.

**The Chair:** Okay.

Mr. Hoback.

**Mr. Randy Hoback:** Thank you, Chair.

I'm just amazed. Wow: this is the guy who brought in Bill C-474 and said we needed to do all of this study and listen to all these witnesses and now he says we don't need to do that.

All I'm doing is giving him a venue to actually allow some of those people to come forward and explain what the issues are. Not only that, I'm also trying to do it in a balanced way so that everybody can explain what the issues are and so we as a committee can actually move forward into the 21st century on this sector. This sector is huge for agriculture. This sector is probably going to deliver more returns per acre than anything we've ever grown in the past.

So to say we don't need to study this just shows you that you're not in touch with what's going on in western Canada or in the rest of Canada in agriculture. That's absolutely crazy.

**The Chair:** I'm hoping to finish this very quickly.

**Mr. Alex Atamanenko:** Larry, that was an accusation that I want to answer. I didn't say we didn't want to study it. I said that we should study it here. We should study—

**Mr. Randy Hoback:** You don't have a clue about what's involved in this—

**Mr. Alex Atamanenko:** Let me speak. It's my turn.

**The Chair:** Okay. Let's have some order here.

**Mr. Alex Atamanenko:** Let me speak. It's my turn.

**The Chair:** Well, it's actually not your turn, Alex, but I will... Actually, Mr. Atamanenko didn't say that he didn't want a study. He said he didn't want to travel. So that debate is over—

**Mr. Alex Atamanenko:** I just said we should bring them here so we can have a balanced approach in committee.

**The Chair:** Mr. Anderson has the last one, and then we're going to call the question.

**Mr. David Anderson:** As Mr. Storseth has pointed out, I'm not a regular part of this committee, but I think it's absolutely essential that the committee go and take a look at these research centres, Guelph and Saskatoon in particular. I don't know much about the Maritimes, but clearly Mr. Eyking does, and if he thinks it's a good idea to go there, I think that's a good deal.

But there's so much involved in the positive side of agriculture in dealing with biotech and research and those kinds of things that you have to be there to see what's going on. I think it would be important to the committee to take a look at that.

•(1050)

**The Chair:** Thank you.

All in favour of the motion? All opposed?

(Motion agreed to [See *Minutes of Proceedings*])

**The Chair:** Thank you.

This meeting is adjourned until Tuesday.





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