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## Standing Committee on International Trade

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EVIDENCE

**Wednesday, October 20, 2010**

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**Chair**

**Mr. Lee Richardson**



## Standing Committee on International Trade

Wednesday, October 20, 2010

• (1545)

[English]

**The Chair (Mr. Lee Richardson (Calgary Centre, CPC)):** We will come to order with meeting number 29 of the Standing Committee on International Trade in this session of Parliament.

Today we are going to continue our discussion of the free trade agreement between Canada and the Kingdom of Jordan. This is a referral from the House of Bill C-8, plus an agreement on the environment between Canada and the Hashemite Kingdom of Jordan and the agreement on the labour co-operation between Canada and the Hashemite Kingdom of Jordan.

We have had witnesses for one or two meetings and we are going to continue this. I would like to just bring to the attention of the committee the difficulty I'm having confirming witnesses. I have received a list from all the parties concerned, and we have contacted everyone on the list that you have submitted and those that have been submitted by the government as well.

We're having trouble with having the people here when we happen to meet and when they're available and that sort of thing. So today I'm grateful that we have our old friend, John Masswohl, director of government and international relations with the Canadian Cattle-men's Association with us, but he will be the only witness appearing today.

I'd like to try to avoid that in future—not just having you here, John, although it's always a pleasure. We want to hear a number of witnesses. So if I could ask some of you maybe to touch base with those on the list that you submitted and ask if they can't free up a Monday or a Wednesday to appear at the committee, then we can get this done.

How are we doing for the next meeting?

**The Clerk of the Committee (Mr. Paul Cardegnà):** I put calls out and I'm waiting for answers. Nothing yet, no.

**The Chair:** So we don't have anything confirmed for Monday?

**The Clerk:** Not yet. I'm waiting.

**The Chair:** Again, I'm stuck for Monday; I don't have anything confirmed.

Yes, Mr. Julian.

**Mr. Peter Julian (Burnaby—New Westminster, NDP):** Mr. Chair, my office will help the clerk—

**The Chair:** Well, that's what I'm asking you to do, yes, to just touch base. Because we've phoned them all and they're not getting back or they're not able to come when I—

**Mr. Peter Julian:** Perhaps we could sit down briefly at 5:30 and I'd be pleased to do a follow-up.

**The Chair:** All right. It's just a little reminder. It's not the most efficient for anybody to go through meetings without witnesses.

Mr. Holder.

**Mr. Ed Holder (London West, CPC):** Thank you very much.

Depending on the success we may or may not have with guests—I think we're very cognizant of the issues here, and I don't want to subvert the chance to get a fulsome discussion on things—I'd be prepared to suggest, if in fact we ultimately have further challenges regarding our guests, knowing that we've had a number of meetings already on this, that we move to clause-by-clause at some point, sooner versus later, just to expedite the process. I say that after fulsome hearings or to the extent that we can get our witnesses to testify. If we cannot, that might be a reasonable suggestion.

**The Chair:** I think that's practical. But at the same time, we're not in a mad rush and we'd like to hear from as many who'd like to be heard. I don't sense there are strong, contentious issues regarding the bill, but there are people who want to get their views on the record—and that's fine, too—and establish their résumés for future consideration as expert witnesses at a committee.

I'm sure you still have constituents you need to bring in; I'm not looking at anyone in particular.

**Mr. Peter Julian:** Mr. Chair, I'd like to wade in to defend Mr. Holder. I don't think you looking at him and making those accusations were fair to him.

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

**An hon. member:** [*Inaudible—Editor*]

**The Chair:** All right. Sorry, gentlemen, we're getting off topic here.

We will make sure that's not on the record, Mr. Cannis.

**Mr. John Cannis (Scarborough Centre, Lib.):** I wasn't referring to the exchange. It was something totally different, Mr. Chairman.

**The Chair:** All right.

As I say, we've kept Mr. Masswohl long enough and we will get into his testimony. We'll probably do an opening statement of 10 minutes—if that works for you, Mr. Masswohl—and then do a round of questions.

I'd like to complete the meeting with another brief in camera session on the European Union. I have some suggestions for a change of date there, so we'll discuss that.

Okay, with that update, again, thank you, Mr. Masswohl, for coming.

John Masswohl, again, is the director of government and international relations for the Canadian Cattlemen's Association, here today to offer a position on Bill C-8, an act to implement the Free Trade Agreement between Canada and the Hashemite Kingdom of Jordan.

Mr. Masswohl has been in front of the committee before and has proven very helpful to us. I should say at the outset that we welcome your statement and views today.

I will remind members, as in the past, that if there are further questions after the meeting today, we have always found the Canadian Cattlemen's Association to be very useful in providing additional information if asked for.

With that, thank you again for coming. Mr. Masswohl, would you open with an opening statement?

**Mr. John Masswohl (Director, Government and International Relations, Canadian Cattlemen's Association):** Thank you, Mr. Chairman. Thank you for the opportunity to appear before the committee again and to reconfirm the support of the Canadian Cattlemen's Association for the Canada-Jordan free trade agreement.

As acknowledged during our previous discussion on this, Jordan has not traditionally been a significant market for Canadian beef exports, and in all likelihood is not likely to crack the top 10 or 15 markets in the near future. Nevertheless, this agreement will enable us to regain equivalent terms of access that the U.S. beef industry has already enjoyed in that market due to the U.S.-Jordan free trade agreement. As Canadian beef exporters direct their primary efforts in the Middle East toward markets like Saudi Arabia, it's beneficial to them to have access to a neighbouring country, Jordan being right next to Saudi Arabia. Once they're in Saudi Arabia, it's beneficial to see what the potential is in Jordan and other markets in the region.

We place a high degree of importance on all countries around the world removing any lingering BSE restrictions on Canadian beef. Jordan has done that. We understand that the potential of establishing a free trade agreement with Canada was a factor in their lifting those restrictions.

We saw that happen in Panama. We saw that happen in Colombia. And our hope is that Korea is paying attention and that we can soon look forward to progress on beef access in Korea and finalization of a Canada-Korea free trade agreement as well.

Regarding the terms of a Canada-Jordan free trade agreement, Jordan will immediately eliminate its current 5% tariff on beef cuts. Those are things like steaks and roasts. They have a 10% tariff on genetics that they will eliminate immediately, and 21% to 28% tariffs on things like sausages, cured meat products. All of those will be eliminated immediately without any product exclusions or quota limits, as sometimes appear in some agreements.

This is really the result we want to see be the outcome in all of our free trade negotiations with other countries as well.

I think those comments are fairly familiar to you. With the chair's permission, while I'm here and there aren't a lot of other witnesses, I wonder if it would be valuable to take the opportunity to share with you that we've prioritized what some of our top market access priorities are in international trade generally, simply to have that on record with the committee. I can briefly run through those.

The top one obviously, as we've talked about before, is resolving the U.S. country-of-origin labelling issue and the impact on live cattle markets. We have nine points; that's the first one.

The second one is under-30-month access for beef and tallow into China. We did have an agreement with China that was signed between the Chinese president and Prime Minister Harper in June. That was to be a staged agreement. Work has been continuing at the technical level. A few conditions are still to be worked out, but we're looking forward to getting that operational and starting to send commercial quantities of beef into China.

The third one is getting commercially viable access to Korea. We've mentioned that. That has really stalled the free trade negotiations. We have a WTO case; that's proceeding. We have remained open to the possibility of a negotiated settlement. If we can come up with a negotiated settlement, potentially suspending our WTO case...we remain optimistic and our fingers are crossed that something will happen with Korea soon. There certainly is a lot of effort going in there.

The fourth priority would be getting full under-30-month access into Japan. Right now we're limited to beef from cattle under 21 months. It really is problematic to ship full container loads year-round. About five months a year you simply can't get enough beef in Canada from cattle under 21 months to be able to send full-sized container loads into Japan.

The fifth one would be getting full over-30-month access into Mexico. Right now we have everything under 30 months, and we need to get that expanded. The over-30-month market in Mexico was quite important prior to 2003, and we remain hopeful that something is going to happen there soon.

In Taiwan as well we have boneless under 30 months. We want to get the bone-in product.

● (1550)

Our seventh priority is getting access to the European Union's 20,000-tonne hormone-free quota that the United States negotiated about a year and a half ago. We have some technical issues to get in there, but that should be achievable in the near future.

The eighth point is Russia. Right now we have everything under 30 months and we have some boneless over-30-month product. We are in the process of getting full access into Russia, and we need a little bit of a push there to get that to happen.

The ninth point, which is not necessarily the least important but in the long term could be extremely important, is the negotiation of a new Canada-EU free trade agreement, and certainly those negotiations are ongoing.

So a quick layout of the top priorities. We welcome all access. All market openings for Canadian beef contribute to the bottom line of ranchers in terms of being able to sell all the products that come out of an animal, but we understand that resources are not unlimited, and that's why we've identified these nine items as the top priorities for our industry. We certainly support results like those achieved in the Jordan free trade agreement when they come along, but let's keep building on those results and try to take them into other areas.

That's the statement I have. I would be glad to take questions.

• (1555)

**The Chair:** Thank you.

I think we certainly can open up the meeting in this particular circumstance to a discussion on any of the items you raised, because I think they are of interest to the committee on an ongoing basis, but we may begin with questions on Canada-Jordan free trade.

We're going to begin with Mr. Cannis.

**Mr. John Cannis:** I'll be sharing my time with my colleague, Ms. Hall Findlay.

Briefly, I know you didn't really cover a lot of Bill C-8, and I understand why, and I appreciate just a short brief in terms of the elimination of the tariffs and that it will take effect immediately. I think that's a plus for our cattlemen here in Canada, and thank you for putting that on the record. So I really don't have a lot to ask you on Bill C-8, as you haven't a lot to offer us.

Because we're moving toward the Canada-Europe FTA, I just want you to take a couple of moments and maybe give us some of the obstacles or some of the things we should be looking forward to or anticipating from your industry's perspective. Then I'll turn it over to my colleague.

**Mr. John Masswohl:** Sure.

Yes, I think Canada-Europe for us is the real big fish that's out there. We think that Europe could be as big and important a market for Canadian beef as the United States. It could certainly rival that potential.

We look at Europe as a market of nearly 500 million people. They consume over eight million tonnes of beef per year, and right now we have virtually no access to that market. They do have a ban on using growth promotants—some people call them hormones; they're not necessarily all hormones, but that's the commonly used term. We're not opposed to producing beef without using growth promotants. The reality is it takes longer to produce those cattle and costs about 20% more, and you want to know that if you're going to make that investment of money and time, there's a market to compensate you for that.

Right now, the tariff into Europe, even if it is hormone-free beef, is 3,000 euros per tonne plus 12%. That works out to about 140% to 150%, and it's prohibitive, so there's no incentive to produce for that market right now.

**Mr. John Cannis:** Where are they importing from now, John?

**Mr. John Masswohl:** They import some from South America and a little bit from Mexico. We have a small quota as well, 11,500 tonnes that we share with the United States at a 20% duty. As I say, this new quota of 20,000 tonnes, which we're trying to get approved to use, is duty free, and maybe that will happen soon.

But typically what happens is the officials in Brussels make a determination each year of how much beef they need to import. They set a quota and they assign it to a country, and sometimes it gets assigned to the importing company. So who's going to get to ship that product is all worked out in advance. We want to get real, free access into that market.

**Mr. John Cannis:** Thank you.

My colleague will continue.

**Ms. Martha Hall Findlay (Willowdale, Lib.):** I wanted to clarify something on Jordan, but I want to follow up on that. What criteria do they use to decide which country they'll choose to allocate a larger quota to, and as you said, even to companies?

**Mr. John Masswohl:** Traditionally, in the past—

• (1600)

**Ms. Martha Hall Findlay:** Thank you for being here, by the way. I just jumped right in without even being polite enough to say thank you for being here.

**Mr. John Masswohl:** Sure thing.

We haven't been part of that process in the past. We haven't been the beneficiary, so I probably couldn't give you all the nuances of how it works. But I imagine how it works is probably similar to the way our government officials consult. They go to the industry in their member states. They probably put out notices requesting input as to what the requirements are going to be. People get in their submissions, and they do their lobbying internally in Europe to come up with numbers. They also try to make assessments—what's the cattle herd, what's the capacity, and what's the availability going to be in Europe.

**Ms. Martha Hall Findlay:** But we don't participate in that, that you know of? Neither your industry nor the Canadian government participates in any of these discussions.

**Mr. John Masswohl:** No, we have not.

**Ms. Martha Hall Findlay:** There is no lobbying on our behalf?

**Mr. John Masswohl:** No, because we just can't compete with the tariff.

**Ms. Martha Hall Findlay:** I have a quick question on Jordan. Can you just repeat the percentages? I know we have them on file, but I just want to ask a question about relative percentages, so can you just repeat what they are?

**Mr. John Masswohl:** On beef muscle cuts it's 5%. On genetics—semen and embryos—it's 10%. And on the processed products—sausages, deli meats, cured products—it's 21% to 28%, depending on what the product is.

**Ms. Martha Hall Findlay:** I'm interested because it seems that with a lot of these trade agreements the issue isn't always the actual percentage in isolation but what that is relative to other countries who are competing for the same market.

**Mr. John Masswohl:** Right.

**Ms. Martha Hall Findlay:** If we move forward with this trade agreement, that's great for you. Where does that put some of the other countries?

I ask just because with this focus on all these bilaterals, we find ourselves trading off bits and pieces in various places, it seems. Can you actually just talk a little bit about what this might mean? Beneficial as it is to your industry and Canada, are you aware of other countries that will continue to have now relatively higher tariffs that will affect those other discussions perhaps? If we sign this and put it into effect, who is still facing higher tariffs?

**Mr. John Masswohl:** Barriers that we would face shipping to other countries or that other beef suppliers would have into Jordan?

**Ms. Martha Hall Findlay:** The latter.

**Mr. John Masswohl:** With the kind of beef that we compete in, we're not going to compete with India per se. India has a lot of what we call water buffalo. They do eat beef in India, but it's frowned upon, yet they produce a lot of cattle, they slaughter a lot, and they produce a lot of low-cost, low-quality product, and that gets exported. We're not going to compete with that. A lot of that goes into Africa; it goes to certain places.

Our competition really is Australia, New Zealand, and the United States. And really when it comes down to the high-quality, grain-fed business, which is where we want to play and where we want to make our money, it's the United States. That's our competitor.

The United States has had a free trade agreement with Jordan...off the top of my head, I forget, I want to say since 2001. That might not be the correct year, but it's been a number of years that they've had duty-free access into that market already. So in terms of what your question really is, we are playing catch-up.

**Ms. Martha Hall Findlay:** This is a catch-up. That's exactly where I was going.

And Australia?

**Mr. John Masswohl:** I don't believe they have an agreement there. Australia is more of a grass-fed.... It's not as high quality a product, so we think more in terms of how we stack up against the U. S. in terms of our access.

**Ms. Martha Hall Findlay:** Okay, great. Thank you.

I think we just got buzzed, didn't we?

**The Chair:** We did. Thank you.

Thanks for that, John. This is very useful to get the perspective of how it fits in with some of the other agreements.

Monsieur Guimond, welcome back. *Sept minutes, s'il vous plaît.*

[Translation]

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

Good afternoon, Mr. Masswohl. Of course, your openness to Jordan is not that surprising. It is fine, we support the agreement, as well.

We know the Americans have had an agreement since 2001. So they are ahead of us when it comes to Jordan. Is it possible for Canada to close that lead? What are your thoughts on that?

[English]

**Mr. John Masswohl:** You know, we've often tried to play that game and to get ahead of them in some markets, because it does make a difference being first, making the contacts and having the customers get used to you.

Is it an insurmountable lead? My answer would probably be backed by the fact that I don't think Jordan is ever going to be a huge market. If we go back and look at the trade stats for the last 10 years, we've shipped about one tonne in total into that market in that time. Now is that because it's not a potential market? Is it because we haven't directed a lot of effort to that market? Is it because our tariff is 5% and the Americans have been duty free in the last 10 years? Probably elements of all of those things are involved.

Our expectation is that this market is probably going to be worth a couple of hundred tonnes per year to us. Maybe it would be worth more if we were there without the Americans, but I think we'll be able to catch up, to get it to what we think its potential is.

•(1605)

[Translation]

**Mr. Claude Guimond:** Earlier, Ms. Findlay talked about the meat market as compared with the genetics market. As a farmer, I am fully aware that Canada is quite well positioned in the genetics market.

Is there a way to continue to develop the genetics market, and do you have a development strategy? We all know, and as you yourself said, Jordan is the gateway to the Arab world and the Middle East market. So is there a way to build on a worthwhile development approach to genetics?

[English]

**Mr. John Masswohl:** I think so. We'd want to look at it from both the beef genetics and dairy genetics angles. I know the organizations that concentrate on those. There's the Canadian Livestock Genetics Association, which focuses on dairy as well as small ruminants, such as sheep and goats. There may be opportunities for some of those other species as well. And there's the Canadian Beef Breeds Council, which focuses on the beef genetics. They really see the Middle East region as a whole as holding some very good potential for genetics, for young live animals, as well as semen and embryos.

What they often find is that it's not just about making the initial sale; rather, it's the after sale that's extremely important. If customers in those countries are going to invest in what we would be selling—the possibility of a very high-quality, high-performing animal—they're going to want to be able to manage that animal to make sure it maximizes its potential. So it's the initial sale of the product, plus that after-sale service, if you will.

[*Translation*]

**Mr. Claude Guimond:** One of your priorities had to do with your concerns about country of origin labelling. We are hearing a lot about the Canada-Europe agreement right now, and it is especially relevant to that agreement. I would like you to elaborate on your concerns about country of origin labelling.

[*English*]

**Mr. John Masswohl:** Right. The problem we have with the U.S. legislation is not a philosophical objection to origin labelling. In fact, we have origin labelling in Canada. We support the origin labelling that we have in Canada. When we ship beef to the United States, we're glad to label it as Canadian and market it as Canadian.

The problem with the U.S. law is that it requires beef that comes from cattle processed in U.S. slaughter facilities to be labelled with the place where the animal was born. And that has really created a cost structure in the U.S. slaughtering and the U.S. feeding industries.

We found initially that the U.S. cattle feeders and U.S. slaughter companies were very hesitant to handle Canadian cattle. After some months, it became apparent that they needed those cattle, but they would only take them if they could segregate them and pay lower prices. They had to recoup those costs somehow. They needed them, but they were going to pay less for them.

So our complaint about the U.S. country-of-origin labelling is not seeking to throw out the whole law; it's really to change the aspect of how it treats imported cattle that get fed or processed in the United States. Our view is that once they feed them there, or once they process them.... And the slaughter operation is complicated one. If you've ever been in a slaughter operation and seen how complicated it is, you will know it's not just a simple matter of finishing off the animal and throwing a few bits of meat in a box. It's very complicated, it's very costly, and it occurs under government inspection.

We think that once they do those operations, they've transformed the cattle into a U.S. product, which shouldn't be labelled or treated in a separate stream—which costs us dollars.

• (1610)

[*Translation*]

**Mr. Claude Guimond:** I would think it would be the same for an agreement with Europe regarding designation of the country of origin.

[*English*]

**Mr. John Masswohl:** I think the difference would be that we probably do not expect to ship live cattle to Europe. If we have a requirement to label our beef as Canadian when we ship it to Europe, we're fine with that.

**The Chair:** *Merci.*

Thank you.

Mr. Julian.

**Mr. Peter Julian:** Thanks, Mr. Chair.

Thanks, Mr. Masswohl.

I really, deeply enjoyed the beef that was served at the cattleman's BBQ. I understand it came from British Columbia. It's the best beef I've ever tasted. You're not going to reveal the source, are you?

**Mr. John Masswohl:** They didn't tell us where it came from; we just know it was Canadian.

**Mr. Peter Julian:** It was very good.

Ms. Hall Findlay raised the issue of your competitors. It's a question I've raised before with you. If the U.S. is our major competitor, what are the kinds of investments the cattle industry in the United States gets? Could you remind me of that? And could you remind us as well of the kind of funding the beef industry gets here for export development in Canada?

**Mr. John Masswohl:** I think the last time we had this conversation you gave some numbers that I had to assume would be correct.

**Mr. Peter Julian:** From previous testimony, right.

**Mr. John Masswohl:** That also suggested you might even want to take the opportunity at some point to have the Canadian Beef Export Federation in, and they could go into greater detail of their budget, where their budget comes from, and who they compete against.

I was at a meeting over the last couple of days—and I hope I'm going to read this chart correctly, because I knew this question would probably come up and I wanted to make sure I looked at it correctly.

We really don't receive any government funding for promoting beef in Canada. The hog and chicken industry might take a dim view of the Canadian government promoting beef in Canada, so everyone pays out of their own funds for the domestic market.

On export marketing, we have something that we referred to, when it was first created back in 2006, as the legacy fund. I believe the legacy fund was announced in 2005. There was a federal government contribution and a Province of Alberta contribution. The federal contribution worked out to approximately \$10 million per year and the Alberta contribution was a lump sum of \$30 million. The idea of this was recognition that we were coming out of BSE and were going to have to make a new push to get those markets back. It was a fund that was over and above what we used to call CAFDI. CAFDI used to be the program for export marketing. Now it's agri-marketing, which I believe you're familiar with. We do not participate in agri-marketing because we have this legacy funding. We're now at the halfway point in the 10 years of this legacy fund.

If I look at the budget—because the money went in and it's gone through investments, and some of it had the opportunity to grow—the total federal contribution for 2010-11 is \$9.8 million. The Alberta contribution for the same year is \$4.3 million, for a total federal and provincial contribution of \$14.16 million, roughly.

•(1615)

**Mr. Peter Julian:** And that's it for export.

**Mr. John Masswohl:** The contract...basically the understanding is there's leveraging. The industry has to put in matching funds to go along with that. I believe it's a 75-25 split.

**Mr. Peter Julian:** As you're aware, the U.S. industry gets many, many more times support than the Canadian industry does.

**Mr. John Masswohl:** I don't know what that ratio is.

**Mr. Peter Julian:** Well, in previous testimony—

**Mr. John Masswohl:** You have the testimony.

**Mr. Peter Julian:** Yes, in previous testimony we heard it was six to eight times more support for the American industry than the Canadian industry.

The question then comes whether there is an ask that's out there now from the cattle and beef industry, an ask in terms of export-related product promotion support.

**Mr. John Masswohl:** Basically, what our ask is...and the reason I have this number is that while I don't participate directly in the marketing efforts, I thought I would sit in on this meeting and listen to it. Every year this money is allocated, directed, in cooperation. It's a partnership among the federal government, the Province of Alberta, and the industry, and in the industry it's through our various marketing agencies—through BIC for the U.S. market, through CBEF for the rest of the world, and through the Canadian Beef Breeds Council for the beef genetics. Basically they say, “This is the money we have.” If you compare that to what other industries are doing and receiving as funding through agri-marketing, we probably have more resources than the other Canadian industries.

**Mr. Peter Julian:** I don't doubt that, but compared to our competitors, I think it's much less.

**Mr. John Masswohl:** Right. So I think if there was... We'll always take more and we will always spend it if there's more, but I think—

**Mr. Peter Julian:** There's not a formal ask.

**Mr. John Masswohl:** I think what we're looking at is that with what we have for funding compared to what other Canadian industries have, I don't think it's realistic for us to expect that we're going to continue to outpace the other industries.

**Mr. Peter Julian:** That's helpful.

I just wanted to refer to the British Columbia Cattlemen's Association press release that came out on October 15. Here again, I think, is a symptom of dysfunctional trade strategy. You've identified China and Japan as two of the top four issues, in terms of market access. We have the cattlemen going over there, and this trade mission was partly funded by the individual ranchers themselves, with additional funding from the Horn Levy Fund of British Columbia. So you have the cattlemen already getting far less than the investments that our chief competitors are putting into their industry, and you have cattlemen having to pay out of pocket to go on a trade mission to deal with two of the top four issues that you've identified here.

Does that seem normal to you?

I have two final questions. One is on the value of the 200 tonnes that you expect to export to Jordan.

And finally, two of the top five that you've identified are countries that we've already signed a free trade agreement with. So what is not working in our approach to free trade agreements when market access to the U.S. and Mexico continue to be a problem years after we've signed the agreement that supposedly was going to resolve all those issues?

**Mr. John Masswohl:** On the first part, does that seem normal, it doesn't seem abnormal to me in terms of how things work. Normally, if there's going to be a trade mission, at the planning stage we have our money and we know what the mission is going to be. Usually some of the people who go or the companies that go have to make a bit of an investment. There's staff and there are leaders of certain organizations. We'll basically say, okay, for this mission, x number of people are going out of the funding; others can go along at their own expense. So it doesn't seem abnormal to me that some additional people might go on a trade mission and pay for it themselves or be paid for by a different organization. That certainly does happen.

We're very frustrated. Here we are seven years after BSE, and even three years after the OIE, the World Organisation for Animal Health, classified Canada as a controlled risk for BSE. We know what that is supposed to entitle us to in terms of access, but not all countries are honouring that. Some countries are. If you count all of the members of the European Union individually, I think we're up to about 43 countries that are fully honouring the OIE code. I read off a list of nine priorities. They're not all BSE-related, but many of them are. And they're important countries. Japan, Mexico, Taiwan, and Korea are still not living up to that obligation.

We're making progress on them. We're hoping we're going to get there, but every country, Canada included, retains the sovereign right, if it feels there's a safety risk with an imported product, to say it will not let that product in. Now we think in this case there is no safety risk of BSE from Canadian beef. We know it's safe. We know the controls we operate under. We eat the product ourselves, and we know it's safe. We're asking other countries to accept that, and they all go through their regulatory processes.

I think in many of these cases there's a lot more going on than just safety and regulatory concerns. There are domestic politics going on, and that's why we think it's important to have the minister travel to these markets, as he has done, and meet with his counterparts and really be able to look his counterparts in the eye and say, “I'm the minister responsible for this, this product is produced under regulations for which I, Minister Ritz, am responsible”, and be able to give that assurance to his counterparts that the product we're going to send is safe.

That has worked in some cases, and we want to see more of that. We like to keep the minister busy, and we like to have all the opposition parties pairing off and making sure that the minister is available to go on those trips on our behalf.

•(1620)

**The Chair:** Thank you. Those were excellent questions, and not a bad reply, either.

Mr. Holder.

**Mr. Ed Holder:** Thank you very much, Chair.

I'd like to thank our guests for being back at our committee to provide testimony. I'm sure there's nothing you would look forward to more than to having all-party support for this agreement. I would like to imagine that's what's going to happen as a result of this. I was glad to hear clearly that the Bloc has indicated that they're prepared to support this. I hope all parties, perhaps before this whole session is done in this meeting today, might be prepared to say that. That would be rather interesting.

Thank you as well for providing the larger wish list of the various projects that you would like to see completed to assist the beef producers.

I'm going to focus more of my questions back on Jordan, if I might, since that's the topic at hand. I want to come back to something. You provided testimony some six months ago, it seems to me, and you gave a strong compliment to our Minister of Agriculture, the Hon. Gerry Ritz, and at the time you acknowledged his work in having the BSE restriction lifted in Jordan.

You made that comment six months ago, and it had occurred just before that. What are the beef producers doing to take advantage of this?

**Mr. John Masswohl:** Have we shipped any beef to Jordan? I asked around, and so far we're not seeing any statistics indicating that we've shipped any beef into Jordan.

**Mr. Ed Holder:** And why is that?

**Mr. John Masswohl:** You've got me. I think it comes down to the issue of the differential tariff. That's one thing. A 5% tariff is not insurmountable, but when you are a 5% tariff and your competitor is free, it makes a difference.

**Mr. Ed Holder:** If I could just build on that, it's rather interesting that you mentioned in earlier testimony that in the last 10 years beef producers have exported about one tonne of beef, give or take, to Jordan. Not a lot, and yet you opined that it could be as much as 200 tonnes. I'm thinking about it—I look at the 5% tariff on beef cuts, the 10% on embryos and semen, the 21% to 28% tariff on processed meats. It strikes me that if there was a choice between, say, a duty-free United States and a tariff-based Canada, and if you were the person who was doing the organization's purchasing of beef from North America, where might you go?

For that matter, the EU has a free trade agreement with Jordan, as we know, and they're a lot closer. So then the question becomes, if the choice was to be able to buy from a tariff-free country or trading group, where would you go? Would you go with the tariff-free organization or with the group that has the tariffs, like Canada? What are your thoughts?

•(1625)

**Mr. John Masswohl:** I think if all things were equal, you'd obviously go to the place where you could get it at 5% extra into your pocket. But I guess in the world, not all things are equal. I think

out there, if you're a meat buyer, if you're a grocery chain purchaser in Jordan, who's at the top of your mind? You don't lie awake and think, "What more can I buy from Canada this week?" That's where we need to be able to take advantage of things like free trade agreements that help to raise awareness of the market. They help to make people say, "Okay, if there's a new agreement over here, maybe there's a new opportunity over there. Maybe I'm going to invest a little bit of my company's money in going to that market and looking around and try to do a little business development."

That's why we think Jordan probably fits well in the region, that if you're going to go over to the Middle East first, you're probably not going to go first to Jordan. You're probably going to go somewhere that's maybe a bit of a larger population. I don't want to get into income levels; they're all pretty impressive in that area. You're probably going to start in Saudi Arabia, maybe the UAE, in some of those markets, and then get some success there and work your way out.

I don't think we thought that a market that really hasn't been on the radar screen was going to suddenly take off and go into the stratosphere. But I think with time and with other things that are going on in the region, it can present some opportunity.

**Mr. Ed Holder:** I think there is enough broad support that if you look at Jordan as it is, albeit not the largest market, and I think we've all acknowledged that...but from the standpoint of your capacity to be able to take advantage once the free trade deal has been put in place, how prepared do you think you or your producers would be to take advantage to make some entrees beyond what's already in place now?

I think certainly the tariffs don't help, and I accept that. Having the BSE restriction removed does help. So now that you have the BSE restriction removed, and ultimately, if you can plan from a forecasting standpoint the notion that you're not going to have these tariffs to deal with...I'm wondering, is there a capacity issue from the standpoint of your producers? Is there a willingness issue from the standpoint of your producers? What's going to get them if they don't have a reason not to export to Jordan because of BSE restrictions or ultimately tariffs? What would stop them from exporting to Jordan?

**Mr. John Masswohl:** I think from a capacity point of view of having product to go over there, it's not an issue. We're not talking about a large volume of product. But what we do tend to see in the Middle East is the value per kilo is usually higher than in many markets. So it's small quantity, but it's usually high-end product that goes in there.

Capacity in terms of business development personnel and investing human resources to go to Jordan, that would be weighed in terms of what are we doing in Asia, in Latin America, in Europe, in Russia, in all of those markets, and weighing the relative priorities of whether it is worth not going to Russia to go to Jordan. Probably not. I think there are some other areas of the world that are probably a higher priority from that standpoint, but that's where it comes in as a region.

We definitely do have some companies, particularly companies that specialize in halal production, that have identified the Middle East because that is the major area to send halal production. If they're going to be in Saudi Arabia and some others, they'd like to be in Jordan as well.

**Mr. Ed Holder:** Would you imagine that you'd have any challenge—your producers I'm speaking of now—in producing halal beef for Jordan? Would that be an issue?

**Mr. John Masswohl:** No, that production is available.

**Mr. Ed Holder:** So that would not be an impediment from your standpoint?

**Mr. John Masswohl:** No.

• (1630)

**Mr. Ed Holder:** You mentioned earlier in your testimony the notion of looking at Saudi Arabia's potential market. There are ultimately 15 countries, when I think of the Middle East, that we trade with now. To what extent would you imagine having an entree into Jordan, then becoming an opportunity for you to provide better export opportunities into some of these other Middle Eastern countries?

**Mr. John Masswohl:** I think these guys who are actually involved in developing the business think of all these angles. If there's an advantage to doing that, they'll certainly try to do it.

I personally haven't heard of anybody talking about, well, you know, if we could get into Jordan, then we could use that as a distribution point for Syria or Lebanon or anywhere else. I haven't heard any of that discussion yet. What I have heard is, yes, Jordan is interesting; we're interested in Saudi Arabia, and let's see if we can branch out into Jordan. That's not to say that what you're suggesting couldn't happen, but I think maybe that's a couple of steps ahead.

**Mr. Ed Holder:** I would imagine there would be some economies of scale—I'm sure—if one was associated with exporting to one country in the region.

**Mr. John Masswohl:** These are creative guys who are involved in this business and they want to have every opportunity they can. If that's something they can make work, then they'll make it work.

**Mr. Ed Holder:** Mr. Chair, there's just another moment, I know, but Mr. Trost had a question.

**The Chair:** Yes, go ahead.

**Mr. Brad Trost (Saskatoon—Humboldt, CPC):** Ed actually covered my questions, the last couple of ones.

**Mr. Ed Holder:** I'll just end with a final comment, then.

**The Chair:** Sure. We have a few minutes.

**Mr. Ed Holder:** Thank you.

It seems, from what you've said, if we've got the BSE issue done right, and the appropriate leadership has been clearly taken on that and the appropriate result is there, what we need to do now is take it to the next step for the sake of our beef producers, not just because of Jordan but because of what it represents in the region.

Mr. Masswohl, thank you.

**The Chair:** Thank you.

Are there any further questions of the witness?

Mr. Julian.

**Mr. Peter Julian:** Just a follow-up to a question already asked, Mr. Chair, about the value of the 200 tonnes that would be the estimated penetration into the market.

**Mr. John Masswohl:** I'm just going to do some mental math here. I think the value of the Canadian market, on average, is somewhere around \$3.70 or \$3.80 per kilo, so \$3,700 or \$3,800 per tonne. The Asian market is somewhere between \$4 and \$5 a kilo, so \$4,000 to \$5,000 a tonne. What I've seen from the Middle East on a dollar per kilo basis, it's even a little bit higher.

I don't know if you could extrapolate that average out if the volume started increasing. I think it's fair to say between \$4,000 and \$5,000 a tonne, so take that in the middle, \$4,500 times 200. What is that, \$9 million...or \$900,000?

**Mr. Peter Julian:** Thank you.

**The Chair:** We have one final question from the parliamentary secretary—no, the Liberal critic for international trade.

**Ms. Martha Hall Findlay:** We'd have to switch roles to be able to do that. Thanks anyway, Mr. Chair.

**The Chair:** You're welcome to just come over on your own. We'll trade you for Keddy any day. Just kidding.

**Ms. Martha Hall Findlay:** Mr. Masswohl, given that you volunteered to add a little bit, given the circumstances and the time, I am interested, and I don't want to keep everybody else, if you could just high level the top key issues that are creating stumbling blocks in Korea for us, from your perspective. That would be great.

**Mr. John Masswohl:** With Korea we've been close a couple of times; the market has almost been open a couple of times. Our understanding two years ago, it was February-March of 2008, was that they were going to open to the United States and then within about a month they were going open to Canada and we were going to have the same access the United States had. They opened to the United States and there started being protests in the streets and candlelight vigils. The Korean government basically reneged on the deal to the Americans—they pulled back the access they gave to the U.S.—and they reneged to Canada and gave us nothing.

We had some more discussions over a number of months and we just weren't getting anywhere. The Korean Parliament then passed a new law saying that if they were ever to open to another country that had a case of BSE, that would have to be approved by the Korean Parliament. You can imagine any momentum that there was just completely fizzled out and died at that point, because none of the bureaucrats were willing to put a bill forward. And the opposition in Korea was making some gains by criticizing our product and criticizing the leader for trading off...it was becoming a trade for the health of Koreans. Those sorts of things were happening. Once they created that perception, it became very hard for them to move off of it and say, "We were wrong, Canadian beef is safe after all."

We've been trying to work through on the technical side to help give the technical people the messaging they need to be able to say, yes, we've spent this extra two years with Canada looking at their systems. Hopefully we'll find they'll conclude that our product is safe.

But in the meantime, we have advanced a WTO case that was launched. Quite frankly, I feel the Koreans believe they're going to lose that case. I believe they are going to lose that case, and, more importantly, I believe they believe they're going to lose that case. If they lose it, the WTO is going say, the OIE standard is this, it's all beef from all cattle of all ages—which is even beyond what they are now giving to the Americans. That's a little bit of a scary prospect for them.

I think if it starts to become, in the Korean mindset, that if they can do a settlement with Canada that's commercially meaningful to us, because most of the product we're going to sell into Korea is from cattle under 30 months, and bone-in product is very important in Korea, ribs, long cut leg bones, and those sorts of things.... If we can get about 80% to 90% of the access we need, and get that now as opposed to going through a WTO process, where we get a first-level decision next spring and then an appeal...they can drag that out for another couple of years. I'd rather have it 80% now than 100% in two or three years. I think that's the dynamic we're at right now.

• (1635)

**Ms. Martha Hall Findlay:** Right. Much appreciated. Thank you very much.

**The Chair:** Great.

Mr. Keddy, did you have a small one?

Go ahead.

**Mr. Gerald Keddy (South Shore—St. Margaret's, CPC):** Quickly, Mr. Chairman.

On that very point, Mr. Masswohl, wouldn't it make more sense...? I agree with the bird in the hand theory, absolutely, and we're never sure we're guaranteed what happens at the end of a long litigation period. If that were the case, would we be better off to take 80% or

85%, or whatever could be settled on, with consent that at the end of a three- or four-year period—we're going to win the case anyway—we would have full and complete access? We should throw that in there.

**Mr. John Masswohl:** I think we certainly wouldn't give away the rest. We still need to say this is basically the down payment.

**Mr. Gerald Keddy:** In five years we want an open market, or four or whatever.

**Mr. John Masswohl:** It would be nice to have a timetable on the schedule. I think we probably wouldn't get that.

**Mr. Gerald Keddy:** Yes, I understand.

**Mr. John Masswohl:** I don't necessarily have all the right legal terminology, but I think we would suspend our WTO case rather than terminate it.

**Mr. Gerald Keddy:** Yes, I agree.

**Mr. John Masswohl:** If it turns out that it doesn't go as we thought it would, we can reactivate it at the same point.

**Mr. Gerald Keddy:** Perfect. Thank you.

**The Chair:** Great. Thanks, Mr. Keddy.

That will conclude our questions for the witness.

Mr. Masswohl, thank you very much again for coming and providing an excellent background.

**Mr. John Masswohl:** Thank you very much.

**The Chair:** I'm now going to ask the committee to suspend for about two minutes while we bid farewell to our witness and switch to an in camera meeting.

*[Proceedings continue in camera]*

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