House of Commons
Chambre des communes
CANADA

Standing Committee on Agriculture and Agri-Food

AGRI • NUMBER 016 • 1st SESSION • 41st PARLIAMENT

EVIDENCE

Thursday, December 1, 2011

Chair

Mr. Larry Miller

Standing Committee on Agriculture and Agri-Food

Thursday, December 1, 2011

● (1530)

[*English*]

The Chair (Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC)): We'll call our meeting to order and thank our witnesses for being here today, all of you. This is one of the bigger delegations we've had in a while, but thank you.

As you probably know by now, the minister is coming for the last half of this meeting, so if it would be possible, I'm going to ask all of you to keep your presentations to about seven minutes, rather than the normal ten. I think most of them are in hard copy that the members will get anyway, and it would just leave a little more time for questioning. So if you can accommodate that, we'd appreciate it.

Because there's a PowerPoint, we're going to start with National Steel Car.

Mr. Aziz, we'll turn it over to you if that's okay.

Mr. Gregory Aziz (Chairman and Chief Executive Officer, National Steel Car Limited): Thank you, Mr. Chairman.

I'm Gregory Aziz, chairman and CEO of National Steel Car from Hamilton, Ontario. With me are Hugh Nicholson, executive vice-president of marketing, sales and quality; Lorraine Johnson, our chief operating officer; and Leigh Scott, our regional vice-president of marketing and sales.

We're here today to present a dynamic solution through a new fleet of rail grain-handling equipment, which will go a great distance in solving the problems of the grain supply chain in western Canada.

If you'll look at the next slide, you'll see that National Steel Car is headquartered in Hamilton, Ontario. It was founded in 1912. We are the world leader in rail freight design, engineering, and manufacture. Over the last 12 years we've invested approximately $350 million in capital investment in robotics and automated manufacturing equipment and techniques. We occupy a 75-acre site in Hamilton, Ontario, which is approximately two million square feet. We employ more than 1,900 people and are the second largest private employer in Hamilton.

We have the capacity to produce more than 15,000 cars annually, and we manufacture all types of rail cars, with the exception of tank car equipment. We are the only rail car builder in North America certified to ISO 9001:2008.

Mr. Michael Hugh Nicholson (Executive Vice-President, Marketing, Sales and Quality, National Steel Car Limited): As the Canadian farmers sell their grains into a competitive global market, one of the biggest impediments to their success is the inefficiency of the current grain car fleet.

The most effective way to enhance the competitive position of Canada's grain farmers is to replace the existing Canadian grain car fleet, as it is past its useful life—obsolete and inefficient, from a variety of standpoints. The design is outdated. It provides a lower carrying capacity. There are inefficiencies in the loading and unloading. The dimensional envelope is outdated. As a result of the age of the cars, there's a high cost of maintenance and repairs because of obsolete parts.

This is our vision of a competitive solution for the Canadian agriculture industry.

Some of the key benefits to the grain producers are a 23% increase in the capacity. There's greater efficiency in performance through the entire supply chain and there's a lower carbon footprint for the sector.

With respect to the statistics comparing the new fleet to the existing fleet, we refer to gross rail load, GRL. That's the maximum load that can be carried on rail, combining the empty weight of a rail car and the loading weight or the payload.

As you'll see with the new fleet of cars, there's a 9% GRL increase. The cars are 4,000 pounds lighter than the existing cars. As a result, there are 27,000 pounds more grain in every rail car.

As a result of the increase in cubic capacity, there's a 15.5% increase. Due to the shorter length of car, there are also nine additional cars for every train start. There's also a 20% increase in the siding capacity as a result of the shorter car.

There are more efficient loading opportunities, and that's good news for farmers.

As I mentioned earlier, there are nine additional cars in every train, again resulting in a reduced carbon footprint.

There are only three discharge gates on the new cars, and that results in a 25% reduction in handling and reduced maintenance.

The average age of the current fleet is over 35 years of age. The new cars are designed for a 50-year life. This results in a 25% increase in the design life and provides for a modern and efficient fleet.

As a result of the additional capacity in the tonnage, there are over 2,800 tonnes more grain moved in every train start. That's a 21% increase.

There's a 23% increase in the overall cubic foot capacity of the train, resulting in over 145,000 cubic feet. The railways are increasing the length of trains all the time, so this improvement provides additional opportunity for extra grain movement.

Our summary of the economic assessment, assuming a three-year program, will result in 2,600 direct jobs. A conservative factor for the number of induced jobs is 10,500.

There will be 285,000 tonnes of steel consumed by this program, and the Canadian content will be 75%.

The supply chain for this program reaches right across Canada, as outlined in this table. I won't review it all, but you'll note the province and the commodity that can be provided.

● (1535)

Mr. Gregory Aziz: In summary, replacing the current obsolete fleet will increase delivery efficiency by moving more grain in each car within each train start. It will enhance the performance of the entire supply chain and lower the carbon footprint for the sector. It will create over 15 million hours of direct employment across Canada; deliver innovation, yielding enhanced competitiveness for all stakeholders; elevate supply chain performance to compete in the 2020 global marketplace; and provide Canada with the most modern grain car fleet in the world.

Thank you, Mr. Chairman. We'll take questions, if there are any.

The Chair: Thank you very much.

We'll move on to our other witnesses before questions.

From the Canadian Bankers Association, we have Mr. Brown, Mr. Montel, Mr. Wrobel, and Mr. Rinneard.

Who wants to start? Seven minutes, please.

Mr. Marion Wrobel (Vice-President, Policy and Operations, Canadian Bankers Association): Thank you, Mr. Chairman.

On behalf of the Canadian Bankers Association, its 52 members and 267,000 employees, I would like to thank you very much for the invitation to speak to the committee on the subject of Growing Forward 2, with a particular emphasis on competitiveness. I am here with Peter Brown, Scotiabank; Bertrand Montel, National Bank; and David Rinneard, BMO Bank of Montreal.

We are here to answer your specific questions, so I will keep my comments brief. I will however take a couple of minutes to highlight how we support farmers in rural communities, underpin competitiveness, and promote financial sustainability through our lending, our work on Growing Forward 1—notably AgriInvest—and the importance of relationships.

Banks have a stake in seeing farmers be competitive and succeed. Our bankers, operating in roughly 2,100 rural and small town branches, live and work in the same communities, building and maintaining versatile and durable relationships with farmers. These bankers have made agriculture a priority. Seventeen percent of total funds lent to small and medium-sized enterprises by banks across the country are dedicated to the agricultural sector. That's almost one dollar in five. Our bankers also donate both their business resources and considerable personal time to support local agriculture, associations, clubs, and events. We know as much as anyone that a strong farming sector means a resilient rural community.

Agriculture, more than any other sector of the economy, experiences wide swings in business conditions. In order to help our clients be successful, banks work closely with farmers through those inevitable peaks and troughs, and our record demonstrates that we have done so. This past decade has seen farmers confront BSE, avian influenza, drought, floods, H1N1 virus, and country-of-origin labelling, and we have worked with farmers to find solutions that are sustainable, take their individual situations into account, and that are in their best interests. Sometimes this requires difficult conversations with farmers. Ultimately, however, those conversations are meant to be in the best interest: to preserve the capital and net worth of the farming operation with the objective of ensuring its sustainability. The banking industry works hard in contributing to the long-term viability of the agricultural sector and the rural communities.

For farmers who wish to increase their profitability and build their business, improving competitiveness often means adopting innovative technologies, implementing new business practices, and accessing new markets. Banks supply the tools, advice, and capital support to help farmers accomplish these objectives, while providing them with the peace of mind to support their families.

Recognizing that the family farm is still a vital part of agriculture, on the personal side we help farmers save for their children's education and for their own retirement, through personal financial planning services to help them manage their investments. Banks provide specialized advice, lines of credit, loans and mortgages, and everyday banking needs such as deposit and savings accounts. Customers in rural Canada have access to the same services and prices as customers in Canada's largest cities.

On the business side, banks provide operating and deposit accounts, insurance, investments, one-on-one interaction around the business plans, and financial advice, in addition to operating term and mortgage loans. Banks also work with producers on succession planning to ensure a viable transition to future generations of farmers. Indeed, the industry has developed customized products for succession and transfer of ownership.

I'd like to take a moment to talk about how we underpin competitiveness and promote financial sustainability through our lending. Banks are an important source of capital for agricultural producers to allow them to expand and make their operations more productive. Operating and term loans, including CALA, and mortgages allow producers to buy farm inputs such as seed or feed, purchase machinery and equipment, install green power systems, and make land or building improvements.

Lending decisions are based on an assessment of the borrower's ability to repay the loan—making decisions on an individual case-by-case basis—and based ideally on a well-thought-out business plan. These decisions are balanced with more macro conditions such as the prospects for the business sector the borrower operates in, economic prospects in general, the cost to the bank of raising funds, etc.

Canadian banks have used the same prudent lending practices and excellent risk management systems in agricultural lending as they do in every other line of business. These practices and systems have led to a banking system ranked four years in a row as the most sound in the world by World Economic Forum, and ranked first in the world for financial strength by Moody's Investors Service for two years in a row.

● (1540)

Experiences in other countries have shown that poor risk management is not just bad for lenders; it is bad for borrowers as well, and its negative effects extend into rural communities generally and even the broader economy. The banking system's demands of its clients of a prudent degree of risk mitigation and management is competitiveness-enhancing in and of itself. This discipline allows agricultural producers to be better positioned to deal with the difficulties in the industry and take advantage of the fact that maybe their competitors cannot.

Indeed, over the long term and consistent with our focus on prudent and responsible lending, bank credit has expanded in line with the agricultural sector's growth. Between 2001 and 2010, the provision of bank credit has been consistent with and appropriate for growth of economic output and net operating income in the sector. This largely reflects the fact that about two-thirds of bank lending is for the purposes of working and operating lines of credit. Not only is this lending linked to the level of agricultural activity, but it is also more complex than lending against assets. It requires the bank to truly understand its customers and to work closely with them over time.

The objective of Growing Forward's business risk management programs is to provide protection for different types of losses, as well as to manage cashflow. They are designed to be simple, responsive, predictable, and bankable. As banks, we encourage our clients to participate in available government programs in order to manage market risk that can lead to fluctuations in their farm income. This provides both the client and the lender with the additional level of comfort.

As banking is so heavily relationship-based, working with our clients is essential to understand what is going on with their businesses. As I mentioned a moment ago, our lending decisions are based on an assessment of the borrower's ability to repay the loan. For bankers to make a proper assessment of a business, they weigh a number of factors, including the financial health of the producer, the prospects for the business sector in which the borrower operates, economic prospects in general, and Growing Forward's BRM programs in which the farmer is participating. Not only do banks consider Growing Forward's BRM programs in their credit assessments, but banks directly administer AgriInvest and assist in developing and implementing the federal government's hog industry loan-loss reserve program, HILLRP, to restructure APP loans for hog producers. The AgriInvest program is a savings account for producers offered by banks to provide coverage for small income declines. Once an agricultural producer makes a deposit to an AgriInvest account at a bank, a matching government contribution will be credited to the producer's account.

Banks have invested a tremendous amount of time and resources to assist governments to meet their commitment of offering these savings accounts to producers. While implementing these accounts was not without difficulties, the government engaged the industry early in the process and the lines of communication were open at all times.

● (1545)

The Chair: Mr. Wrobel, could you just wrap up?

Mr. Marion Wrobel: Yes, I've just got one sentence left.

The Chair: Thank you.

Mr. Marion Wrobel: We were able to build on the strong relationship cultivated with government officials during AgriInvest to implement the HILLRP relatively quickly, in about three and a half months, to the benefit of producers.

Thank you for the opportunity for the CBA to meet with you on your study. We would be pleased to answer any questions you have.

The Chair: Thank you very much.

We'll now move to Farm Credit Canada.

Welcome, Mr. Stewart and Mr. Carlson. It's good to see you here again. You have seven minutes.

Mr. Greg Stewart (President and Chief Executive Officer, Farm Credit Canada): Thank you Mr. Chair.

Good afternoon, honourable members. It is a pleasure to appear before the standing committee on behalf of Farm Credit Canada today. My name is Greg Stewart, and I am the president and CEO of FCC. With me today is Lyndon Carlson, our senior vice-president of marketing.

FCC is a commercial crown corporation, and we deliver financial and business services to the agriculture and agrifood industry. We provide 100,000 customers with financing, equity, management software, information, and learning events tailored to the unique needs of agriculture.

We focus on primary producers as well as suppliers and processors along the full value chain. We have provided more information about FCC in a handout in front of you.

FCC supports the Government of Canada's Growing Forward 2 framework. We concur with the vision of agriculture as an industry led by highly skilled, risk-taking, and forward-looking entrepreneurs who create value for our economy and the world. In a rapidly growing world, a safe and reliable food supply is absolutely critical. Canada will increasingly move to the front of the class, from an agriculture standpoint. By the year 2020, we will be one of only a handful of nations capable of producing enough food to sustain its own citizens, and at the same time we will help feed almost 200 other countries.

How can we further enable competitive enterprises in sectors in Canada? I've grouped my ideas into three themes: farms are getting bigger—and big isn't bad; agriculture management is sophisticated; and innovation and productivity are critical.

The first point concerns farms getting bigger. Agriculture now involves players of all sizes, from small farms to substantial commercial enterprises. It provides one out of eight jobs and employs 2.2 million people. The agriculture and agrifood sector is in fact Canada's largest employer. The industry is a huge part of Canada's GDP and affects the performance of our entire economy. It is big, complex, and of course increasingly diverse. There's a perception in some quarters that the family farm is disappearing and that commercial operations are not really farms anymore. For sure, the size of farms continues to increase, as it has for generations. However, almost all of agricultural operations are still run as family farms, despite their size.

Our mindset needs to shift away from the view that our industry is a tiny boat on a rocky sea needing protection from rough economic waves. Instead, we need to view it as the major multi-billion-dollar engine that it actually is and help agriculture to capitalize on domestic and international opportunities. When inevitable cyclical and other challenges happen, policy and other instruments need to be designed to help all producers weather those storms. As with any other industry, we need to understand that bigger enterprises have very different needs from smaller ones.

Adopting a new mindset regarding the need for both large and small operations needs to happen within the industry itself, with policy makers, and throughout the entire value chain. We waste valuable energy when we think we have to satisfy the naysayers or those who are stuck on the old way of doing things.

An increasing number of successful farmers and agribusiness operators have already adopted this mindset. They do not fret about whether they're too big or too small. They appreciate that there are many different ways to succeed. What they all have in common is a thirst for learning and adopting leading-edge business practices. They need the government and Canadians from all walks of life to view farmers as the sophisticated business people they are.

The second point concerns management sophistication. Today's production advances and technology would have been viewed as science fiction less than a generation ago. Big or small, all farms and agribusinesses must master a demanding and complex mix of management capabilities. In essence, producers are just like any CEO of their own business. In the past, farms were often run with one or two hired hands. They now involve a team and outside specialists and require deep knowledge not only of production methods, but also of marketing, finance, HR, and IT.

Producers need information to acquire and develop skills in these areas. That's how they can leverage their position in the agrifood supply chain, both domestically and internationally. Our agriculture community recognizes the need to learn and innovate. For example, more than 14,000 producers attended our FCC learning forums last year. We have more than 33,000 subscribers to our weekly *FCC Express*, which according to our research is the most widely read agriculture electronic newsletter in Canada. We have more than 75,000 subscribers to our *AgriSuccess* magazine, which brings successful farm management stories to life.

That's just what FCC offers. We recognize that relevant, accurate, and timely agricultural information can be found in many places today.

● (1550)

According to the latest five-year data available from Statistics Canada, university enrolment in agricultural programs has increased by 16% in the last five years, with enrollment by women jumping by 19%. You can see that Canadian agriculture is a diverse, complex industry that is attracting some of the best and brightest of both sexes.

Successful farmers understand that knowledge is key to staying on top of sophisticated management practices.

On innovation and productivity, Canadian consumers enjoy some of the least expensive, highest-quality, and safest food in the world. That's directly due to innovation and productivity gains in the agricultural food supply chain.

Broad globalization pressures, a more affluent and larger population in emerging countries, and shifting food preferences at home are generating new opportunities for Canadian agribusinesses. A growing world population needs safe and reliable food sources. Export market opportunities will continue to increase, and at the same time, the emergence of low-cost suppliers in emerging markets is bringing new challenges to the Canadian industry.

Innovation and productivity will remain key drivers of prosperity for the agrifood industry well into the future, and a highly innovative marketplace will continue to yield positive returns for Canadian agribusinesses and households.

Agricultural research shows that high rates of return and continued funding should benefit farmers across Canada. For example, Canadian crop scientists developed canola, which has become one of Canada’s leading cash crops. Tomorrow’s discoveries will be just as vital. It’s as straightforward as remembering that two varieties of the same crop can produce dramatically different yields and profits.

Feeding the world means making sure that Canadian farmers can reap the benefits of the best agriculture science. Innovation and productivity are vital to the future success of the industry. We recognize the outstanding work of groups like Agriculture and Agri-Food Canada, the National Research Council, and the Crop Development Centre, and encourage the government to continue their support.

These are just some good ideas to reach what I believe is the very realistic goal of having the best agricultural economy in the world. This will add jobs and new opportunities for many Canadians.

In closing, agriculture is an incredibly diverse industry. Many sectors are doing very well, as you know, while some are facing challenges. I thank our colleagues in industry and government for their collaboration in addressing some of these challenges. For example, with AAFC and other lenders we worked with hog customers through a difficult period to provide some strategic support through the hog industry loan-loss reserve program, HILLRP. I firmly believe that these efforts helped preserve some of the key current and future businesses in this industry.

FCC is only involved in agriculture, so we are there for our customers through all cycles. That's the philosophy in our customer support program, and FCC recognizes the role we play in helping our customers through difficult economic, weather, and industry circumstances that are not of their making. These efforts are not handouts; they are “hands up” that respect the hard work and initiative that are the cornerstones of Canadian farming operations.

Generally speaking, Canadian financial institutions have done a good job of ensuring that credit is available to Canadian producers and agribusiness operators. All financial institutions have been able to provide affordable credit due to the lower interest rate environment that producers have benefited from with these lower rates. But it remains true for us, as for our competitors, that business is ultimately won and lost on the strengths of customer relationships and customer service.

To attain the vision of agriculture outlined in Growing Forward 2 we need to create a mindset in sync with our desire to have a competitive and successful industry. We need to flip the proportion of the time we talk about opportunity rather than challenge. When I say “we”, I mean all of us—farmers, financial institutions, the media, and the general public. Farming is a demanding business. However, its outlook is brighter than ever before.

FCC's vision panel takes the views of some 9,000 Canadian producers and agribusiness operators. More than three-quarters of those surveyed say their farm or business will be better off in five years.

Farmers, especially the next generation, need to feel proud about this industry. They need guidance counsellors who say, “You are smart and should pursue a career in agriculture.” They need access to capital with acceptable repayment terms and competitive rates that really kick-start their ability to start their own operations. Let’s not forget affordability. Although the perception may be that the cost of food has risen dramatically, the reality is that the overall cost of food, as expressed as a portion of a household’s overall budget, has significantly decreased from a generation ago.

Putting it all together, it tells a compelling story about our industry and its people.

Thank you for the opportunity to speak to you today. I look forward to any questions.

● (1555)

The Chair: Thanks to all of you for your presentations.

I'd like to remind our members and our witnesses that we're at five-minute rounds, and that includes the questions and the answers. I won't be quite as lenient today because we're restricted to an hour, so I will ask you to try to respect that as much as possible.

Mr. Allen has five minutes.

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

Thank you, folks, for being here.

Let me start with the National Steel Car folks, since you're closest to home for me. Coming from Welland, there are some of our folks who work at your operation in Hamilton.

It's a wonderful plan. Obviously it meets a need. It thinks forward. It gives a new piece, as you've outlined, and it reduces the carbon footprint. It becomes a more efficient car and handles more grain. It's a wonderful thing.

Do you have any orders yet?

Mr. Gregory Aziz: Yes. We're exporting this car to the United States right now.

Mr. Malcolm Allen: So you get orders from the U.S.?

Mr. Gregory Aziz: Yes.

Mr. Malcolm Allen: Do you get orders up here from CN or CP?

Mr. Gregory Aziz: Not currently.

Mr. Malcolm Allen: Not currently? Do you have any suggestions for this?

The first thing that came into my mind was this suggestion. There's a cash for clunkers program when it comes to automobiles, so maybe we need a cash for clunkers program for grain-handling equipment. We'd get rid of some of those producer cars that are out there.

Mr. Gregory Aziz: Well, there's no doubt.... That's a prescient observation. I mean, this rail system that currently exists will be broken within the next three to five years, and speed to market is vitally important to all of the stakeholders.

My colleague from Farm Credit has just gone through a very detailed dissertation on how the system works on the farm. We all know about that, but the fact of the matter is that once this grain is produced, it's the best grain in the world—we know that as well—and it needs to be sent somewhere. It needs to be sent to market. This current system will break in the very, very short term.

Mr. Malcolm Allen: Are you optimistic that in this country you're going to see orders you can actually fill, rather than seeing an order book fill up from the U.S. and then having Canadian operators turn to you and say they need them as well, and you having to say to them that they're going to have to wait?

Mr. Gregory Aziz: No, we wouldn't do that.

What needs to happen here is a very detailed investigation of what we're proposing. This is a tremendous opportunity for Canada. It's a tremendous opportunity for the whole supply chain, from the farm right to the port of export, or if it's being moved domestically in North America, so that this product gets to market with great dispatch.

Speed to market is very, very important, not only to the farmers but also to the handlers. We need to introduce this efficiency. This is an opportunity to essentially leapfrog Canada's competitors in world markets.

Mr. Malcolm Allen: I couldn't agree more, by the way.

Oddly enough, in the presentation you outlined actually where the components are sourced.

Mr. Gregory Aziz: Yes, sir.

Mr. Malcolm Allen: It reminds one of a Buy American program, but it's not actually about excluding folks. It's simply saying that we do good work in this country and you can source it here.

That's what you're doing presently. You're not actually giving an advantage to anybody through a legislative program. You're just simply looking at the competitive market and saying, “You know what? We can buy brake lines that come from Manitoba or Ontario and we can buy steel from here.” It's actually all sourced in this country. What an amazing way to actually create jobs.

I know that my friends across the way want to do that, so it seems incumbent upon us to find a way to make the rail operators in this country understand that it's in their best interests to start making those purchases now, it would seem to me. We're going to have to find a way to encourage them to do that.

But as the chair said, we only have five minutes.

I probably have about a minute and a half left, Mr. Chair.

● (1600)

The Chair: You have about a minute.

Mr. Malcolm Allen: Okay. I thought I could sneak an extra 30 seconds as the Scotchman on the team here.

Let me talk to the FCC folks really quickly. I've talked to your folks before in our region. They clearly are trying to help and support farmers, as you've said, through this cycle of ups and downs, all the ups and downs, because there is a multitude of different cycles.

Could you outline two or three things—right across this country really—that you think are really the top pieces for you in engaging farmers when it comes to finance? Are there difficulties, if you will? What are the pieces that you and they are really struggling with?

Mr. Greg Stewart: I'm having a hard time thinking about the things that we are really struggling with right now with producers. Honestly, the overall sentiment throughout most of the country is that the future of agriculture looks really bright. That's in the livestock industry as well: right now, we're seeing cattle producers looking to expand. Certainly the grain sector is looking very good. Even coming through the latest turmoil, hogs are looking better than they have in the last couple of years, for sure.

I'm not trying to dodge at all. We're not really facing significant struggles with our customers. They're telling us that we're meeting their needs and that in today's environment they're able to grow their businesses, and they are doing that.

The Chair: Thank you.

You're out of time, Mr. Allen.

We'll now move to Mr. Storseth for five minutes.

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

I'd like to thank everybody for presenting to committee today.

I'd like to thank you, Mr. Aziz and Mr. Nicholson, for your presentations.

I'd like to start with National Steel Car Limited. I thought your presentation was very strong. For the last month we've been dealing with competitive issues in agriculture, looking at new innovation.

One of the things that consistently comes up from western Canadians, whether they're shippers, producers, manufacturers, or distributors, is always enhancements to the rail sector. The level of service review is certainly something that gets brought up fairly consistently as something we need to do.

But when we get talking about the innovation and the research side of the rail sector, they often are at a bit of a loss for things we can do, solid programs we could put forward to help out and enhance our rail sector, and the delivery from point A to point B. Helping to unclog the ports is one of the problems we have with grain in particular.

First, you're a Canadian-owned company. You have roughly 1,800 employees, you said?

Mr. Gregory Aziz: Yes, sir.

Mr. Brian Storseth: And 75% of your product is made from Canadian products?

Mr. Gregory Aziz: Yes, sir.

Mr. Brian Storseth: This is a great story, which I hadn't heard before until I met you. I'd like to give you a chance to talk about your company a little, where you are successfully selling your product right now, and where you see your company's ability to solve some of the rail problems we have in our country.

Mr. Gregory Aziz: As I mentioned in my preamble, we are the leading rail car design, engineering, and manufacturing firm in the world. A lot of the work we do is patented. We have over 250 patents issued to National Steel Car on our rail innovation. We have 50 patents pending at any one time.

We've put an awful lot of thought into this renewal program for the Canadian grain fleet. In this presentation we've shown the tremendous advantage of this new equipment versus the existing equipment.

To go to one of the points you made, how does it unclog the ports? If you envision this equipment as a giant conveyor belt bringing grain to the ports, and you have 200 cars moving through an elevator at any one time and discharging their cargo, each one of those cars is much smaller, has a much smaller capacity, and this all takes time.

This grain all needs to be elevated so it can then be put on a ship to be exported. The amount of time that takes.... You only have a finite amount of time in 24 hours to discharge that grain. If every one of these cars is inefficient and smaller, as we showed in our presentation, the amount of grain that's elevated is much smaller than what could be done with this newer equipment, which has a higher capacity. You're discharging far more grain on a per hour basis and elevating it, which allows you to load ships faster. It gets rid of ship demurrage in the ports and turns ships around more quickly. Speed to market is a tremendous advantage for the grower and for all the members of the supply chain.

The prairie elevators.... It allows the railroads to move much higher tonnage to the ports with each train move, and the result is a lower carbon footprint.

You're moving five existing trains in four trains under this system. So if you can envision five train starts of, say, 200 cars, you're moving those five train starts with four trains with this new equipment. That's where the lower carbon footprint and the higher efficiency come from, and that's where the higher discharge rates at the ports or at the destination occur. That's how it all works.

● (1605)

Mr. Brian Storseth: It certainly sounds very innovative, and as you said, there is 23% more capacity with less carbon footprint. It sounds great.

Do you have any ideas on how we should replace the old fleet—10 at a time, the whole fleet at one time? Do you have any suggestions there?

Also, lease or own?

Mr. Gregory Aziz: That's something that needs to be discussed and explored perhaps at a later date. Our purpose in coming here today is to tell this committee that we have the capability to solve this problem and that there is a finite amount of time for this problem to get solved. We have the solution. It's a made in Canada solution. We're prepared to embark on this, put the full efforts and resources of our company behind it, and work with the entire supply chain, the policy-makers and everyone involved, to get this job done, because it needs to be addressed in the very near future.

Mr. Brian Storseth: Thank you very much for your time.

The Chair: Thank you, Mr. Storseth.

We'll go now to Mr. Valeriote for five minutes.

Mr. Frank Valeriote (Guelph, Lib.): Thank you all for coming and for your vital contributions to the agriculture industry.

You wouldn't be here if you didn't expect some tougher questions, so take no offence at some if you consider that.

My questions first are to Farm Credit. These are questions that are a result of my conversations with people who come into my office and speak to me.

I've been hearing from credit unions and other financial institutions in the private sector concern about the rapid growth of your market share, 28% since 1993, and if we keep going up, maybe 50% in the next 10 to 15 years. An advantage you have, of course, is a lower cost of funds, limited regulatory oversight, and no requirement to pay federal or provincial taxes. I'm just wondering how you respond to that, because there are other people who are trying, obviously, to get a piece of the action, who are at a disadvantage.

My other question is this. Your mandate hasn't been reviewed since 1999–2000. We're wondering if it's time for a review of your mandate. Would you be supportive of commencing a parliamentary mandate review?

You spoke of innovation. We all know about the lack of venture capital. I can't tell you how often I've talked to FCC in supporting innovation at local levels—I'll speak for Guelph, at the local innovation centre. As many meetings as are set up, and I'm not criticizing, I'm not seeing a meaningful contribution to innovation and commercialization, so that all our wonderful ideas aren't heading south all the time. I wonder if you could make some commitments to that extent.

But before you do, I want to ask a question of the banking industry, so that I can get all my questions out. Farm debt as of December 31, 2010, is $66.4 billion, up 6.1% over the previous period. I expect there are going to be some problems if our interest rates in fact go up. That could happen. It's very real. People are borrowing 100% of the value of their quota, for instance. I'm going to ask you how you plan to deal with the problem. And how do we insulate ourselves now for that eventuality?

Let's go with Greg first.

● (1610)

Mr. Greg Stewart: Thank you very much for the questions, plural.

Maybe I'll just quickly take your last question first, in terms of the venture capital side.

To date at FCC, we have invested over $100 million in venture capital, which has also attracted an additional $150 million of venture capital from other organizations, and we have just recently authorized another $50 million to be invested in the industry. So we are committed to trying to do what you said there.

Going back to the first question on competitiveness, we take that question very seriously. We have not changed our pricing practices to our front-line staff since we were mandated to borrow from the federal government. We track our pricing very strongly. In fact, we can say that we know that when it's reported, 88% of the time we are the same or higher than our competitor's price.

We do not intentionally win customers on price. They tell us—and we have lots of evidence to show that—they are willing to pay more to deal with FCC because of our commitment to the industry, because of the knowledge of our staff, because of our products, etc.

We also track how much time we face competition on deals. On deals under $1 million, our field staff only report competition less than 20% of the time, actually. So there is not this big rush of people looking for this kind of business, apparently, other than us. Now certainly many of those individuals who deal with us would come back and deal with us again. But if there were significant interest, somebody would be banging on their door to try to attract that business. They are not telling us that's true. When you get to loans over $1 million, then the competitive rate goes up to 48%. So there is certainly interest in big loans, or more interest, but it's still less than half the time.

Our growth is not a result of FCC pushing its products and services on others. We are growing because our customers are pulling us to serve them and help them grow their businesses and their enterprises so that they can achieve their visions and dreams and expand their operations and create jobs in Canada. That's why that's happening.

The Chair: You have 30 seconds.

Mr. Marion Wrobel: On that issue, I'd like my colleague from the National Bank to answer.

[*Translation*]

Mr. Bertrand Montel (Market Segment Manager, Agriculture, National Bank, Canadian Bankers Association): Good afternoon.

Debt is a matter of concern for us and one we follow closely. In the credit decisions we make, the first criterion is the ability to repay the debt. Given the relatively low interest rates at the moment, we make most credit decisions by assuming an interest rate that, in general, is the fixed five-year rate. This is higher than the variable rate, the prime rate.

[*English*]

The Chair: Okay, thank you.

We'll now move to Mr. Lemieux.

Mr. Pierre Lemieux (Glengarry—Prescott—Russell, CPC): Thank you.

I'd like to ask a question to the Canadian Bankers Association about the hog industry loan-loss reserve program, or HILLRP for short. I'll just explain to my colleagues how this program works. It was established to help the pork industry deal with immediate short-term cashflow pressure by converting short-term loans into long-term loans—basically 10- to 15-year loans. It was established in 2009, and I think all loans have to be repaid by 2025. So we're still in the early stages of the program.

When a farmer took a loan from a financial institution, for example, a bank, the bank would place a portion of that loan into a reserve account and the government would backstop the loan. I think in the first three years it was up to 90%; from three years to six years it was 80%; and from six years to the remainder of the loan it was 70% if there was a default on that loan.

There's a concern, particularly in Manitoba, that because the loss coverage is declining—especially at the three-year mark that is coming up in the next nine months or so—banks might call in some of these loans, because they're better protected by the government's backstop of that loan.

Can you comment and share your thoughts on this?

● (1615)

Mr. David Rinneard (National Manager, Agriculture, BMO Bank of Montreal, Canadian Bankers Association): I'm happy to comment. Thank you for your question.

First of all, I think the Department of Agriculture should certainly be commended for assembling this program in an expeditious fashion, with significant consultation with industry and all lenders—those represented at this table today and a host of others. They made a really genuine collaborative effort in relatively short order.

The minister asked us to assist with the program in the summertime, and by mid-fall the program was launched and was available to producers to utilize.

I suspect that many of you probably know the hog sector. Up until that point—

Mr. Pierre Lemieux: Sorry, I have two other questions I want to ask, so could you comment specifically on the worry of Manitoba farmers that some banking institutions may call in their loans early because the government backstop is higher in the early years of the program, especially when it's meant to be a 10- to 15-year program?

I want to ask two other questions and I only have two minutes left.

Mr. David Rinneard: Your deduction is quite accurate on the way the program is structured. Certainly those in my organization, and I suspect everybody at this table, have worked far too hard to earn a sterling reputation in Canadian agriculture. It's the most significant subsector we serve as an organization. We've experienced portfolio growth for at least the decade I've been around. There's no way we would look to circumvent a government program to eke out an extra 10 points on any one customer—guaranteed.

Mr. Pierre Lemieux: Thank you.

What recourse would a farmer have if he felt that this had happened to him?

Mr. David Rinneard: Farmers should be perpetually in consultation with their respective lenders on this issue. If they see that they're not getting the necessary receptivity at that level, there is certainly a conduit for them to talk to people in the Department of Agriculture. That's what I would encourage those folks to do.

Mr. Pierre Lemieux: In there any recourse through the Bankers Association instead of Agriculture?

Mr. David Rinneard: I know that all of our organizations have ombudsmen. There is also an ombudsman representative for the industry. These two may be ideal conduits for them to pursue any material issues they foresee.

Mr. Pierre Lemieux: Very quickly, my last question is whether you have a role to play in any of that. If this were to happen to more than one farmer and you detected that, does the Bankers Association have a role to play?

Mr. David Rinneard: Speaking for my organization, I'm the national manager of agriculture, so I would certainly like to be apprised of those developments. I would encourage anybody at this table to contact me to share any findings, or even rumblings of anything like this transpiring.

Mr. Pierre Lemieux: Thank you.

The Chair: Thank you, Mr. Lemieux.

We'll now move to Ms. Raynault for five minutes.

[*Translation*]

Ms. Francine Raynault (Joliette, NDP): Thank you, Mr. Chair.

My question is for the people from the Canadian Bankers Association.

How do you propose to encourage the next generation to get into agriculture, given the major investments needed for an agricultural operation?

[*English*]

Mr. Peter Brown (Director, Agriculture, Scotiabank, Canadian Bankers Association): Thank you very much for raising that question; it's certainly one we're interested in. I can say that all of the Canadian banks have activity and interest in this area, and I can speak specifically on Scotiabank's involvement.

About six or seven years ago, we brought forward a program called Scotia farm legacy services to address this very issue of transition from one generation to the next. The purpose behind that program is to take a look at the whole situation of the farm client, not just one-silo investments or the soft issues or the accounting issues, but the whole picture of the farm clients. And we bring in the specialists of the farm client.

When it comes to the next generation and financing them, that's part of our program as well. We certainly want the business to continue. We have to look at how we can do that. We have some financing programs in place to involve the retiring generation in a vendor take-back approach, and I'm sure the other banks have mechanisms that they bring to bear.

We do not want to saddle that next generation with so much debt that there is no ability to withstand any bump in the economy or in their situation. We have to walk that very fine line of finding a solution that is long term in nature, that probably involves the retiring generation, but that continues the operation. We're very serious and very interested in that.

● (1620)

[*Translation*]

Ms. Francine Raynault: People retiring could then live comfortably, not in poverty because they sell their farm for a song to their children so that they will not be in debt when they take over. Your goal too is to avoid situations where parents selling the farm do not spend the rest of their days in poverty.

[*English*]

Mr. Peter Brown: Absolutely. That's the whole purpose for working with the client and looking at their whole situation: you can work out a plan where you can see what the needs are for the retiring generation. To see how we can get that retiring generation to have a satisfactory retirement is always our first position going in.

The first question we always get from the retiring generation is whether the business can continue for the next generation. We need to answer that, so we do both sides of it. It's very, very important that we work with the customer's accountant and lawyer to make sure we have all of those issues covered off.

I think the holistic approach in understanding the whole situation is really the key here to helping that next generation.

[*Translation*]

Ms. Francine Raynault: Thank you.

[*English*]

The Chair: Ms. Raynault.

[*Translation*]

Ms. Francine Raynault: Okay; I have a little time left.

My next question is for the people from Farm Credit Canada.

The banks and the Desjardins Group are critical of Farm Credit Canada's lending policies that allow payment holidays on the principal that can last as long as an entire year in cases of real difficulty. Does the practice not encourage farmers to get into even more debt? Doesn't it make them more vulnerable?

[*English*]

Mr. Lyndon Carlson (Senior Vice-President, Marketing, Farm Credit Canada): Well, I would say that one of our key efforts is to support our customers through all types of situations as we go through the cycle, such that a lot of our mortgage loans do provide the facility for the customer to take a principal payment holiday for up to one year. That money will all be repaid in full by that customer. We've just let them put on the pause button on a principal payment in a challenging year so they can regroup and make sure that farm and that business are financially viable on an ongoing basis, versus the alternative of falling into arrears, finding themselves behind, and also finding themselves in a difficult time to recover.

So we don't have a program such that there's a reimbursement of principal. We do have a program that allows a customer to press the pause button on a principal payment during a difficult year, and it has been very successful over a number of years.

The Chair: Okay. Thank you very much.

Now we'll move to our last questioner.

Mr. Payne, I understand you're splitting your time with Mr. Lobb.

Mr. LaVar Payne (Medicine Hat, CPC): Yes, I am. Thank you, Chair.

The Chair: Go ahead.

Mr. LaVar Payne: I thank the witnesses for coming today.

My questions really follow up on what Mr. Rinneard said in terms of young farmers. I guess I have some curiosity—and this is for both the Canadian Bankers Association and Farm Credit—about young farmers who decide they want to go into farming.

Let's say I am 20 years old, I've gone through agriculture school, and I want to get into it, but my folks don't have a farm. What are you doing for those young people who want to get into it? Are you able to help them out on a financial basis?

Secondly, what do you do for organic farms, which are definitely totally different in terms of the nature of general farming?

● (1625)

Mr. Greg Stewart: I'll happily go first.

As you know, farming is a capital-intensive business, and like any other big business, whether it's a car dealership or whatever it is, typically your parents are in it if you go in it.

We have a couple of loan products. One is the transition loan that helps with the intergenerational transfer, but we also have specifically a first-step loan, which is for young producers starting out. We try to give them an advantage to start out, and we're actually working on expanding that loan going forward.

Just in terms of young farmers who are interested, we did over $1.6 billion of our lending last year—over 25%—to young farmers. So there are a lot of young people interested in agriculture, and we think that's a great thing. We are also out there educating and talking to universities, trying to get people involved in the industry, I would say.

Dave.

Mr. David Rinneard: Yes, I'm happy to continue with that.

One thing that's actually been quite innovative in the last little while is a new program that a lot of the commodity boards have issued. One that we just participated in earlier this week was for a poultry producer who is a new entrant.

They're mostly called new entrant programs. The new entrants come into the program on a rented quota program, whereby the quota actually is allocated to them for a temporary amount of time. Through that period, they are then afforded the opportunity to achieve the necessary economies of scale to be successful in those respective industries. We've worked extensively with many of those commodity boards to see those new programs come through to fruition.

Mr. LaVar Payne: Okay. I'll turn this over to my colleague.

Mr. Ben Lobb (Huron—Bruce, CPC): My question is for Mr. Stewart.

Mr. Stewart, if I walked into an FCC facility and wanted to buy a farm for the first time—that's one scenario—or Farmer X walked in, who has been a farmer and had a relationship with you for, say, two decades, and wanted to buy, would I have the same interest rate that he would? Or would he have a lower rate?

Mr. Greg Stewart: If you came in off the street and your asset base, repayment history, and all of that were much less than somebody else's, your rate would be higher, for sure—

Mr. Ben Lobb: Okay.

Mr. Greg Stewart: —and I would say that if you had a sound business plan that would work, it wouldn't be astronomically higher; it's not venture capital rates or anything like that. But proven producers—stability in business—do have an advantage in terms of rates, yes.

Mr. Ben Lobb: We could debate that all day. I would argue that if somebody walks in to buy a farm for the first time and has a great record of repaying their own residential mortgage, say, and has maintained that and kept it in good order, to promote young farmers...you would almost think their rate would be lower than somebody with an existing rate if you're in fact trying to help young farmers. But I'll leave it at that for now.

Mr. Aziz, I thought that was a great presentation, and it's a great product that you're offering. Certainly in Canada we have the best run of the big rail and we have the worst run of the big six railways. If you were going to talk with Mr. Ackman from Pershing Square, which now has a 12% stake in CP rail, what kind of competitive advantage would a railway like CP have by using your new design of rail cars? What would that add to their efficiency as a corporation?

Mr. Gregory Aziz: First of all, it would be inappropriate for me to comment on a particular railroad, but the efficiencies we've outlined are available to anyone who wants to buy it. The key factor here, and what we tried to illustrate...we made a specific case to the existing grain car fleet in operation now, because that fleet and all its capacities are known. When you go and take this car and put it against a railroad, which has a diverse number of cars all of different capacities, you come to a conclusion that is very nebulous for discussion purposes.

One of the key factors of the merits of the system we're proposing is that we're proposing this be run basically in unit trains. In other words—and we've all seen these out west—where you don't have a mixed freight train, you have a unit train composed of 150 to 200 grain cars, all taking grain to the Port of Vancouver or up to Prince George or wherever, or to Fort William, Thunder Bay, to the elevators there. So the biggest impact this makes is in unit train service. That's why it's important that our proposal, as we've proffered it, be done in the way we've illustrated this afternoon.

● (1630)

The Chair: Thank you very much, Mr. Aziz.

To the Canadian Bankers and to Farm Credit, thanks very much for your presentations on the financial side. Very good to have you here again.

Mr. Aziz, I was very impressed with your presentation as well. A very interesting concept. I think we're going to hear more on it. There were a lot of good questions on it.

Mr. Gregory Aziz: Thank you, Mr. Chairman.

The Chair: All of you, thank you again for being here today. We appreciate it.

Merry Christmas to all of you.

We're going to break for 30 seconds. If I could ask the witnesses to leave the table as soon as possible, we'll bring in the next round.

Thanks again.

● (1630)

(Pause)

● (1635)

The Chair: We'll resume our meeting here.

Thanks very much, Minister, for being here today, and Mr. Knubley and Mr. Da Pont.

Before we get started, Mr. Minister, I want to recognize a young fellow from my riding, Chad Richards, who is going to Carleton University.

A voice: Oh, oh!

The Chair: I know, it's shameless.

Chad is sitting in on his very first committee meeting. He comes from a rural town in the heart of beef country, from a small high school with the only agricultural curriculum in my riding.

Welcome, Chad.

With that, Mr. Minister, we'll turn it over to you.

Hon. Gerry Ritz (Minister of Agriculture and Agri-Food): If he would just hang around with you, Mr. Chair, he could learn by osmosis.

Voices: Oh! Oh!

Hon. Gerry Ritz: Thank you, Mr. Chair.

It's certainly a pleasure to be here today. I want to thank this committee for your continued hard work to move the agricultural sector forward, particularly around Growing Forward 2 and building competitiveness in the sector.

Like you, our government knows that agriculture plays a vital role in the Canadian economy. We're working hard with industry to help it grow and compete, and to move any barriers to competition out of the way. We're seeing a lot of farm industries firing on all cylinders right now, with higher prices and incomes, strong demand, and a more positive forecast for the future. We're seeing very good results so far in 2011, with farm market receipts up almost 11% January to September, thanks to double-digit gains in prices for grains, oilseeds, cattle, and hogs. Clearly our farmers are making more money from the marketplace, and that's great news.

Even better news, farmers are keeping more of those dollars, with record profits last year, the highest in two decades. And by lowering our corporate tax rates another 1.5%, agriculture from the farm gate up is well served. At the same time, we continue to support Canadian farm families during times of need. That's reflected in the supplementary estimates you have in front of you here this afternoon.

You'll notice that these estimates appropriately reflect the challenges that have been dealt to Canadian farmers. The majority of these estimates are emergency assistance to producers affected by flooding in Alberta, Saskatchewan, Manitoba, and Quebec. At the same time, our government is also investing more to protect consumers and preserve the excellent reputation of Canada's food industry, both here at home and around the world.

As a result of our commitment to continuous improvement in food safety, and under the great stewardship of George Da Pont, president, the Canadian Food Inspection Agency has received the resources necessary to hire a large number of additional inspectors. Over the past five years, the CFIA's inspection staff has increased by 733 people. The agency has launched a national recruitment strategy that will provide an ongoing pool of qualified inspectors for years to come. That's why, in the 2011 budget, $100 million over a five-year period was committed to the agency to support the work of these inspectors.

We're also reducing the red tape burden to help our farmers compete and make their money from the marketplace. As you know, money is made filling out orders, not government forms. In response to a motion from the member for Lambton—Kent—Middlesex to help Canadian farmers get access to agricultural inputs available to producers in other countries, we have worked to streamline regulations. Most of these are under the jurisdiction of the PMRA, under Health Canada, as you well know, but fertilizers fall under CFIA, and George and his team have worked tirelessly to ease that backlog. We've caught right up, and we're moving forward. So that's good news.

Farmers and agribusinesses now enjoy a regulatory approval process, where foreign research and approvals are being leveraged to a much greater extent, to speed up approvals for products here in Canada. We have sent a clear message to the industry that we hear them and we support them. We will continue to work hard to create conditions that support farmers' calls for a more competitive and level playing field.

We're maintaining the confidence that both Canadians and our trading partners have in the high quality and safety of Canada's food. Our government knows that trade is crucial to our farm gate, given that between 50% and 80% of most commodities are exported. That's why we've worked with industry to open, reopen, and expand markets in every corner of the world. Our government's market access secretariat has been a strong driver of success.

Working with industry, we've returned home with some tangible results for our farmers, producers, and processors. And the results show. Last year, our agriculture and seafood exports topped $39 billion, our second highest in history, putting us in the top five agricultural exporters in the world.

The secretariat recently released a report highlighting our achievements in 10 key market areas in the first year. Among them were Russia, where our beef exports more than tripled in value; China, where we negotiated transitional measures for canola seed exports, which enabled farmers to maintain almost $2 billion in canola exports to that vital market; and the United States, where we have significantly extended and expanded opportunities for Canadian canola exports for biodiesel production in the U.S., a market the Canadian canola industry estimates is worth up to $450 million a year. Everywhere we go, we're finding new customers who want to buy Canadian.

Free and open trade creates jobs, deepens prosperity, and makes our country more competitive in the global marketplace. Our government understands this. That's why we've concluded free trade agreements with nine countries in less than six years, why we're in negotiations with many more, including the European Union and India, two of the largest markets in the world, all the while protecting supply management.

As the Prime Minister said in the House the other day:

> It is always our intention when we go to the table to ensure…we protect and we promote the interests of all Canadian sectors, including supply management.

● (1640)

Supply management, as you know, is a system that works and is wanted by our industry.

Two weeks ago, we tabled legislation to implement Canada's free trade agreements with Panama and Jordan, two markets that are becoming very important to Canadians. We continue to work hard to level the playing field for our farmers.

A couple of weeks ago, the WTO found in favour of Canada's claim of discrimination because of the U.S. mandatory country-of-origin labelling, or COOL. This is a great achievement for our livestock industry, and we'll be working with our American allies to create a stronger, more profitable livestock industry on both sides of the 49th parallel.

We're also working to level the playing field here at home through the Marketing Freedom for Grain Farmers Act. This legislation will give western Canadian grain farmers long overdue equity with farmers here in Ontario and other parts of this great country. We continue to work with industry and the Canadian Wheat Board to ensure maximum clarity and predictability for producers and the rest of the trade through the transition to an open market.

We have struck a working group to look at crop logistics issues, and we are already seeing some exciting new developments in value-added investments in western Canada. Marketing freedom will drive innovation across the Prairies in value-adding processing and exciting new niche market opportunities.

Our government knows that innovation drives competitiveness. That's why in our most recent budget we committed $50 million to foster new growth for agriculture and new growth for the Canadian economy. The new agricultural innovation program is designed to accelerate the pace of innovation and help innovative products and technologies get off the drawing board and into the market. It will improve the productivity and competitiveness of the Canadian agricultural sector and help capture opportunities in domestic and global markets.

I'm proud of our government's ongoing support for innovation in agriculture. Innovation will be a vital tool for our farmers and processors to meet growing global demand. It's mind-boggling to think that the world's population is expected to reach 7.6 billion by 2020, up from 7 billion today. That's an extra 68 million people to feed each year, and that represents exciting opportunities and challenges for our agricultural sector.

If our producers and processors are going to continue feeding the world, they're going to require the right tools. For the past three years, the Growing Forward framework has been delivering flexible, proactive programming that's helping farmers tackle real issues in the agricultural sector. As you know, the current Growing Forward agreement ends on March 31 of 2013. We will continue to meet with industry and provincial and territorial governments to shape a new agricultural framework for the future that will help us move to a more modern, innovative, competitive, and sustainable sector that will define our success over the coming years.

Federal, provincial, and territorial ministers endorsed the direction of the next framework at their annual meeting last July in Saint Andrews, New Brunswick. Ministers agreed that the next policy framework must help the agricultural industry capitalize on emerging market opportunities, supported by world-class research and development, a new generation of farmers, and an efficient regulatory system. I expect that the next policy framework will be a modern, coherent, integrated approach for a progressive sector confronting the challenges of a fast-paced competitive global economy.

Two rounds of discussions with industry are complete. A third round, focusing on program design, is planned for the new year. Of course, the great work happening at this table will be invaluable input as we shape this new framework for success for our farmers and processors.

Mr. Chair, like you and the members of this dynamic committee, I'm optimistic about the prospects for the Canadian agricultural sector, and I know that everyone around this table, regardless of political stripe, wants to see it grow and prosper. I look forward to continuing to work with you over the coming years to grow new opportunities for our farmers and our food processors.

I welcome any questions you may have, Mr. Chairman.

Thank you.

● (1645)

The Chair: Thank you very much.

Is there no presentation from Mr. Knubley or Mr. Da Pont? No, okay.

Just as reminder to our committee members, particular attention is paid to the questioning of public servants. The obligation of a witness to answer all questions put by the committee must be balanced against the role the public servants play in providing confidential advice to their ministers. The role of a public servant traditionally has 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. And I know all of you always respect that.

So with that, we'll turn it over to Mr. Allen for five minutes.

I understand you're splitting your time with Mr. Rousseau.

Mr. Malcolm Allen: That's correct, sir.

Thank you, Mr. Chair.

Thank you, Minister, for being here. Let me convey our apologies about the late notice. We really appreciate you taking the opportunity as quickly as you did to respond to our request. It's greatly appreciated.

Let me talk a little about what you have termed as the free and open trade that is your government's position, versus what some of our competitors might actually look at. You used the latest Bill C-18 on the Canadian Wheat Board as that open market piece, versus what our trade competitors and future trade partners talk about as a closed market, that being supply management.

Clearly we've entered into a new realm with the EU, which we're in negotiations with, and the Pacific folks as well when it comes, which includes New Zealand. We see the juxtaposition of an open market for wheat, as you've described it, and a closed market and supply management, as our foreign folks see it, and we want to have agreements with them. So how do we square the circle with them, in lieu of the fact that the minister said in the House that supply management goes on the table—as everything does—and then they work backwards to take it off?

There's one last caveat before I let you comment on this. The Minister of International Trade said today, in reply to a question from the opposition about grain, “What do you want us to do with it—make bread here? We'll export it.” That really suggests to me that the Minister of International Trade is talking about an export market for a raw product, but the Minister of Agriculture—rightly and commendably so—is talking about value-added. So how do we square those circles, Minister?

Hon. Gerry Ritz: We do it quite easily, Mr. Allen. We've been able to have a very aggressive free trade policy in this government and still back-stop the industries that work well domestically. You wrongly point that supply management is a closed shop. Roughly 5% a year of our domestic consumption is allowed in from other countries. That means on an annual basis some $150 million from the EU comes into Canada. We have $30 million of access back.

In the case of New Zealand, I think in the last four years it was in the neighbourhood of between $80 million and $100 million on average, and we have zero back to New Zealand. So it's not a closed shop as such. The Canadian Wheat Board was a mandatory system only in western Canada. The supply managed system is embraced coast to coast to coast in all provinces and territories, and it is well liked by the farmers it serves—and they serve it.

Having said that, I don't see any problem continuing with the aggressive trade agenda we have, protecting supply management yet talking about market access and other issues. Every country in the world has defensive and offensive positions. In the case of the TPP, the United States is very vocal and open about maintaining their support for sugar, cotton, and some dairy. The Japanese are very cognizant of the fact that they will not move on rice protection. Certainly we're not alone in having defensive positions as well as offensive positions.

The last part of your question was...?

Mr. Malcolm Allen: The Minister of International Trade is the person responsible for the trade deal.

Hon. Gerry Ritz: Right. We do a combination of both. The domestic market is well served by the top-quality Canadian wheat, corn, and so on that go into the baking system. We still export on average between 50% and 80% of those commodities, so he's right in both ways. You're picking only one part of the equation. Certainly we'll make bread with it at home, but we cannot use up everything we produce and have the ability to produce more.

Canada, very fortunately, is one of the few countries in the world that has the ability and the technology to step up and produce for a growing global demand. We're happy to do that, but it's going to take biotechnology and the tremendous work ethic of Canadian farmers and processors who are willing to step up and continue to do their jobs as well.

● (1650)

[*Translation*]

Mr. Jean Rousseau (Compton—Stanstead, NDP): Thank you for being here, Minister Ritz.

Yesterday, I took part in the congress of Quebec's Union des producteurs agricoles. This morning, Mr. Paradis, your minister of state, addressed the delegates at the congress. In his speech, he reaffirmed in the strongest terms the government's focus on innovation and commercialization, as well as its commitment to support the supply management system that regulates a large part of Quebec agriculture.

On the one hand, you unreservedly support the supply management system. We see that. But on the other hand, the end of the Canadian Wheat Board monopoly signals a significant change in the way wheat and barley are sold in Canada. This also worries people in the UPA.

This lack of consistency creates confusion and uncertainty among our farmers. At the congress yesterday, in fact, UPA members passed a number of motions expressing concern about the matter. How can they be sure that the government will not be changing the way they bring their products to market, as you have done for farmers in the west?

[*English*]

Hon. Gerry Ritz: I can assure you, Mr. Rousseau, that we work with industry, and we work with provinces and territories. We have a very good working relationship across the country and with all sectors of the industry. I've made myself available as often as I can and as quickly as I can in instances like this and in those instances of meeting with the supply managed or the UPA.

I understand there may be some leadership changes there, from Christian Lacasse, who has done an excellent job representing Quebec farmers. I understand Marcel Groleau may be the next president; he's a tremendous gentleman as well. He is serving me well on some advisory boards at this point.

There is no fear that we will arbitrarily change things. We've never done that, even in the case of the Wheat Board. We had the support of three of the four provinces involved in that. We had the support of all of the major livestock, grain producers, and so on in that Wheat Board area, with the exception of the NFU.

We don't operate arbitrarily. We sit down, work our way through, and chat to make sure we're on the right track. We did that with the Wheat Board. We could constantly meet with the UPA, and as you said, my good friend, Minister Paradis, was there to meet with them. He'll report back to me on what he heard, and so on, very soon.

But at the end of the day, we are the party that had support for our supply management in our campaign platform. We are the party that brought it up in the throne speech, and we continue to support them in every way we can, because they help drive the Canadian economy. They do a tremendous job.

The Chair: Okay, thank you.

Mr. Zimmer, five minutes.

Mr. Bob Zimmer (Prince George—Peace River, CPC): Thank you, Minister, for coming.

I'll actually be sharing my time with Mr. Payne.

We had good news Monday with our legislation, but we just heard that Bill C-18 has just passed second reading in the Senate. So that's absolutely great news for those of us who support that.

We've heard a lot of myths dealing with the CWB, a lot of stuff, and a lot of rhetoric in the papers and from the opposition parties. But can you clarify what actually is occurring with regard to the Wheat Board? Are we destroying the Wheat Board, or what is the actual story?

Hon. Gerry Ritz: The only thing that will change with the Wheat Board is that the single desk—the monopoly—will be gone. The Canadian Wheat Board will still be there, it'll still be at the same address, and we're hopeful that a lot of the really good marketers and analysts and so on, which the Wheat Board has developed over the years, will stay with the Wheat Board and continue to offer pooling and a brokerage.

The Wheat Board now will actually have more tools in its toolbox to offer farmers as well. They can pool any grain, they can broker any grain, they can facilitate, and they can do whatever is needed to make sure they serve farmers in the best way forward. They'll have the ability to strike partnerships with any of the industry players. They'll continue to work on contracting with railways. They'll continue to work with producer cars, but as you well know, producer cars are guaranteed under the Canada Grain Act and administered by the Canadian Grain Commission.

They'll continue to operate in a way that will flow the check-off. We're making sure that the check-off stays there for science and research. The check-off will be done at point of sale, and of course the board will be involved in some of that, making sales. The check-off will then flow back through Agriculture Canada during that five-year transition. That's already geared up to five years, so we make sure the Western Grains Research Foundation and all the other groups are well funded and still able to move forward.

A lot of the situations will stay the same. The only thing that changes is that farmers are no longer forced to deal only with the Canadian Wheat Board. They'll be able to deal with the same multinationals, if they so desire, that they do with their canola and their special crops. They'll be able to deal with other brokers who will pop up and other pooling systems that will pop up.

I met yesterday with Brad Vannan of ICE. They'll be up and running very soon into the new year, offering a pool for wheat. They've had one for canola that's very successful. Farmers recognize their expertise.

So not a lot will change with the actual Wheat Board, with the exception of the single desk.

● (1655)

Mr. Bob Zimmer: You spoke about it a little bit in your statement just now, but can you explain in a bit more length some of the tools the CWB is going to have? We're actually expanding their toolbox versus cutting it off. Could you explain in a little bit more detail what we're doing there?

Hon. Gerry Ritz: As I said, other than the single desk, they'll now have access to other grains.

Should they desire to keep using the Port of Churchill, we've also put in place an incentive of $5 million a year, but it will incent more than just the old Wheat Board grains. So any pooling that will be done with farmers holding their grain to make use of that Churchill port, the Wheat Board can actually take part in more grains than just wheat, durum, and barley, which is good news for them as well.

There are a number of changes that are coming, working with industry. Of course the Wheat Board is a valued partner on our Crop Logistics Working Group that is co-chaired by my deputy minister, John Knubley, and Gordon Bacon of the Canadian Special Crops Association. The Wheat Board is a vital player on that as well. That'll streamline how we handle and move our products from the farm gate right through to the port.

Mr. Bob Zimmer: Good. Thank you.

The Chair: You have about a minute and a half, Mr. Payne.

Mr. LaVar Payne: Thank you for the last minute and a half, Chair.

Thank you for coming, Minister.

We heard, Mr. Minister, a couple of weeks ago, that the World Trade Organization has said that the U.S. country-of-origin labelling certainly discriminates against foreign markets, particularly us, in Canada. Could you maybe update this committee on why the decision is good news? What does that mean for Canadian families and workers in the livestock industry?

Hon. Gerry Ritz: Of course, this is the next step in the process. I fully expect that the Americans will appeal. They have a history of doing that. Having said that, we're a long way down the road to completing getting back to normalcy, in both directions, along that 49th parallel.

As you well know, the country-of-origin labelling put our livestock sector, predominantly, into a tailspin. American producers and processors, who were buying feeder cattle or weanling hogs, weren't sure if they should or could, because they had to be held separately all the way through the system—they had to be labelled separately, and so on—to go on the store shelves. We never saw it get to that extent, but there was always that hammer hanging over our head.

There's always been a differential in price between Canadian and American stock. This spread that differential. Our dollar climbing actually exacerbated the problem.

It's good news for our livestock sector. We have tremendous allies in the livestock and processor sectors on the U.S. side as well.

I fully expect them to appeal it, which means that our day of celebration will be held in abeyance for six or eight months.

The Chair: Thank you.

I'll move to Mr. Valeriote for five minutes.

Mr. Frank Valeriote: Thank you, Minister, for coming in today.

I can assure you that there will be a day when I'll be able to share my time with somebody again.

Some hon. members: Oh, oh!

Mr. Frank Valeriote: I have two questions for you.

Gerry, you know these names. You know Dave Smardon, from Bioenterprise. You know Gord Surgeoner. You know about their efforts to commercialize all this wonderful innovation that's out there.

I put it to you that we have some wonderful innovation. You know where it's going on. It's going on in Guelph and in other communities. I'm wondering why we are not putting more effort into putting the minds and the money together, supporting it with some government money so that it can leveraged, and really keeping our innovation from heading south. I don't see it in the estimates. I wrote you a letter on this, and I'm anxious to get your response. There's so much good stuff going on. I'm asking you to do that. If it's not in the estimates, what will you be doing?

My second question you may find a little more offensive. It is about the Wheat Board and the $200 million cap. There are a lot of people, including Stephen Vandervalk, who are plenty angry about this. From our perspective, and you can deny it, it's being used to fund the eventual liabilities for transitioning the Wheat Board. I see nothing in the estimates at all for that transition, which will probably start as soon as this legislation goes through. I understand that it has gone through second reading at the Senate and is likely to be law before Christmas. So that transition is going to start right away.

What's going to be the cost of that, which the $200 million you've raised the cap by isn't going to cover? It is not showing up in your estimates,

● (1700)

Hon. Gerry Ritz: Starting with the moneys for commercialization of good ideas, absolutely, we agree with you. There are some tremendous opportunities to do that.

Historically, it is money at risk. A lot of people back away from it, because there's always a larger risk factor. That's why, in last spring's budget, we committed another $50 million to do exactly what you're talking about.

Mr. Frank Valeriote: That's for innovation.

Hon. Gerry Ritz: Yes. Well, no, but I mean that—

Mr. Frank Valeriote: That's not commercialization.

Hon. Gerry Ritz: No, under that cap...you have to have a name on certain things. But certainly we have the ability within that name —the Innovation Fund—to take good ideas to commercialization. We can do it within that. So we'll look at every aspect, every case-by-case situation, and assess it on which is the best road forward. If it looks like a really good idea, we'll be there, and then help them leverage other groups that are around there. You need someone to quarterback. As you know, there are often good ideas all across the country, and some are done in silos and they don't know.

Researchers are great at research, but as soon as they find what they are looking for, it goes over there. This piece needs to be put with that piece from B.C., and that's what we're hoping and striving to do with all of this, from an agricultural perspective, with that $50 million in Budget 2011. We've had similar programs, DIAP and others, that sought to do those things, and they were very successful. Very often it doesn't take a lot of money to move things to the next step and push them beyond. So we're looking forward to getting that in place. As you know, that budget bill passed a short time ago, so now we'll be working out the program spending on that. Some $11 million will go out this fiscal year, and then the next will come out in year two. It's a two-year program.

On the $200 million cap, that's a number; it's a cap. I can assure you there isn't that kind of money in that account. That account is sitting in Winnipeg at the Canadian Wheat Board. It's not my money; it's not farmers' money. It's money that is in the contingency fund and has always been held separately from the pools. The contingency moneys have always been made up from profits the Wheat Board has generated on hedging, on contracts, even on making money on money, and all the different things they do from their business standpoint. Then it's used to promote the business of the Canadian Wheat Board within the Canadian Wheat Board. There will be some lab settings and different things like that out of those fundings.

The board approached us last spring just before the election to ask us to raise the cap to $100 million. We looked at what they were proposing to do with it. We agreed, but it took until this fall to get it done, with the election in the way, and so on. It was already in play, but we just had to go through the legalities of Treasury Board and so on.

Mr. Frank Valeriote: You raised it to $200 million.

Hon. Gerry Ritz: Yes, at the direction of people in the industry, and so on, looking at what was happening with moneys out of the pools. There was going to be another bit of money coming at the year-end books, and on that direction, we decided to raise the cap to capture that. I can assure you it's nowhere near $200 million.

As you know, given the process, it's easier to pick another number than to do it in $10 million increments. Having said that, that money will be used after discussions with industry, with the board and, with us as the government, backstopping a lot of this to make sure it is used in the best interest of western Canadian farmers.

We as a government have pledged and have said we will be there for the extraordinary costs, the severance packages, any changes to pension, and those types of things. We'll be there. Backstopping the new board for up to five years will mitigate a lot of the liabilities that we saw in contracts, in storage, and all of those things identified by the accounting firm that the board hired. A lot of that will be mitigated in taking it out to five years. That's why we set up the five years, to mitigate those liabilities.

The Chair: Thank you.

Now we move to Mr. Hoback for five minutes.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Chair, and thank you, Minister, for taking the time out on short notice to be here. You've always been great when we've asked you to come before our committee. Your time is very valuable. You've made time for us, and we really appreciate your doing it.

Hon. Gerry Ritz: I've had good days with the chair.

Mr. Randy Hoback: You understand how the committee works. There's no question about that.

Minister, we've been talking in our study about BRM programs and looking at our Growing Forward 2 program. I was wondering if you could just give us an overview of how you see those negotiations with the provinces going forward. It's an interesting environment that we're actually working in, especially in the grains and oil seeds sector. When we did the last set of Growing Forward programs, they were under severe financial pressures to get cash out fairly quickly.

Now we're in a kind of envious position where the cashflow pressures aren't there. But in the same breath, now we need to be more responsible to think forward on what we need for proper programming. Can you offer any insight on that?

● (1705)

Hon. Gerry Ritz: Sure. As you well know, the BRM programs and the whole suite of programs are shared between the federal government, at 60%, and the provinces and territories at 40%, so we work together. As we're developing the new programs, we include industry as well to ask what worked and what didn't work and what it is that industry sees changing. As you well know, Mr. Hoback, agriculture has changed drastically in the last decade, in the last five years, and it's doing that as we roll forward, so we want to make sure we're capturing the potential of change as well.

The provinces and territories are always asking for more flexibility. We understand that. The vast majority of the programs are now delivered at the provincial or territorial level. Right now, only the Manitoba and Atlantic region programs are delivered by a federal government entity. The other provinces have taken up the challenge to deliver their own programs, and if Manitoba should want to take over its own, we would certainly consider that to try to shorten the time lag and make sure that farmers have the bankability, predictability, and timeliness they require.

Our time on delivering the programs is getting better. The forms to fill out to come in are getting smaller, and farmers are getting better at doing that. Having said that, the best backstop is a good solid market, and we've been fortunate in the last little while to have had that, with the exception of the flooded areas and some crop insurance issues and so on. The programs have responded well. They are demand-based programs.

The AgriRecovery line item is $125 million. Last year, we were in the $450 million range. It's a demand-based program, so don't let it scare you when you see a bigger number. Or when you see the number smaller, it means it wasn't demanded that year. We'll see those fluctuations on a year-by-year basis.

We are working towards being less reactive and more proactive in the next round of programming discussions. We've had two rounds with industry and have multiple rounds with the provinces and territories working through. I've been meeting with some of my provincial colleagues. The ministers from Saskatchewan and Alberta were here the other day. As well as doing a great announcement on Bill C-18, we also talked about the new generation of programs. Yesterday, when I was in Winnipeg, I met Stan Struthers. We spent about an hour talking about the new programs and working our way forward to make sure we serve farmers in a more fulsome way.

It's an interesting exercise. Farmers want to make their money from the marketplace, not the mailbox. We get that. We're not going to send money out just to send money out. We're going to make sure that what we do is strategic. We're going to help commercialize and develop. We need new varieties of wheat. The Wheat Board has been sitting on a CPS utility wheat, a red, that will yield a hundred bushels an acre and is as valuable as most of the milling wheats.

Those are the types of transitions that we're working towards: making sure there's a lot more research and innovation, and making sure those types of things have the ability to get commercialized.

Mr. Randy Hoback: One thing we heard about from one witness in our testimony was on research and innovation, so that was a good segue into what he said.

He talked about the speed to get the technology from research into the marketplace and what we can do for that, not only for technology developed here in Canada but also for technology being developed around the world that our farmers would like to adapt, grab, and run with. Have we been talking with the provinces on how we can streamline that process?

Hon. Gerry Ritz: We've been talking with the provinces on that process. We've also been talking with some of our trading partners—the U.S., for example, in that North American perimeter—about harmonization of a lot of that work. What we're doing now when it comes to new chemicals and pesticides is we're starting with their science as a base, not starting back at zero. That should help us get new products, environmentally friendly products, into the marketplace a lot faster than we've seen. That just makes sense. It takes less money and it's a lot more timely.

The problem we have always faced is that the Canadian market is seen as a small percentage of overall sales, and it makes no sense at all to come in and spend years and hundreds of thousands of dollars to get the go-ahead for a product that may be out of date by the time you get it there. We have to start to work at the speed of commerce, and we're well on our way to doing that, in partnering with PMRA at Health Canada. It's not all mine; as I said, George and his team at CFIA have done a great job of catching up on the fertilizer side. We'll continue to work on that on a case-by-case basis as well.

Mr. Randy Hoback: Thank you, Minister.

The Chair: Thank you.

We'll now move to Mr. Atamanenko.

I understand you're splitting your time with Ms. Raynault.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): That's correct.

Thanks, Chair. I wouldn't mind if you gave us a signal at two and a half minutes.

Thanks, Minister, for being here.

Also, Mr. Knubley, it's good to see you again.

Mr. Da Pont, congratulations on your relatively new position. It's nice to see you here.

With regard to the very recent tariff reduction on apple juice concentrate, I'm wondering if you've analyzed the impact of that on our fruit growers. That's my first question.

Second is a follow up on my November 7 letter to you, Mr. Da Pont, on the subject of horse meat. There are some health concerns. Horses aren't raised for food production. They often have a significant degree of banned medication, such as phenylbutazone, which we do not allow in meat for human consumption. There have been studies, such as the one in the *Irish Veterinary Journal*, showing that this drug causes anaplastic anemia in children. The EU now stamps new equine passports issued to horses over the age of six months indicating that they are ineligible for its food supply. We import something like 50,000 horses for slaughter in this country, 85% of which have probably taken some drugs in their lifetime.

Specifically, I'm wondering what percentage of the drug testing we do is performed on equine organs. What is the methodology and specific testing mechanism that we use to ensure that this meat coming out of our horse slaughter plants is safe and that it doesn't contain phenylbutazone? Are the equine identity documents kept on record by slaughter plants, and are they being edited by CFIA for accuracy and possible fraud?

If you don't have the exact answers here, Mr. Da Pont, I certainly wouldn't mind it if you threw them into a response to me. I'll stop there.

● (1710)

Hon. Gerry Ritz: On the apple tariff question, Alex, this was done for a processor in Quebec. He had searched Canada and couldn't find enough apples for juicing. So there was a lowering of the tariff on apples brought in specifically for that processor. We have had discussions, I understand from the trade side. Finance makes the actual final call on that, but there are discussions with Industry before that happens as to the quantity and where it's going and so on.

Mr. Alex Atamanenko: So it was specifically for that processor?

Hon. Gerry Ritz: As far as I know, it was.

On the horse meat side, a lot of the “problems” or situations we face in Canada will be rectified very shortly. The Americans have just reinstated the ability to do horse slaughter in the U.S., and that will stop that flow of 50,000 to 60,000, or whatever the number you gave was. It varies each year.

Horse slaughter is a valuable operation in this country. Having raised horses, I can tell you there are times that slaughter is the only alternative. Rather than letting a horse be mistreated or something, sometimes that's the more humane way to do it. It is a legitimate, viable business in this country, which exports predominantly into the European market. I can assure you that very few horses are “buted”, as you call it. If they come off the racetrack, it basically desensitizes them to running.

I raised predominantly ranch horses and I never had it. Most ranchers don't use phenylbutazone, so most of those horses going through are not....

In PMU operations, the offspring are sometimes sent to a slaughter facility. You mentioned being under six months. A lot of that happens if they're not up to a bloodline or something saleable. They'll be sent to a slaughter facility, but they're not buted. So I think that argument's a little bit overblown.

The regulations are quite strict here in Canada, but I'll let George fill you in on that.

Mr. George Da Pont (President, Canadian Food Inspection Agency): Thank you very much.

I will respond in detail to your letter, but as you've already noted, last year we implemented new procedures under which horses coming for slaughter have to be certified as not having had any medications in the previous six months. In addition, we do regular testing on the testing methodologies and some of the other details. I'll send that in response to your letter.

Mr. Alex Atamanenko: Thank you.

The Chair: You just have about 30 seconds.

Ms. Raynault, there's going to be another five-minute round, and I have nobody in there. Do you want to use the 30 seconds and I'll pencil you in for the next five minutes after that? That doesn't leave you a lot of time.

[*Translation*]

Ms. Francine Raynault: Perhaps in the next five-minute round.

[*English*]

The Chair: If you would prefer, I'll just give you a little extra time on the five minutes. Does that sound fair?

[*Translation*]

Ms. Francine Raynault: Yes.

[*English*]

The Chair: You'll get almost six minutes. I'll put it that way.

We'll now move to Mr. Lemieux for five minutes.

Mr. Pierre Lemieux: Mr. Chair, thank you very much.

Thank you for being here on such short notice, Minister. As I was telling the opposition colleagues just last week, that's the excellent service they've come to expect from the government. So it's good to have you here.

I want to talk a bit about trade. I know you follow the proceedings of this committee. To the proceedings you have followed, I'd like to add comments of farmers who really appreciate the extent to which you go to open up international borders to our farmers and the tremendous success you've had, both in the context of free trade agreements and also just in terms of getting the border open to pork and beef, pulse crops, etc., in other countries.

I want to focus in on the trans-Pacific partnership. It's engendered a lot of discussion. I think it's very good for farmers, particularly when the U.S. is part of this. For example, what I've been explaining is that if we're not at the table and the U.S. is and that goes through, the U.S. farmers win. Our farmers are then disadvantaged because they're not part of that trade deal; our farmers lose. So it's important that we're at the table, but of course it's raised concerns regarding supply management.

Mr. Allen raised that point as well, regarding supply management. He had a few questions on it. The opposition has been saying it's on the table, it's going to be negotiated away, it's going to be compromised.

Minister, you mentioned in your opening remarks that you put in place or you helped put in place, I think, nine other trade agreements with countries. In terms of those, have you ever compromised supply management? Can you comment on the TPP, this table that we're now sitting at in terms of trade negotiations and supply management?

● (1715)

Hon. Gerry Ritz: The short answer, Mr. Lemieux, is no, we have not compromised supply management, nor do we ever intend to. We see it as a valuable part of our agricultural system and actually a very valuable asset to Canadian consumers. When you look at some of the problems that have been had in those supply managed goods around the rest of the world, we haven't had that in Canada, simply because our supply managed families have had the wherewithal, a good solid bottom line, to put in the biosecurity and the food safety right from the farm gate on through. They've done a tremendous job, and they're leading the world actually with traceability and the ability to have that biosecurity in place through to the processors.

We've got a number of major world-class processors moving to Canada to take advantage of our dairy. Danone yoghurt in Quebec is another one now looking at Ontario, doing a test run, simply to make use of the quality consistency of our milk. So we look at that as a real bonus.

I know there are a lot of folks...and I laugh at or with my good friend Garth Whyte at the restaurant association, always complaining about the cost of milk. But at the same time, he doesn't compare a restaurant meal in Canada to a restaurant meal in the U.S. There is quite a discrepancy there too. I'll be happy to point that out to him the next time I sit down with him.

On the TPP, the changes, what drew us in, of course, was more the change that Japan was interested than the U.S. We already have good open trade with the U.S., called NAFTA, and of course we're WTO partners as well, but with Japan now thinking in terms of the TPP, it's a lot more interesting to us to add countries like that into a free trade group. Certainly we'd work with it bilaterally too should it decide the TPP is not to its liking. It's exploring it, as are we.

The aggressiveness that is required to join the TPP has been blunted to a certain extent. As I said to Mr. Allen, the U.S. has some areas that it is defensive on; so does Japan, and for that matter Australia, which is a good solid trading partner, but there are times that even it doesn't honour science and its trade rules. It is still holding our beef out, after 2003.

So there is a lot of work to be done all over the world. I would say that we as a government would not have had the success we do without industry coming along with us. This is a complete team that descends on a country, and we don't leave until we get a good amount of movement on what we're doing.

The Market Access Secretariat has been the quarterback for a lot of that. Fred Gorrell and his team have just done a tremendous service. Then you look at the great work done by embassies around the world—for example, David Mulroney in China. I could just go on and on about the great work our embassies do. We now have a CFIA scientist on the ground in Beijing and another one in Moscow, where we've had some problems on certificates and so on. We actually have personnel now dedicated to Ag Canada and to CFIA right in those major trading spots, and that's helped a lot.

Mr. Pierre Lemieux: Good.

The Chair: There are just 10 seconds.

Mr. Pierre Lemieux: Let me just ask one more quick question about supply management. Our government had put in place article 28 and also the cheese compositional standards. Can you just comment on feedback you've received?

Hon. Gerry Ritz: Special safeguard.

Mr. Pierre Lemieux: Special safeguard as well.

Can you comment on what you've heard from the dairy industry regarding those issues?

Hon. Gerry Ritz: They're buoyed by that. A lot of political parties talk the talk, but we're the only ones who have walked the walk.

● (1720)

The Chair: Ms. Raynault, five and a half minutes.

[*Translation*]

Ms. Francine Raynault: Thank you. I am going to share my time with Mr. Rousseau.

[*English*]

The Chair: That's your prerogative.

[*Translation*]

Ms. Francine Raynault: Thank you, Mr. Chair.

A lot has been written in the press about the government always saying that it is in favour of keeping supply management for milk, poultry and eggs. But, at the UPA congress, Mr. Paradis stated that the government wants to adopt a flexible and pragmatic approach that will meet the needs of producers. In the name of this alleged flexibility, would the government be ready to scrap the supply management system in order to meet the requirements of international free trade treaties?

[*English*]

Hon. Gerry Ritz: We have said all along that we'll never trade off supply management. We see it as a very valuable part of our agricultural sector. As I said, it's very valuable to consumers too, in that they have access to top quality, consistent supply. We see it as a very valuable additive to our overall agricultural sector.

[*Translation*]

Ms. Francine Raynault: Thank you.

Mr. Jean Rousseau: Since the committee began its work, we have often heard witnesses say that Canada has been late in supporting farmers who are exploring new markets, such as organic farming, or new production methods, which are moving forward because of immigration. We have new markets such as lamb and veal or different kinds of market garden products. So maybe I am reading the budget wrongly, but I do not seem to see any allocations for commercializing and growing those markets. Can you explain the department's strategy in that regard?

[*English*]

Hon. Gerry Ritz: At the federal level we concentrate on international markets, and each province then has the ability to brand and market their product. Quebec is globally known for its tremendous maple syrup, of course, and a growing sheep market. As you said, there are immigrant communities moving into our large cities that are demanding sheep and goat and so on, and they've certainly stepped up.

I was reading one of the newspapers today about the sheep and goat sales at Agribition in Regina, Saskatchewan. The top breed of goats were going for $1,000 an animal, which is double what they were last year. It's tremendous. The industry has the ability to move forward.

We as a government have put together marketing campaigns. We've put together science and technology to work with the groups. We call them clusters, when we bring together the group, the federal government, provincial government, academia, and the industry itself. We work toward a result that the industry wants, and we've had very good success with that.

On organics, it was this government that put in place an organic standard that builds on the great work done in Quebec as well as the rest of the country. It sets a standard, and if you exceed that, as Quebec has done, that's even better. You've got that global standard that has been recognized by our international trading partners. Quebec is trading its organics internationally now.

Mr. Jean Rousseau: If some time is left, I'll give it to Alex.

Thanks, Mr. Ritz.

The Chair: Two and a half minutes.

Mr. Alex Atamanenko: *Merci, Jean.* Thanks, Larry.

Minister, we appreciate the idea that we're going to protect supply management. It can be protected, but the quota could increase, for example.

Right now it's roughly...you mentioned that we allow 5% of our production. I know our trading partners want this to be increased to 10%, for example, which means we would still maintain supply management but allow more to come into the country. Thereby our farmers would then take a hit.

Could you commit now, today, that this quota that currently exists of 5%—and I believe it's 7.5% with NAFTA—would not be changed?

Hon. Gerry Ritz: We have no intention of changing it, Alex.

Certainly, there is the capacity for countries to ship into Canada, paying the tariff and coming in. That percentage can mushroom, depending on demand. I know at DFAIT, who sign what's called the supplemental quotas, they always assess. We haven't signed one on beef or dairy or anything for years, simply because it hasn't been required. We've been able to step up our production and meet that demand.

That can balloon in and out, depending on who's willing to pay the tariff to bring a product in. We've also cleaned up a lot of situations. For example, chicken fat came in tariff-free, but you'd open a barrel of chicken fat and there'd be 50 or 100 drumsticks in there. That's not chicken fat. We've been able to reassess and make sure that people understand that when it's chicken fat, it's only chicken fat. If there's a chunk of chicken in there, we're not going to take it.

We've been able to clean up that type of thing and make sure that the lines we have to support supply management are solid and in place.

As one of my colleagues said, we put in place the cheese compositional standards. You can't call it cheese if it doesn't have milk in it. I often say that when you look at the label on some of this cheese spread, it has aluminum chloride and hydrazine hydrate and stuff you can't even pronounce in it. It makes your bute example look like chump change.

We've said you can't call it cheese unless it has milk in it. I get into big problems with my good buddy, Don Jarvis, all the time when I say that, but it's what consumers expect. Consumers are now much more discriminating in Canada and around the world. They want to know what they're getting. They want to make sure it's good, top-quality Canadian product, and in most cases they'll pay a little more for it because they know it's good.

So no change on supply management, not while I'm here.

● (1725)

The Chair: Thank you.

Our last five minutes go to Mr. Storseth and Mr. Lobb.

Mr. Brian Storseth: Thank you very much, Mr. Chairman. I will be splitting my time with Mr. Lobb. It's good to see that we're not only saving the best for last, but the best looking for last.

The Chair: We won't comment on that.

Mr. Brian Storseth: On a serious note, Mr. Minister, I do want to thank you on behalf of the people of Westlock—St. Paul. I've been inundated with letters this week on Bill C-18, marketing freedom for farmers. We're very grateful that AgriRecovery money has been there in western Canada for the last few years, but we'd most certainly rather be marketing and farming the market than what we have been doing. So thank you very much on behalf of the people of Westlock—St. Paul.

As you know, I did sit on the special committee that dealt with the Weatherill report and food safety. I would like to get an update on whether or not the government has to date kept its promise to hire 170 new inspectors.

Hon. Gerry Ritz: Yes, we have.

Mr. Brian Storseth: If we have, where are we at in implementing the recommendations from the Weatherill report?

Hon. Gerry Ritz: As we did originally accept all of the recommendations, we are well under way in putting them all into place. Of course, it takes budgets being passed and so on. The $100 million that was allocated in the last budget for CFIA, as well as refocusing $40 million internally, goes to training and IT and all of the supports that are needed for the 733 inspectors we've hired overall, including this 170 that we've acquired for the ready-to-eat meat products under the Weatherill report.

It takes budgets getting passed to meet some of those standards. As you know, we passed the last budget a week or 10 days ago. George and his team are well on the way to putting plans together on how to spend that money over the next five years. So we're well under way in doing all of that.

There is a final analysis of the report that will be tabled this fall, I understand. We're working on the final versions of that.

Mr. Brian Storseth: Thank you.

My last question, Minister, is this. We had the cattle guys in my office this week. They love what we're doing on trade. They want us to continue to push it, but they always have a question: why, after we sign these agreements, does it take so long to ratify and get them through Parliament—like the Colombia free trade agreement?

If you'd care to answer that, I'll give my time to Mr. Lobb.

Hon. Gerry Ritz: You might want to ask the opposition that question. They can answer that one better than I can. There is a parliamentary process. We've committed as a government to bring treaties and trade agreements to Parliament. Certainly, we face the vagaries of opposition on those. I think there's more than due diligence done on some of these trade deals. They serve industry well.

I remember the Colombia free trade agreement—I made two or three trips down there—was well received. The Canadian Wheat Board travelled with me on those trips, because it's a large market for them. Even with their icon, the Canadian Wheat Board, wanting this deal, they kept holding it off, so I'm not sure exactly what went on there.

Mr. Brian Storseth: Thank you.

Mr. Ben Lobb: My first question is regarding the APP, the advanced payment program. We can remember a few years ago when you wisely extended that program, and certainly for beef producers their repayment date is next year and pork is two years from now. Can you comment on how that has positively impacted both sectors? Hypothetically speaking, if you can, if we cross the bridge again, what help will be out there for those beef and pork producers?

Hon. Gerry Ritz: We assess on a month-by-month basis where the industry is at and what we should do. Historically those types of announcements have been held fairly close to when the need arises, and then we work it through with industry.

We were quite happy to work with the beef and pork livestock sectors to extend the APP. The HILLRP program for pork turns it into a long-term debt, as opposed to having it paid back sooner than later. On the APP side, extensions have been granted at different times, depending on what they're facing. A lot of different factors go into that. Basically it's just a deferral, and as a federal government we're happy to do that. The APP is a federal only program, and it has been well received within the industry.

We understand that agriculture at all levels is a cash-intensive business. It relies on cashflow. When they have hiccups in the market or major eruptions—like BSE, or H1N1 for pork, and so on —governments have the responsibility to be there for those people.

● (1730)

Mr. Ben Lobb: We've been doing a review of Growing Forward in our committee. It's reassuring how positively it has been received, specifically around science and innovation. The one comment we get is about the paperwork that's required.

As we move into Growing Forward 2, can you comment on what opportunities are out there to make it more efficient?

Hon. Gerry Ritz: We'll simplify the forms as much as we can. Ontario is probably a little different from Saskatchewan, simply because of the diversity of agriculture. Each farm has three or four major operations on it, whereas in Saskatchewan it's all grain or all livestock. There are still some farms that are diversified, but they're nothing like we have in Ontario. That's, of course, part of your strength.

It's hard to have a simplified form when you have all that diversity to address, but we'll do our best to make sure it's a workable form that farmers can understand. Today's farmers are very astute. They know it takes forms to make these things happen. But at the end of the day we'll make them as simplified and easy to do as we can.

The Chair: Thank you very much.

Minister, there's just one last little thing, and I know you'll be as frustrated as I am about it.

Hon. Gerry Ritz: Probably not.

The Chair: It's the situation with Korea.

I understand that some contracts run out in January in the pork sector with some of our companies, now that the U.S. has gone there. I don't know if you can comment or not, but it's something I know you worked hard on, and we're not there. But if you can add anything on it....

Hon. Gerry Ritz: As a matter of fact, I was able to meet with the Korean ambassador this afternoon, and we'll continue to chat. We held the WTO challenge on beef access in abeyance last July, working as we could to the end of this calendar year to regain access for Canadian beef into the Korean market.

Their inspectors are on the ground here right now. They've been here almost a week inspecting our slaughter facilities that will export into Korea. It seems to be going extremely well. They've had some major problems over there with signing the American free trade agreement. People are still on the streets, but it's an anti-American thing; it's not about food. Canada is still very well respected there. We're hopeful that we can get back into that market in a fulsome way.

When it comes to pork, our guys are looking with envy at the American free trade agreement. We certainly recognize that over time the tariffs will disappear for Americans, but it won't happen immediately. Korea was quite explicit about using Canadian genetics to restock their pork after the foot-and-mouth disease. We've had a tremendous year with Canadian pork going into Korea. We want to maintain that, so we know that we have to continue to work with our trading partners in Korea to make that happen. We're up to the challenge.

The Chair: Thanks for all your work on that, and thanks for coming here on short notice. We appreciate it.

Hon. Gerry Ritz: It is my pleasure.

The Chair: Thank you for all your work on that, and thank you for coming here at short notice. We appreciate it.

Before everybody leaves, we have some short motions, house-keeping insofar as the estimates, and we'll be very brief. I just have five brief motions.

AGRICULTURE AND AGRI-FOOD

Department

Vote 1b—Operating expenditures..........$21,437,422

Vote 10b—The grants listed in the Estimates and contributions..........$24,171,425

(Votes 1b and 10b agreed to)

Canadian Food Inspection Agency

Vote 20b—Operating expenditures and contributions..........$1
Vote 25b—Capital expenditures..........$1

(Votes 20b and 25b agreed to)

The Chair: Shall the chair report votes 1b, 10b, 20b, and 25b under Agriculture and Agri-Food to the House?

Some hon. members: Agreed.

The Chair: I will do that on Monday afternoon.

Thank you, and have a good weekend.

The committee is adjourned.

MAIL POSTE

Canada Post Corporation / Société canadienne des postes

Postage paid | Port payé

Lettermail | Poste–lettre

1782711
Ottawa

If undelivered, return COVER ONLY to:
Publishing and Depository Services
Public Works and Government Services Canada
Ottawa, Ontario K1A 0S5

En cas de non-livraison,
retourner cette COUVERTURE SEULEMENT à :
Les Éditions et Services de dépôt
Travaux publics et Services gouvernementaux Canada
Ottawa (Ontario) K1A 0S5

Additional copies may be obtained from: Publishing and Depository Services
Public Works and Government Services Canada
Ottawa, Ontario K1A 0S5
Telephone: 613-941-5995 or 1-800-635-7943
Fax: 613-954-5779 or 1-800-565-7757
publications@tpsgc-pwgsc.gc.ca
http://publications.gc.ca

Also available on the Parliament of Canada Web Site at the following address: http://www.parl.gc.ca

On peut obtenir des copies supplémentaires en écrivant à : Les Éditions et Services de dépôt
Travaux publics et Services gouvernementaux Canada
Ottawa (Ontario) K1A 0S5
Téléphone : 613-941-5995 ou 1-800-635-7943
Télécopieur : 613-954-5779 ou 1-800-565-7757
publications@tpsgc-pwgsc.gc.ca
http://publications.gc.ca

Aussi disponible sur le site Web du Parlement du Canada à l'adresse suivante : http://www.parl.gc.ca