HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Agriculture and Agri-Food

AGRI • NUMBER 022 • 1st SESSION • 41st PARLIAMENT

EVIDENCE

Monday, February 6, 2012

Chair

Mr. Larry Miller

Standing Committee on Agriculture and Agri-Food

Monday, February 6, 2012

● (1530)

[*English*]

The Chair (Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC)): I call this meeting to order.

I'd like to welcome our witnesses. Thank you for coming. Please try to keep your presentations to 10 minutes or less, and we'll open up for questions after that.

First of all, from the University of Alberta, we have Mr. James Rude.

Dr. James Rude (Professor, Department of Resource Economics and Environmental Sociology, University of Alberta): Thank you very much. It's an honour to be asked to appear before you.

I'm going to limit my comments to two main areas: the effectiveness of current trade promotion programs and the necessary condition for improved market access. I'll deal with trade promotion first.

Before I even address the issue, I think I have to ask a more fundamental question: should trade promoters be asking what products and attributes are demanded in foreign markets and then providing advice as to how to meet that demand, or should they be promoting existing products? I would argue for the former.

Trade promotion ranges from efforts to increase demand to technical assistance. In terms of technical assistance, the types of things provided are information about foreign markets, dealing with logistics, and general questions of distribution channels.

The government's focus has shifted to an industry-led market promotion scheme. The programs are built around the Canada brand and the provision of market information and intelligence.

The market information and export capacity-building components of Growing Forward involved $21.2 million in 2009 and $26.4 million in 2010. Measuring the effectiveness of this money is, to say the least, fraught with problems. In terms of promoting demand, the measurement problem is determining what would have happened in any event.

Canadian advertising and promotion has focused on the Canada brand. This brand is intended to identify the product with the attributes and values of Canada. Once a country has become known as an exporter of quality products, presumably it raises the level of all products.

With product brands, companies are free to change their advertising strategy as consumer demand changes. Countries, however, are in a more limited situation as to what they can change with respect to the perception of the country. One sector's quality problems can quickly tarnish a national reputation.

National branding as an instrument of export promotion involves a number of problems: a lack of unity of purpose, difficulty in establishing actionable and measurable objectives, and a lack of influence over inputs and control over outputs. Empirical evidence about the effectiveness of things like country of origin labelling is mixed.

In terms of the provision of market information, the main body is the Agri-Food Trade Service of Agriculture and Agri-Food Canada. The ATS mandate is to provide analysis of domestic and international market demand, consumer trends, and opportunities. The ATS maintains an extensive website that contains market analysis, trade statistics, and other information about trade events and programs. However, much of this information is available through other agencies, such as the Foreign Agricultural Service of the USDA, and in fact many of their reports are drawn from attaché reports.

The ATS AgriMarketing program serves small and medium-sized enterprises by cost sharing for market development and promotion. Most of these activities involve trade shows, advertising, and export marketing activities, but what it doesn't involve to a great extent is technical training. There is some, but probably not as much as you might wish. They provide advice with respect to tariffs, customs procedures, labelling, protocols, and even some information on available distribution channels, but here's where they come up short.

A study by DFAIT found that in terms of the trade commissioner service, the firms that took advantage of the service tended to export about 18% more than comparable firms that did not.

In summary, trade promotion activities are often targeted simultaneously to a large number of disparate markets. Poor performance is often blamed on a lack of critical mass, and there is no correspondence between what exporters say is important and what they actually do.

Performance ultimately depends on credibility, and this depends on the resources available.

I'll switch to market access. For the most part, market access is not part of Growing Forward. However, effective market access is a necessary condition for trade promotion to work. You can't sell something where you don’t have access to a market.

Market access works both ways: it includes exports and imports as well. Imports are necessary for downstream industries and consumers. They offer a greater variety of choice, and ultimately they provide discipline to domestic firms that must prepare themselves to compete in international markets. All of these things increase the welfare of the country.

Improved market access includes reducing tariffs and reducing import quotas, but increasingly it also depends on non-tariff barriers such as sanitary and phytosanitary measures as well as technical barriers to trade. The preferred method of liberalization has always been a multilateral approach through the WTO. Multilateralism protects the interests of medium-sized countries such as Canada, while checking the ambitions of the larger players and offering a larger menu of trade-offs to achieve gains from trade.

The problem with the WTO Doha development agenda is that the talks have stalled, and there's no end in sight. Furthermore, our largest trading partner, the U.S., is on a course of negotiating regional trade agreements that may result in a relative loss of the preferential access we gained through NAFTA. Although Canada and the U.S. have negotiated bilateral agreements with common countries such as Chile, there are important exceptions, such as the U.S.-Korea FTA. Even with the reopening of Korean beef markets, we are at a disadvantage without an FTA.

Canada is undertaking a number of regional negotiations, such as the Canada-EU comprehensive economic and trade agreement, but the benefits appear to be limited. Some sectors, such as the EU beef sector, will remain protected because of a ban on hormone-treated beef. Likewise, Canada's supply-managed systems probably will remain protected. The EU wants to continue to exclude our genetically modified products from its markets, while wanting Canada to recognize geographic indicators for a wide assortment of products. Canada is also moving towards preferential trade agreements with a number of countries, including India, while the U.S. is focusing on the trans-Pacific partnership.

While regional and bilateral agreements have advantages—they are possibly easier to negotiate and may contain provisions that cannot be negotiated in multilateral arenas—there are a number of downsides. Preferential agreements create a discriminatory environment for non-members, and this creates inefficiencies in that imports are bought from less competitive sources. Furthermore, restrictive rules of origin can cause exporters to use the original multilateral or MFN tariffs, rather than the preferential rates negotiated. The proliferation of regional trade agreements can greatly complicate the trading environment and create a spaghetti bowl of regulations.

Most non-tariff barriers relate to technical and sanitary, or phytosanitary, regulations. In these cases the standard-setting bodies are international organizations separate from the WTO. Moreover, our exporters face a growing number of private standards. The U.S. Food Safety Modernization Act became law in January 2011; this act could adversely affect the competitiveness of Canadian exports and add to the transaction costs of Canadian-origin supply chains.

Many of the increased costs relate to monitoring activities. The U. S. Food and Drug Administration has been given the power to require import certification that attests that the food was produced in compliance with U.S. laws and regulations. This certification process would require HACCP and traceability to be applied. This is probably a bigger issue for the grains and horticulture sectors than for the livestock sector, where HACCP, though not mandatory, is a fact of life. Canada is well positioned to meet and influence international standard-setting bodies, and we should continue to do so.

Ultimately it's firms that trade, not countries. All governments can do is establish the necessary conditions for trade. The most fundamental of these are the conditions for reliable market access. These conditions require sufficient resources to analyze markets, to promote trade, and to negotiate agreements.

With that, I thank you.

● (1535)

The Chair: Thank you.

Now we'll move to Mr. Raizada, from the University of Guelph. You have ten minutes, please.

I believe you appeared before the committee at the university a year or so ago. It's good to see you again.

Dr. Manish N. Raizada (Associate Professor, International Relations Officer, Department of Plant Agriculture, University of Guelph): That's correct.

Thank you for the invitation.

First I have to confess that I had hernia surgery on Thursday and I'm on a lot of painkillers, so if my testimony is kind of loopy....

Voices: Oh, oh!

Dr. Manish N. Raizada: Actually, there are a lot of jokes here, because I've seen loopy discussions in the House of Commons—

A voice: We take them on this side too.

Dr. Manish N. Raizada: The focus of my presentation will be on how to create Canadian jobs by expanding export markets internationally.

As primary producers represent only 2% of Canada's jobs, I'm going to suggest not only that we should help Canadian ag producers directly but also that we should create new rural and urban jobs by combining agriculture with other sectors of the economy that could employ many more people, a strategy that I will call "ag plus". Examples could be ag plus natural gas, ag plus mining, ag plus manufacturing, etc. Using ag plus, I will also suggest how we can help the world's poorest one billion farmers and create Canadian jobs simultaneously.

I have broken down my presentation into three topics: food, inputs for food production, and post-farm opportunities.

Let me start with food as a commodity. In order to know what our producers should be growing for export, we should look at what the rest of the world is importing. United Nations FAO data show that Asia imports $25 billion worth of soybeans, $15 billion in wheat, $10 billion in corn, and $7 billion in chicken, cattle, and pork. Demand for food by Asia will increase by 50% in the next 30 years, so stimulating production of these commodities is a good bet. India alone also imports $600 million in peas and $220 million in lentils. Combined, South America, Africa, and the Caribbean import $11.5 billion in wheat and $4 billion in corn. You see, many post-colonial nations originally colonized by Europe love European breads and pastries but cannot grow wheat, so wheat will always be an excellent export commodity for Canada.

How can we help Canadian producers effectively compete for these foreign markets? We must help producers reduce costs. Fifty percent of the cost of grain production is for tractor fuel and fertilizer, with the most costly fertilizer input being nitrogen fertilizer. Considerable dollars have been invested into turning crop biomass into biofuel. A far greater investment that would actually help producers, in my opinion, would be turning crop biomass into nitrogen fertilizer. Specifically, we need to fund research into microbes that convert atmospheric nitrogen gas into ammonia fertilizer, and microbes in other organisms that make high-value compost. These technologies are called biological nitrogen fixation. Canada could be a world leader in this area, because no one is. We already have good companies that sell microbes to farmers as a base to build upon.

We also need investments into improved agronomic recommendations for farmers. Should growers add additional fertilizer after planting or not? For corn, which is a crop I work on, only 50% of the nitrogen fertilizer added is actually taken up by the plant. That's a huge wasted expense, potentially thousands of dollars to an individual grower. How can this be improved?

Let me switch to the next topic of farm inputs, the related topic. We view farm input costs as a burden on the Canadian economy, but let's view it as an opportunity to create jobs, because the rest of the world needs the same inputs and we have what it takes to produce them.

First let me continue to discuss fertilizer, a commodity worth hundreds of billions of dollars globally. We all know that Canada is the world's leader in potash—potassium—but this is only one of the approximately 10 minerals required to make crop fertilizer.

As I noted, nitrogen fertilizer is the most valuable fertilizer. Currently, the process to make synthetic nitrogen fertilizer consumes huge amounts of oil and natural gas. Twenty percent of India's domestic natural gas consumption goes towards making nitrogen fertilizer. As the world's soils continue to degrade, the world will need more nitrogen fertilizer. Canada has huge reserves of oil and natural gas. Furthermore, the nitrogen itself is not mined from the soil, but is abundant in our air. Thus, rather than just focusing on selling crude oil or natural gas, Canada should be making nitrogen fertilizer, combining it with potash, phosphate, and other minerals, and exporting high-value fertilizer around the world.

Alberta, Saskatchewan, and Newfoundland should have fertilizer factories next to oil refineries.

● (1540)

By focusing on fertilizer inputs using organic, synthetic, and improved agronomic processes—all of the above—we will help our farmers produce more food and simultaneously add jobs to the oil and natural gas, mining, and high-tech chemistry industries.

A delegation from China approached me last year to help them develop a new slow-release fertilizer, as this would help to solve the 50% fertilizer loss problem for corn, which I discussed earlier. Canada should be making such a fertilizer, not China, since we, not China, have the raw commodities needed. That's one “ag plus” opportunity.

Another input required for farmers around the world is farm machinery. Canada was a leader in farm equipment. Remember Massey Ferguson? Massey tractors that are 50 to 60 years old are still working in Africa and India. I've seem them first-hand. In fact, Indian farmers don't know that they're Canadian.

Today, half a billion to a billion of the world’s 1.2 billion farmers are smallholder farmers in developing nations who need appropriate farm equipment valued at $10 to $1,000. You might be surprised to know that China, India, and certainly Africa have done a poor job in engineering and building such appropriate equipment. Poor farmers need weeding equipment, since poor women farmers spend 50% of their time removing weeds. Canada has an irrigation company called iDE, here in Ottawa, whose cheapest product is a five-dollar irrigation kit for poor farmers. Farmers also need simple tractors, no-till seed drills, other tools that promote conservation farming, seed cleaning equipment, and food milling equipment.

Tropical nations are looking for simple mesh greenhouses to keep insects out and cheap equipment for plant tissue culture. After harvest, low-cost, fuel-efficient cooking stoves are needed for two billion people, as there is a shortage of wood. After they digest food, a new generation of toilets will be needed for three billion people, along with the microbes to process human waste into fertilizer.

These are enormous market opportunities. Canada should more effectively use part of its foreign aid budget to develop collaborative partnerships to help develop these industries, simultaneously help the Canadian steel and manufacturing industries, and help the world’s poorest people. That's another “ag plus” opportunity.

Finally, let me switch to the topic of post-farm food processing. UN FAO data show that the three largest food imports around the world are for cooking oils, such as palm oil, canola oil, or soy oil. Asia alone imported $14 billion in palm oil in 2009. Africa imported $1.4 billion in canola seed. You see, frying foods dramatically reduces the time and energy required to cook food, so cooking oil will always be in demand. Growing Forward 2 should make opportunities for processing cooking oil for the world, building upon canola oil.

UN FAO data also show that China imported $800 million in distilled alcohol, which is the only drug I'm not on currently. Europe imported $16 billion in wine. The United States imported $12 billion in alcohol, wine, and beer. Building upon our brand labels, Canada should not be selling barley, but beer.

UN FAO data also show that processed food is huge. China's importation of infant food formula is $650 million, greater than its $570 million importation of wheat. Europe imports $20 billion in processed food, so building upon Maple Leaf Foods, Saputo, and others, Canada continues to have growth opportunities here.

I realize that health food experts will cringe at what I'm saying in promoting fried foods, alcohol, and processed foods, but what I am telling you here are opportunities that exist.

The other major food processing opportunity is livestock feed and pet food. As the world continues to eat more meat, it needs more high-quality feed. With Canada's expertise in the livestock, poultry, and fish industries, we have a real opportunity, another "ag plus" opportunity. Again, our farmers shouldn't be selling corn or soybeans, but higher-value feed made from corn and beans.

Furthermore, we can benefit our mining industry by adding high-value minerals to animal feed. Did you know that Canadians import half a billion dollars in pet food? That pet food should be produced in Canada.

My suggestion is that Growing Forward should focus on food exports, on reducing farm inputs while exporting farm inputs around the world, and on selling processed food, alcohol, cooking oil, and animal feed.

What are the policies needed to make all this happen? I think in very simple ways, so let me suggest a couple of simple and cost-effective options.

First of all, every few years Canadian farmers face drought or low commodity prices. Governments rush in with hundreds of millions of dollars, sometimes billions, in aid. Though science and infrastructure investments can partially help, their impact will always be limited. What is needed is for Canadian producers to own a stake in a post-farm industry that is largely independent of commodity or climate shocks.

● (1545)

What are these industries? They are essentially all the industries I have already discussed: industries related to agriculture that farmers understand and have a stake in seeing succeed.

I propose a government savings, investment, or tax rebate strategy through which every dollar invested by a Canadian producer would be matched singly or doubly by the government, and the money would be used as capital to build the industries I've discussed. I'm talking about a major investment strategy that provides a second source of income for our producers and buffers them against income shocks.

What I'm going to say next is controversial. I care a great deal about developing countries, but I also recommend diverting $1 billion or $2 billion in CIDA funding annually to develop bilateral programs in farm machinery, toilets, fertilizer and food processing. I believe such programs will help the world's poorest people and build local tax bases more effectively than continuous handouts have done.

I also suggest a number of simple ideas to bring stakeholders together for these and other purposes. Examples could include one-week paid internship programs to enable scientists to spend a week at companies or on farms, fourth-year undergraduate design projects for agriculture students, and money for student contests to solve on-farm problems. I suggest funding co-op programs for general B.Sc. and B.Eng. students to bring them into agriculture and into "ag plus" sectors. I suggest pairing new immigrants who have an agricultural food background with farmer associations and food processing companies in paid internships. I recommend the creation of a Canada food ambassadors program, consisting of Canadian celebrities who grew up on farms; first nations peoples, who continue to fascinate the world; farmers who grow the food; scientists; and relevant first-generation Canadians, all of whom would travel on trade missions and host parties at Canadian embassies and consulates. I also recommend agricultural attachés embedded in the Canadian military, as poor nations are often 80% to 90% agricultural—

● (1550)

The Chair: You'd better wrap up now.

Dr. Manish N. Raizada: Okay. Actually, I'm at the last sentence.

I'll be happy to discuss "ag plus" or anything else I've mentioned.

Thank you.

The Chair: Thanks very much.

Next is Mr. Yada, also from the University of Guelph. You also have 10 minutes, please.

Dr. Rickey Yada (Professor, Department of Food Science, University of Guelph): Good afternoon, Mr. Chair and honourable members of the committee. Thank you for the opportunity to address you on the issue of marketing and trade.

My name is Rickey Yada. I'm a professor in the department of food science at the University of Guelph and the scientific director of the Advanced Foods and Materials Network, which up until last March 31 was funded through the networks of centres of excellence program. As a network, AFMNet established an infrastructure of approximately 25 universities across Canada, involving 75 researchers and over 100 highly qualified personnel and partnering with industry, government, NGOs, and 18 other global research networks. AFMNet had a mandate to produce commercially viable, socially acceptable, value-added products and processes for the benefit of Canadians in the agrifood space.

Having been with the network, I've had the unique opportunity to observe various challenges and opportunities, from researcher to consumer, in moving products and technologies forward. Core to the network was the ability to attempt to take a good idea and transform it into a product or a technology that was taken and used, i.e., innovation. The issue of trade and marketing is moot if there are no products or technologies.

In addressing the committee today, I bring forth my personal comments as well as those of parties ranging from researchers to consultants, commercialization organizations, small Canadian SMEs, a Canadian subsidiary of a multinational, a Canadian food company, and a food author.

From an AFMNet point of view, several recurrent issues have come up, which you will hear from many of the people I interviewed. Canada is blessed with very creative and innovative researchers in the agrifood area, but many academic researchers are naive about intellectual property and commercialization. We need a forum to bring producers, researchers, industry, government, funders, and consumers together to discuss needs and priorities to facilitate changing good ideas into products and technology.

There is a definite lack of funding to support proof-of-concept funding. Most food companies are reluctant to invest in research, wanting to buy a technology or a product. The regulatory approval process is often considered a big challenge in moving good ideas forward. Trade commission officers funded though Agriculture Canada and DFAIT are an excellent avenue for connecting researchers with foreign industries, identifying potential users. AFMNet had a wonderful experience with a major company in the Minneapolis area.

There is still a disconnect between industry and academic or government research labs. Industry is looking for a solution to a problem, while researchers have a solution and are looking for a question. The food processing industry in Canada is very fragmented. A major challenge for us in the agrifood industry is to make agrifood a priority area in Canada's S and T plan, since it can address all three pillars: entrepreneurial advantage, knowledge advantage, and people advantage.

Next are some comments from some of my colleagues. Rotimi Aluko is a faculty member at the University of Manitoba who has made some interesting discoveries and was funded through the network. I quote:

> I think there is the need to emphasize that there is currently limited funding available for food research in Canada.
>
> The regulatory process for novel foods needs to be revised to allow approvals based on solid scientific publications in peer-reviewed journals. It is unfortunate that sometimes grant review panels are composed of personnel that are ignorant about novel foods and their potential health benefits.... It might be necessary in funding programs that involve technology transfer or marketing of new or novel food products for the review committee to be appointed after the applications have been received to ensure that experts for food-related applications are appointed.
>
> Commercialization grants should be available to researchers if they can find an industrial partner that is willing to translate the technology into marketable products.
>
> One of the main impediments to technology transfer in Canada is the strict requirement for cash from industry partners. This is especially difficult and in most cases impossible for small-scale businesses that are looking for growth opportunities through adopting new technologies from university researchers. For example, part of the current Growing Forward program requires 25% cash input from industry partners. My research group developed a very good technology for converting hemp seed proteins into blood pressure-lowering protein hydrolysate, but we needed to test to the product in animal models. When I approached the hemp seed processing plants in Manitoba to sponsor our application for the Growing Forward program, none was ready to part with cash but some were willing to give in-kind donations. Canada does not have a very many strong multinational or even large companies that can put up a lot of cash for technology development and innovative research activities.

● (1555)

Alejandro Marangoni is a faculty member in my department who spun out a company called Coasun, which looks at trans fat substitutes. His message is that we must have market pull. He says the best way to do this is to work with small and medium-sized companies that already have some market presence, and help them develop and protect their technology.

He also indicated that we need an organization that oversees this, much like AFMNet, to bring researchers, government, and industry together. We need it more in the commercialization area.

Tim Durance is a faculty member at the University of British Columbia, but he has also spun out a company. He's the director, chairman, and co-chief executive officer of a company called EnWave. It is a Vancouver-based industrial technology company developing a new industrial standard for the dehydration of food.

In talking about this issue, Tim identified some programs that he's tapped into, such as international business development programs through foreign affairs trade commissioners. I've heard about using their trade offices from many of my colleagues.

He says Export Development Canada provides a useful service in taking some of the final risk out of large sales, for example, of equipment to foreign customers. EnWave hasn't used them, but he suspects it won't be too long before they do.

He also talked about the SR and ED credit:

> This is fairly useless to a company like EnWave because, being publicly traded, we only get tax credits. Since we don't yet make a profit, we aren't paying taxes yet anyway. By the time we have taxable income, we won't really need the support, so the SR&ED support is focused on the wrong stage of company development, at least for public start-ups.
>
> EnWave's business model depends on collecting royalties on the use of its patented IP and know-how. One constraint for us in many international jurisdictions is our understanding of local legal systems. We regularly turn down offers of business because we fear international partners may refuse to pay their royalties...

On university spin-off creation, he says, "As you can imagine, I think there is a huge amount of unrealized business potential in our universities." Again he advocates for the need to have a forum where business, university, and government can come together.

Sylvain Charlebois is the acting dean of the College of Management and Economics at the University of Guelph. He says:

> Most Canadians are not aware that our country is addicted to cartels—sort of. Our infatuation with managing the supply of commodities has made our country trade-inept. We have adopted highly protectionist policies to support our milk, poultry, eggs and turkey production and for the distribution of other commodities as well

Dave Sparling is someone you have probably had before this committee. He's a faculty member at the Richard Ivey School of Business, and along with a colleague in Saskatchewan he has produced a report. I've spoken to the clerk of this committee and I will send you this report, because I believe Dave has made some really cogent arguments.

The report is called "Market Development and Promotion by Agricultural Commodity Boards and Organizations in Canada: State of the Industry and Evidence of Best Practices". Dave Sparling and Shelley Thompson, the co-authors, have identified a number of important points: they say that government funding is a fundamental foundation for market development, that supporting connections with customers and fully developing high-value markets is a critical aspect, and that trade missions should be continued to provide a more coordinated and supported approach to key trade shows around the world.

As well, they say enablers matter, and in this aspect they talk about continued support for key enablers, such as the Canadian International Grains Institute. They say that market intelligence should be supported, that knowledge and promotion partnerships should be expanded, and that market pull product development and broader activity focus by innovation organizations should be supported.

Another recurrent theme is to reduce overhead and uncertainty around government programs. Finally, domestic marketing should be supported, particularly for import replacement.

● (1600)

The next comment comes from Rory McAlpine, the vice-president of government and industry relations at Maple Leaf Foods. Rory emphasizes the need to fix the ancient, broken legislative and regulatory framework around our industry.

Citing a report of the National Millers Association entitled "An Enabling Food Legislative and Regulatory Modernization Initiative for Canada: The Way Forward to 2015", he quotes:

> While Canada has enjoyed an enviable reputation as a producer and exporter of food commodities and processed foods that are safe and of high quality, Canada is the last among its industrialized trading partners to modernize legislation and regulations that are the foundation of food safety and healthy eating.

That's another recurrent message around a regulatory process.

The Chair: Mr. Yada, could you wrap up, please?

Dr. Rickey Yada: Yes.

Finally, Dave Smardon and Doug Knox from BioEnterprise Corporation, a commercialization firm, have identified again that we need to consolidate.

My last comment is from Anita Stewart, a food author and food activist. She also talks about collaboration.

Mr. Chair, there are a number of recurrent messages that I uphold from the constituents, and hopefully they are of value to this committee.

Thank you.

The Chair: Thank you very much.

Last but not least, we have Mr. Brewin from the University of Manitoba.

Dr. Derek Brewin (Associate Professor, Department of Agribusiness and Agricultural Economics, University of Manitoba): Thank you very much for the invitation to the committee, and to the members who invited me.

I think one of the reasons we're here is the strength of Canada's agriculture and food sector. Canada has a massive endowment of agricultural assets. We have more arable land per capita than any advanced economy in the world except Australia. That makes the effective marketing of our agricultural goods and trade relations with our foreign buyers very important.

The first part of marketing is the assessment of a market to see if you can produce something you know consumers want at a price that makes you some money. We know the world wants our commodities. We're at historically low stocks in both grains and oilseeds, and prices have risen to reflect that situation.

The marketing challenges for our commodities focus on meeting the needs of our buyers with efficient chains of transportation, storage, and quality assurance at prevailing world prices. The role of the government includes the policing of private firms in the supply chain, and to some extent supporting the primary producer with effective risk, research, extension, and promotion programs.

A significant portion of Canada's agriculture and food GDP is generated after the farm gate. The marketing needs of these industries are different than the commodity-based handling and transportation concerns. As food gets closer to the consumer, we need to provide assurance of food safety and quality. We're also developing new products that the consumer has not heard of before, so we need market assessment of those new products.

I think the investments that the Growing Forward marketing programs have made are well spent. There has been a review of beef marketing investments from the beef check-off by John Cranfield from Guelph, who said that the benefit-to-cost ratio of marketing investments was 7.6:1, which is pretty good, but the returns for the research category of those check-off dollars was 46:1. I haven't seen anything that comes close to that in business risk management returns.

It seems to me that food safety and quality are the key challenges to the processing and retailing members of the supply chain, and there are some trends in concentration that should be monitored by the Competition Bureau. The information needed for that monitoring would be invaluable to the whole sector, including to us as researchers of agricultural markets.

As for the commodity sector, there are a few key things I want to bring to your attention. I think they relate to the way we think about our future programming.

The first is the shocking rise of ethanol production. It's not a shock to the committee, I'm sure, but the size of it is amazing. I think it's had the biggest impact on grain stocks since 1929.

The new demand, which is forecast to be 40% of the total corn crop in the United States next year, has come on us in only eight years. That's meant an incredible change on the demand for energy and feedstocks, and I think it's had a negative effect on the demand for protein. Feed barley, which used to trade at a premium above corn, now trades at a discount because the protein that was in the barley is now cheaply available in DDGs. Hard red spring wheat still has a premium because of the gluten form of its protein, but other protein sources are getting pretty cheap.

I haven't done a detailed review of all of the non-BRM Growing Forward programs, but they appear well suited to the things I see as a concern, especially in the supply chain further up from farmers.

I know of two programs in some detail because of my own involvement. I was a board member of the Manitoba Rural Adaptation Council, MRAC, for two years, and witnessed their project reviews for funding under the Canadian agricultural adaptation program, and I hope they didn't say no to some of your programs, Rickey.

However, they do try to apply due diligence when they're reviewing projects. They're experts in the area, so they aren't quite a flexible type of program delivery.

The other program I was involved with was enabling policy research for competitive agriculture, ERCA. The networks fostered research on strategic policy topics, including agricultural trade, innovation and regulation, the environment, consumers, and market structure. Graduate students funded under ERCA have gone on to be key analysts in Agriculture and Agri-Food Canada and industry, and most of my colleagues in agricultural economics in Canadian universities are members of one of these five policy networks.

Actually, Shelley and David got funding for the paper you quoted under the innovation network.

● (1605)

The ERCA networks can be found by searching ERCA on the AAFC main website.

One last program I want to support here is the value chain roundtables. I believe our agricultural sector can address a number of broad challenges only by looking at the whole supply chain. Consumers' concerns need to be reflected along the supply chain and addressed in the most efficient way possible. Individuals, firms, and agencies that jeopardize the Canadian brand need to be held accountable.

There were two main shifts in policy that were related to commodities. Ethanol was the first one, and I've gone through that. The second one is the major change facing the commodities sector, which is the new environment for marketing barley and wheat. The way the sector is getting together, the initial offerings from grain companies and the new ICE wheat contracts seem to be signalling they're going to manage the sector a lot like canola. I think that's a logical way forward and will probably work in the long run, but I just want to point out three significant differences in those two commodities.

The first major difference is the market for seed. With hybrid varieties and technical use agreements, TUAs, there is a lot of funding coming from the seed sales to private sectors, so it's a viable private industry. Canola seed production is a viable seed industry, and that's led the private sector to solving some of the supply chains, even in terms of pests. However, consumers don't want GM wheat right now—at least, it's not a viable option anywhere that I've seen—so technical use agreement funding is not going to be part of the wheat supply chain, and we haven’t figured out a way to commercially produce hybrid wheats yet. Both of those things mean that we're going to need either some high level of public breeding in wheat or a producer check-off.

The second key difference between wheat and canola is the quality variation. Canola has essentially two grades. Wheat grades currently posted by the CWB total 14, and there are 47 protein categories and another 10 classes of eastern wheat. In North Dakota, researchers have explored the risk in durum wheat: 62% of the durum crop does not make number one hard amber durum, and the discounts farmers face for failing to meet that grade reach as high as $4 a bushel, more than half their current price. Therefore, I'd like to see the Canadian Grain Commission reviewing quality discounts and posting those discounts in the same way that they post elevator tariffs.

Finally, the domestic processing of wheat may not be as profitable as the domestic processing of canola. Around the world, wheat milling tends to happen closer to the final consumer. The quantity of world flour exports is roughly 8% of the wheat exports. The quantity of canola oil exports is 28% of canola seed, and there are meal exports on top of that, so we have to be careful where we locate some of that processing, because the consumer must tell us where it's most viable.

In conclusion, the Growing Forward programs seem well suited to increasing innovation, addressing some food safety and environmental concerns, and reducing farm production and income risks. What I'm more concerned about is the evolving structure of our major commodity markets and the power of monitoring agencies to police us from unfair practices.

The growing concentration of sectors such as farm inputs, food processing, retail, rail transportation, and grain handling is troubling. It may be caused by efficiency and scale economies that have the potential to make our sector more competitive, but when there are only a few firms, there will be a temptation to extract excessive fees. That's the concern of a theoretical economist, but we can test these things if we get enough data. I think that's one of the most important things that we can do in government for the next period: to diligently monitor our sector for concentration and make sure that consumers' demands are reflected right down to the farmer.

● (1610)

The Chair: Thank you very much.

We'll now go to questions.

Go ahead, Mr. Allen, for five minutes.

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

Thank you to all of our presenters.

Mr. Rude, if I can start with you, in your paper I notice the comment you make on page 2 about agreements that limit some sectors, in the sense of constraints that are not tariff-related, if you will, but that may have other pieces to them. You indicate that the EU wants to continue to exclude GM products and to protect its beef sector with a ban on hormone-treated beef. You also mentioned that the EU is looking at us in the supply-managed area.

From your perspective, what should we be doing with these trade irritants, if I can use the term? I don't want to put words in your mouth. I will allow you to tell me, rather than saying anything more.

Dr. James Rude: Since all your examples have to do with the EU, let's talk about it and talk about the current negotiations that are going on. The most basic way is to have the negotiators sit down and try to bang heads over what is feasible and what isn't.

In terms of access for some of their markets and some of our markets, we are never going to have a situation in which we completely open up the markets. They have things that are very sensitive. GM is really more of a consumer issue in the European Union than an issue of protecting producer interests. As long as that is a major issue, they're not going to back off. It is just as it was with the hormone beef, which was also a consumer issue: even though the WTO ruled against them, they ultimately paid the concession so that they did not have to back off. We have to recognize that.

I think we can get access on certain issues, even on non-hormone-treated beef or bison, by attempting to negotiate expansions to the tariff rate quotas currently in place. The U.S. used to share something known as the Hilton quota with us, which limited imports of beef to 117,000 tonnes; they've managed to negotiate considerable access beyond that.

There are a number of avenues we can negotiate, but we have to respect the fact that both sides have sensitivities, and in terms of these negotiations, we're never going to get something that approximates free trade.

Mr. Malcolm Allen: I think you're probably right, sir. Nonetheless, on the whole issue of the market and marketing, it's interesting that when you talk about the EU specifically, you're talking about the sense that the non-tariff barriers are actually driven by consumers who say, “No, thank you very much” about certain types of things, whether GM or hormone-treated beef or whatever else. It doesn't really matter, to quote my friends across the way, what the science says: the consumers are saying, “No, thank you”, which ultimately means no sale.

A voice: Right.

Mr. Malcolm Allen: Mr. Raizada, you talked about the “ag plus” piece, which I found fascinating. We'll take out the alcohol part, although maybe you would prefer to have some, given your most recent surgeries.

However, you did say that public health experts may not like what you're saying. Is there a way to start thinking about how public health experts would like what you're saying, especially in developed countries specifically? That's not to give the same advantages to less developed countries, but developed countries already understand that they're on the verge of an epidemic of diabetes, which is a huge public health issue and has a huge cost as well. One of the things we're hearing is whether we can afford to pay these health costs. Do you see anything in your “ag plus” crystal ball, if I can use that term, as a way to try to help drive that as an “ag plus” piece to actually enhance livability and deal with the chronic disease that's upon us?

● (1615)

Dr. Manish N. Raizada: Obviously I was partially joking in what I was saying.

I'll give you a concrete example. When it comes to cooking oil or stoves, both of these benefit women considerably. If you've ever been to a rural area in Africa or South Asia, what you find are women who are breathing in smoke, a lot of smoke, at these open stoves. It contributes to emphysema, lung cancer, terrible diseases. The use of cooking oil or improved stoves—closed stoves, efficient stoves—actually improves the health of women. That's one example.

Mr. Malcolm Allen: I've actually been in Mozambique, so I know of what you speak. You're absolutely right.

The Chair: Please be very brief, Mr. Allen.

Mr. Malcolm Allen: I have a very brief question. In terms of the public health aspect of processed foods, do you see any place where there can be some movement that would benefit developed societies?

Dr. Manish N. Raizada: I should let my colleague Rick Yada speak to this question, but briefly put, better research into certain types of fibre or starch that have a low glycemic index or slow digestibility in processed foods can reduce rates of diabetes, as an example.

The Chair: Thank you.

Mr. Zimmer, you have five minutes.

Mr. Bob Zimmer (Prince George—Peace River, CPC): Thanks for coming today, everybody.

I have a question for Dr. Raizada.

You mentioned the production of synthetic fertilizer. For the benefit of the committee, could you expand a little bit on what you said and tell us what the process is?

Dr. Manish N. Raizada: Most of the minerals in fertilizer are mined. The great exception is nitrogen fertilizer.

For nitrogen fertilizer, the process is as follows: 80% of the atmosphere that we breathe in is actually not oxygen but nitrogen gas, called dinitrogen. There is a synthetic chemical process, called the Haber-Bosch process, for which a Nobel Prize in chemistry was awarded around 1915. Briefly, the chemical bond in atmospheric nitrogen gas is broken down. It requires a lot of energy, and that energy comes from oil and natural gas. When you break that bond apart, you can then produce a compound such as ammonia. That's where the oil and natural gas comes in.

Mr. Bob Zimmer: Is it efficient or financially viable to do this in Canada?

Dr. Manish N. Raizada: I can't assess the economics of it very well. What I'm saying is that there is a tremendous opportunity, because we have many of the other components that are required to make a complex fertilizer. We have potash and we have other minerals as well. The missing component is nitrogen, and the key component to that is oil and natural gas, which we have.

I look at it as a logical problem. Let's explore that industry, because it is a huge industry. What I'm suggesting is that we build huge industrial and intellectual capacity around fertilizers, because it will help our growers and it will create a new export market.

● (1620)

Dr. Derek Brewin: I want to comment on that market. The energy doesn't have to be natural gas.

Mr. Bob Zimmer: Well, we get a lot of it from my riding, so I don't mind.

Voices: Oh, oh!

Dr. Derek Brewin: The MRAC board that I was a member of did some pilot projects with wind turbines, and the agronomists at the University of Manitoba actually think that we should be making nitrogen with alfalfa. You can use alfalfa; you grow it, and it comes into nitrogen that way.

Economically, I think they might be right about alfalfa, as long as we have a market for the alfalfa.

Mr. Bob Zimmer: I have another question for Dr. Raizada.

You mentioned that you had a lot of good questions. For me, it would be nice to see some of these answers get to the floor where we could utilize them.

You mentioned, too, that there is only a 50% uptake of nitrogen in corn crops and the like. You said that's a problem. Is there a solution to that? Is the technology there to bring that up significantly? We've seen enormous costs with fertilizer, so it would be nice to give our farmers some cheaper options.

Dr. Manish N. Raizada: This is a problem that my lab and other labs are trying to tackle directly.

There are a few potential solutions to this problem. One solution is altering the root architecture of a corn plant, through breeding, to better take up that nitrogen. Agronomically, another solution is that our farmers generally apply fertilizer in a single dose, or as a top-up second dose, a side dressing. What we need is better information on how often and how much fertilizer should be applied.

In terms of corn, the peak nitrogen demand is actually not early on. When we apply fertilizer in the spring, it's actually when the plant starts to produce grain. That's the problem we need to bridge. The improved slow-release fertilizers that I referred to are one potentially easy solution, but another is improved machinery, high-boy type machinery, to allow you to spray fertilizers later on.

There's a suite of solutions that need to be addressed. There's not enough money in this area. It's potentially an easy fix, but there's not enough funding in this area. Some of it's just basic agronomy, but basic agronomy's not well funded in this country or in any other country in the world.

Mr. Bob Zimmer: I was going to ask as well whether you as a university have approached manufacturers directly with this idea. You've spoken somewhat about the lack of connection with funding for these types of projects. Have you been successful in any of these approaches to industry, and said that you want to partner with them for a solution to this hugely significant problem?

Dr. Manish N. Raizada: I have two collaborations.

One is with Syngenta, the Canadian subsidiary of Syngenta, but really it's through North Carolina. They're supporting some of our research and some of my collaborators' research, and there's considerable cash on the table with Syngenta.

To me, the more exciting partnership—I guess I'll put this on the record—is with Novozymes, which is a Danish company. We've been in talks with them for two years to support our microbial work in using microbes that can biologically convert atmospheric gas into ammonia, rather than using oil and natural gas. Because it's the Canadian subsidiary of the Danish company, they're reluctant to put cash on the table, as my colleague Rick Yada said. They're happy to put a million dollars in kind, but putting $100,000 in real cash is tough.

The Chair: We'll move to Mr. Valeriote for five minutes.

Mr. Frank Valeriote (Guelph, Lib.): I don't want to sound alarmist, but what I'm hearing from you and what I'm seeing in action are two different things. I think the juxtapositioning.... Derek, I think you say in your article that we spend $200 million in market-related activities and $1.3 billion on BRM programs. That's very telling.

What I'm hearing is something all of you have said, and I think you said it, James. You asked whether trade promoters should be asking what products and attributes are demanded in foreign markets. I don't think it's just wheat and I don't think it's just our oil or our minerals; I think we're talking about all those wonderful things that you guys are innovating all the time.

Our business expenditure in R and D has gone down, down, down in the last six years. We are now at 1% of GDP, as compared to the average of 1.6% of GDP in the other 34 OECD countries. While it's appreciated that new markets are being opened in places such as Korea, and those are important things, what we're forgetting is that if we keep this course, we're going to be the Nortels and we're going to be the RIMs, the people who could have but didn't.

I'm going to ask you very directly, and AFMNet is a perfect example of this. Here you are on the cusp of some work with sodium, and all of a sudden your funding is pulled. There's no excuse for it, no reason for it, other than we're not going to invest in food technology any more. What I'm hearing from Manish and you, Rickey, and others, Derek, is that we've got to invest in innovation and technology and make the products that people are going to want.

I'm going to ask the other three. I don't want to put you on the spot, but I'm going to. Do you feel that funding for AFMNet, for instance, should be restored? Is it a mistake to walk away from programs like this?

Can we start at this end, James?

● (1625)

Dr. James Rude: I'm going to pass on commenting on that sort of argument. I still think the first question you always have to ask is why the private sector is not doing it in the first place, and then figure out the reasons and go forward, but in terms of research questions, I'll pass.

Mr. Frank Valeriote: In responding to that, let me supplement my question with a second question.

Let's talk about flow-through shares, for example, that they use to stimulate the mining industry. When you're answering the AFMNet question, would you also tell us other things that the market or private industry would welcome as a stimulus and an incentive to this kind of activity?

Dr. Manish N. Raizada: The bottom line is that we have a cultural problem in Canada, which is that we're not risk-takers. The private sector is not and the government is not as much as it should be. We need to take a venture capital approach, which is basically to fund 10 things knowing that one will succeed. As well, it's not only to fund 10 things for three or five years; we need to fund 10 things for 10 years or longer, because research takes time, particularly when you involve graduate students and post-docs. They have to publish, they have to write theses, they have to take courses, so there are setbacks.

How long did the Internet take to develop? It didn't take five years; it's hard to even piece that together. We need long-term stable funding and a venture capital approach and then we can hope to have a winner. We will have one winner out of the 10 or 20, and it will be a huge winner.

Dr. Derek Brewin: I think there are reasons that the private sector doesn't get involved in commercialization and research in Canada. It's a relatively small market, and even if it has the same regulatory conditions as the U.S., if you have to pay to meet those regulatory conditions here in Canada, you've met the conditions for a small market compared to the U.S.

That's an expense that makes it hard for us to compete just on a private basis, and agricultural research has this very problem in trying to benefit all these farmers who can't afford to make the actual investment themselves. I've talked about the returns for research in front of farm groups, and they're willing to pay a check-off. They're willing to pay for this now. I've heard that testimony in this committee, testimony that agricultural producers are willing to pay for some form of agricultural research as long as it's done well.

I think what Rickey said about the universities generating a lot of research and then having a problem commercializing it afterward is true, and I think we have to be careful when we look at returns at over 40 to 1 and then never do anything with the A-base stuff that we've done, so there's a commercialization challenge.

The Chair: You have the last comment.

Dr. Rickey Yada: Thank you, Mr. Chair.

Thank you, Frank, for bringing up those issues.

I think we have a challenge not just in the food area but with agriculture in general to fund more research. The biggest challenge, as I've identified, is taking that good idea and converting it into a usable product or technology. We need greater funding in that proof-of-concept area, and that's a challenge worldwide. From where Canada is positioned right now, it has a huge opportunity to take the lead on things like sodium reduction and trans fat substitution. Your colleague brings the issue of public health; those are issues that we can work on and make a difference in, but we need that money.

The Chair: Thank you.

Go ahead, Mr. Payne, for five minutes.

Mr. LaVar Payne (Medicine Hat, CPC): Thank you, Chair, and welcome to all our witnesses here today. There have been some very interesting comments in your presentations.

I want to do a little follow-up. You just talked about the regulations, Derek. I know that the Prime Minister and the President have been talking about some harmonization. Could you just give your spin on what that it might mean if those regulations could be harmonized? What would it do for our industry here to be able to do some of that research?

● (1630)

Dr. Derek Brewin: I'm not really an expert in going through those regulation processes, but to me as an economist it makes absolute sense to do that, to harmonize with a huge market that is that close to you, a market that will have a lot of the same input needs and innovative needs. Both sides of the border are farming very similar things. I totally support it.

Mr. LaVar Payne: To me it makes good sense as well.

I was interested, Mr. Raizada, in some of your comments around the fertilizer industry, particularly about building facilities in Alberta and Saskatchewan.

A Voice: And in British Columbia too.

Mr. LaVar Payne: I forgot B.C. Yes, they do have a bit of gas over there as well, so....

Voices: Oh, oh!

Mr. LaVar Payne: Anyway, how do we encourage organizations to do that? I have a fairly major fertilizer company in my riding—Canadian Fertilizers Limited—and they always talk about expansion. You talked about the potash and so on; how do we encourage those organizations to build those facilities? As well, will they be able to market that product, not only here in Canada but in the U.S. and around the world?

Dr. Manish N. Raizada: We already have the potash industry as an example, right? We have something huge to build upon. One could take different tactics. One could build upon the potash industry and all the connections that already exist there. One could put in all the stuff that you would normally do to build an industry, such as tax breaks, etc., to help encourage that industry to come along.

The first thing, of course, is to bring the various stakeholders together and see what the bottleneck is that is preventing it from happening. To me it just makes logical sense to put these plants together. They don't have to be right next to oil processing facilities, but the agriculture, mining, and oil and natural gas sectors need to be integrated in a better way, so the first thing to do is bring these three stakeholders together at the table.

Mr. LaVar Payne: The other thing is that I noticed that a couple of presentations discussed the value chain in transportation. I'd like to get your comments, if anyone has any, on how we can better ensure that we get that value chain from the producer right through to shipping it across to our customers around the world.

Is there something we need to do to integrate those transportation systems to better help our agricultural sector?

Dr. Derek Brewin: I think the current revenue cap is a pretty flexible policy tool. We're worried about natural monopolies in railways, so we want to regulate them somewhat and monitor their costs, because they have the ability to price pretty harshly against competition. They could basically price against trucking as their only major competition, so it could really get out of hand. However, when they now have the flexibility of the revenue cap to charge for specific services that consumers want or to manage things in a certain way, I think that's actually a pretty good piece of regulation.

For that reason, I don't know that rail transportation is as serious a problem as other people think it is.

Dr. James Rude: I'd agree about the flexibility with respect to the revenue cap. From an economist's perspective, it gives you the best of both worlds. You can have monopolists acting as they do, but they are constrained in terms of the overall amount of money that they bring in, and they are able to respond to the market.

A lot of the supply chain interests really are driven by asset issues that are specific to individual firms. You have to be able to build up a system of trust between individual groups. I think that at least in terms of agriculture, that there has always been a lack of trust between the railroads and the primary producers. How you address that problem, I don't know. Maybe you buy part of CP; apparently it seems to be under a bit of strain right now from its shareholders.

A lot of what's involved in dealing with these issues is basically opening the lines of communication and creating the necessary conditions so that firms have the confidence and the credibility to deal with each other.

● (1635)

Dr. Rickey Yada: Changing the transportation system is a slow process. I think you have to talk about innovative ways of combining other technologies with transportation. My colleague Tim Durance has that company EnWave, which is a vacuum microwave facility. They dry down the product so that you're not shipping water; instead, you're shipping a very high-quality freeze-dried product. I think that will give you access to markets. We need to invest in those kinds of companies

The Chair: Thank you very much.

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

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): Thank you, to all of you, for being here to share your expertise with us.

Professor Rude, I'm going to address some of your concerns first.

You mentioned that the Canada-EU comprehensive economic and trade agreement. You said that the benefits for agriculture appear limited. I think that's disturbing for the Canadian agriculture sector.

We know, from the research I've done, that this is a comprehensive agreement. It touches sub-national governments. Pharmaceuticals have an investor rights clause similar to chapter 11 of NAFTA.

We have a tremendous local food procurement movement, and I know that, for example, the National Farmers Union is concerned that municipalities, universities, hospitals, and other institutions, which have collective buying power and feed millions of people every day, could be in jeopardy if we were to sign on to this agreement. In other words, because we wouldn't give a contract to a European company, they could then sue the particular hospital or university under what amounts to chapter 11. Right now there is preference to local suppliers, which is helping to improve our local food movement.

The other thing I'm trying to find out is whether there are some benefits for other agriculture sectors. I know, for example, that in the supply-managed sector there's concern because the EU wants increased access for cheese and industrial milk products. If that happens, it's possible that we would have to raise our quota or decrease our over-quota tariffs.

I see detriments to our supply-managed sector and also to the local food movement. Could you perhaps expand a bit on whether you see any benefits for agriculture?

Dr. James Rude: First let me express my views on local food.

Local food, at its extreme, becomes a form of protectionism. To a certain extent we had local food, if you go back to my parents' or grandparents' age; everything then was local.

I think we have to be awfully careful about just what we're promoting with respect to providing what the customer needs. If the attributes of local food are what people absolutely want, they will get it.

You are really talking more about a procurement issue. It's the same sort of agreement that we have under NAFTA, so the concern is that the preferential arrangements in procurement would be opened to the European Union.

I have a hard time seeing that go back to the local food movement. I can see it in the service sector and in other sectors, but I'm not convinced that hospitals procuring locally is that big an issue.

I see the benefits in the European accord in indirect things. We already have accords with respect to veterinary protocols and attempts to harmonize those things. I think we can get some of the fundamentals in place whereby you recognize equivalencies in regulations in standards. That's where the gains will occur.

We'll have some small gains on the edges in terms of increasing tariff rate quotas. I very much doubt if supply management will be touched, because there are other sensitive issues in the European Union.

Mr. Alex Atamanenko: I have about another minute or so. I have one other question.

You mention that Europeans continue to exclude GM products from their markets. We know alfalfa has been approved by Health Canada and Environment Canada and is on the verge of being released. Should we be doing a very thorough analysis of the market in Europe, for example, to see if alfalfa or its derivatives would be accepted?

As we do that, should we be putting a moratorium on the further introduction of alfalfa until we really get our heads around the fact that it will or will not be accepted in Europe?

● (1640)

Dr. James Rude: You're worried about another triffid.

Mr. Alex Atamanenko: Yes, exactly.

Dr. James Rude: A certain amount of caution has to take place.

I think the Europeans and the Japanese tend to be rather pragmatic. The Japanese will allow imports of canola oil because the modification resides in the meal, not in the oil, and they're willing to take it. I think the Europeans are gradually coming around and seeing that you do need modifications as the world markets become tighter, and with time they will become more liberal with respect to their imports of genetically modified organisms.

I agree that a bit of due diligence has to be done in terms of investigating just what potential roadblocks and segregation systems they could put up. I don't see alfalfa as something that will be nearly as hard to segregate as something as broadly produced as canola. If that's the case, you can take advantage of what Manitoba does with soybeans in terms of selling genetically modified soybeans into the European Union.

There are options whereby we probably still would be able to maintain the market.

The Chair: Thank you.

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

Mr. Ben Lobb (Huron—Bruce, CPC): Thanks.

The first question I want to ask is to Mr. Rude.

The last paragraph in your presentation says, “Ultimately it is firms and individuals that trade, not countries. All that governments can do is to establish the necessary conditions for trade.”

I'm going back to the hormones that are implanted in the beef industry, and we all know why beef producers do that. I was recently at the Huron—Bruce beef producers annual general meeting in my riding, and a young beef producer there talked about an opportunity beef farmers have: if they want to target that market, they can choose to produce beef that doesn't have hormones.

That's ultimately what we're talking about when we're talking about opportunities. It's not for the government to take somebody down one section; it's for the market to decide. I wonder if you want to build on some of the opportunities you see there.

Dr. James Rude: Let's deal with the hormone beef issue. The first thing you can do is follow the lead of the Americans in terms of trying to get some additional access with respect to the Hilton quota. The Hilton quota will allow imports of beef that has been verified as not having been treated with hormones.

If you are able to expand that market, then possibly individual firms can get in there, but in Alberta I've seen a number of cases of individual processors who made the leap to be able to access these markets, and it's a relatively risky thing.

The problem is not only that the market is exclusive to non-hormone-treated beef but also that the tariff line also includes bison, and the European Union, especially Germany, has a relatively large market for bison. If we could increase the size of the Hilton quota, that would increase the opportunity for people who want to actually produce non-hormone-treated beef and incur all of the necessary costs to segment it and make sure that the meat is identified as such. It would create opportunities for other sectors that aren't going to be hormone-treated at all, such as bison.

Mr. Ben Lobb: Building on the idea of trade—and obviously the government has a pretty aggressive trade policy at this point in time—we had the Canada Pork International group here at our last committee meeting. They are a creation of the Canadian Pork Council and of the Canadian Meat Council. The person who was presenting on their behalf commented on something I think you touched upon about the veterinarian tickets or certification in different countries.

Moving forward in Growing Forward, does it make sense to look at a pocket of money that would continue to fund groups like theirs so that they can work with those countries to harmonize or expedite those certificates so that those agreements would be in place as those deals are triggered? What are your thoughts on speeding up that process?

● (1645)

Dr. James Rude: I agree. I think we've had a little bit of experience with some of the European Union policies with respect to pork as an additive. I'm not sure of the exact additive—ractopamine?—but I think there is potential. The people who are in the best place to determine just what's coming out in terms of the additives or the potential irritants are in the industry itself. If you provide some ability for them to communicate with their counterparts in other countries, it's in that sort of workaday world where a lot of things get solved.

If you go back to BSE in the States, a lot of work that took place was at a very low level through workaday world communication among ordinary bureaucrats and the industry on both sides of the border, and we were able to eventually get around that problem. I think if you provide resources that encourage those sorts of discussions, you have a better world.

Mr. Ben Lobb: Mr. Raizada, I have a question for you.

In my riding there have been agriculture leaders for many years, whether for no-till drilling or in working with the University of Guelph for white bean development enhancement or for soy beans.

At this time, as we look at it, do you feel there's a pull position, meaning that industry is pulling your specialties and your specialization in development or enhancement, or is it a push from the university to industry? Where are we right now in that respect? Certainly the white bean industry has had a lot of success, so I think you'd call it pulling, but where do you see it right now, and where do you think it should be?

Dr. Manish N. Raizada: It's a good question.

I've seen it as both, but generally I've seen that the truly innovative stuff is trying to pull industry along. I'll give you a simple example in my area. As I mentioned to your colleague earlier, one way of trying to increase the amount of nitrogen that corn takes up is to alter the root system. Five years ago breeders at companies said that idea was a just waste of time. Now, three years later, and not necessarily because of our work—the world has changed, because fertilizer prices went through the roof a few years ago—they're saying it's a great idea.

My general sense is that academia and innovative farmers pull industry along, and not the other way around.

The Chair: Thank you very much.

Go ahead, Ms. Raynault, for five minutes.

You may want your translation, gentlemen.

[*Translation*]

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

Thanks to the witnesses for joining us today.

My question is for Mr. Brewin.

Earlier, we heard about strategic harmonization with American regulations. You also mentioned in your brief that, given the flexibility of programs like AgriMarketing and the Canadian Agricultural Adaptation Program, you do not know if any new programs are required.

Could you tell us more about that, please?

[*English*]

Dr. Derek Brewin: I'm not a real expert in regulating and how much it costs. I think Rickey and Manish might have better answers on how complicated the process of regulation is and whether or not the current level of funding is enough to help individual firms. I feel the terms of reference in the programs you have now are broad enough that certain firms should be able to get help. I just don't know if there's enough money.

Dr. Rickey Yada: I think regulation happens at many levels. From a university perspective, getting clinical trial approval through an ethics board at a university is difficult. It's compounded by the fact that in Canada we don't have harmonized ethics board approval at the universities. As a result, if you have a multiplayer project—and we have researchers at Laval, Guelph, and Toronto—each of those researchers has to get approval from a separate ethics board.

Then we work with Health Canada. The problem with Health Canada is not Health Canada, it's that our researchers are not engaging Health Canada regulators early in the system. Once they've gone through their trials, they then go to Health Canada and ask for approval. Then Health Canada has to go through a learning process.

● (1650)

[*Translation*]

Ms. Francine Raynault: Mr. Brewin, in your brief, you say the following: "The Growing Forward programs seem well suited to increasing innovation, addressing some food safety and environmental concerns and reducing farm production and income risks."

But you say that you are concerned by "the evolving structure of our major commodity markets and the power of monitoring agencies to police unfair practices."

What could be done in that regard?

[*English*]

Dr. Derek Brewin: Actually, I am worried about that, but I'm not sure that beyond funding the monitoring of the sector.... Agriculture Canada's been doing this with Quorum Corporation in the grain supply chain, which I fully support. I'd like better access to more data like that.

However, as for regular funding, I don't know if the supply chain needs a large funding so much as it needs more diligence on the part of, say, the Canadian Grain Commission or the Competition Bureau. That's the main solution there, I think.

[*Translation*]

Ms. Francine Raynault: Do I have any time left?

[*English*]

The Chair: Yes, you have about a minute and a half.

[*Translation*]

Ms. Francine Raynault: Mr. Raizada, earlier, I gathered that producers should process raw commodities here. Could you give us more details about that? Could you tell us what kind of assistance we could provide to producers in order that they can do the processing here and sell finished products?

[*English*]

Dr. Manish N. Raizada: What we need is more funding in this area, to begin with, and my suggestion is that producers get involved, with government help, in essentially setting up venture capital types of funds or angel investment types of funds, developing business plans, and doing all the smart things involved in starting up a new business so that we can process it locally.

I'll give you a very simple example. I take students through the U. S. Midwest to see some innovative farms. There's a farmer in the Midwest who grows corn, but he realized he could get more money for his corn by drying it and flaking it, rather like cornflakes, so he set up a little steaming system on his farm. The corn is for animal feed, and the digestibility increases if you steam it and flake it. Now he has all sorts of producers selling him his corn, and it's a central processing facility.

This is one farmer who had an idea, but it required about $2 million in capital funding to do that, and the money had to come from someone. Someone has to take that risk along the way, and even though we have small markets here, I think there is a role for government in that area.

Perhaps I could go a little bit further on this aspect. I lived in Silicon Valley in the U.S. for about seven years, so I saw a lot of venture capital funding. I saw Google being formed in front of my eyes; in fact, one of the stupidest things I've done in my life was to not respond to an email offer to work for Google for $50 an hour when it had 10 employees. I wouldn't be here in front of you today.

Where does all that money for lot of the long-term funding come from in the U.S? It comes from the U.S. military, through DARPA. I'm Canadian, but some of my microbial research when I lived in California was funded by the U.S. military. DARPA is the name of the organization. Although the U.S. might say that the government doesn't fund certain things, well, the U.S. military does. It provides huge amounts of money in long-term funding.

● (1655)

The Chair: The time has expired.

Please go ahead, Mr. Storseth, for five minutes.

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

Thank you, everybody, for a very interesting dialogue today.

Mr. Rude, I'd like to start with you. I have a couple of questions.

I think we agree in general that free trade agreements are important to help facilitate good economic growth for our country, but you raise some interesting points, and I'd like you to expand on them a little bit. You talked about how, for example, the European trade agreement is of limited benefit. Can you explain what you mean by that? Why is it limited?

Dr. James Rude: Well, first of all, there is no agreement yet. It's under negotiation. I assume they're closer than we may think.

I think too many things have been taken off the table by both parties. If you look at what our bigger export interests would be, you see that our biggest export is durum wheat. Our biggest importer is Italy, but we're faced with a 500,000-tonne TRQ on durum wheat.

You can expand that to see that we've had a long history of disputes. As soon as the U.K. went into the European community, we lost access for high-quality wheat. We've been negotiating that situation for I don't know how many years—was it since 1971? I'm not certain, but it has been a considerable period of time.

If we could get real and substantial access there, possibly we could regain some of our original markets in Europe with respect to high-quality wheat. We have to also respect the fact that the Europeans produce a large amount of wheat and do so with very high yields. It's not the quality that we produce, but certainly they're a strong competitor.

In terms of pork, we think of China as a large market for pork. Europe is also a substantial market. We face some very strong competitors, the Danes and the Dutch, but if we could increase the size of the TRQ with respect to pork, we could have some potential gains there.

I think both sides are a bit reticent. The negotiating language used in dealing with these issues shows that it is not an absolute free trade agreement. The awkward name that they provide gets around the fact that they are not going to liberalize everything.

What will we get at the end of the day? I suspect that we'll get some basic structural things in place that will probably help the market. Hopefully we'll get enough incremental access in some of these sectors to make it worthwhile at the end of the day, but you have to look broadly at the economy. What are the gains in terms of services? What are the gains in terms of some of the high-tech industries? What might be the gains with respect to investment? You have to balance all of those things out at the end of the day.

Mr. Brian Storseth: I don't want to make you speculate, but if we did have a truly liberalized free trade agreement of the kind you were talking about, do you think it would be a net benefit for Canada?

Dr. James Rude: In the case of Europe, it probably would be.

I don't think we'd get the access that we had historically. We have to live with the fact that the Europeans are very large producers of wheat and other grains. In terms of being able to re-enter that market, they are not going to move back to being a net importer, as they were in the 1960s. They are often the second-largest exporter of wheat in the world. In terms of market share, they are the ones we compete with.

Overall, the benefits for the entire economy would be significant. Very indirect effects come through; everybody benefits as overall incomes grow, and there would be a large share of agricultural benefits.

Mr. Brian Storseth: You commented on private standards becoming a bit of a burden. Could you elaborate on that?

Dr. James Rude: There are several organizations, such as EUREPG.A.P, which has become GLOBALG.A.P. Basically, they present standards set out by firms like Tesco or Carrefour as the standards that they require when they source their products.

There is nothing governments can do about them. They are private standards. They deal with day-to-day transactions. The problem is that as these standards become more evolved, if we're not careful, we can very much be left behind.

I think the Agri-Food Trade Service and the trade commissioners can play a role in monitoring what's going on and what potentially could be a problem. It's not other governments that are introducing the standards; it's private firms.

● (1700)

Mr. Brian Storseth: Excellent. Thank you very much for that clarification.

The Chair: Thank you.

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

Mr. Jean Rousseau (Compton—Stanstead, NDP): Thanks, Mr. Chair.

I'll ask you to please keep your translation device on, because I'm French too and I'm more at ease asking these questions in French.

[*Translation*]

My question is for you all, starting with Mr. Yada.

It would seem that energy efficiency is a big problem for our producers in terms of competitiveness. It seems that it is a problem that affects us internationally and that we should find a way to help our producers. Would there be a way for us to approach this more collectively with our producers?

Would promoting energy-efficient methods, with a smaller environmental footprint, be beneficial at international level? Could we gain market share by improving our environmental footprint, thereby considerably reducing our energy costs?

What do you think, Mr. Yada?

[*English*]

Dr. Rickey Yada: Thank you, Mr. Rousseau.

Right now, along the entire value chain, energy costs are an issue. For example, the companies that I deal with are asking us to look at ways they can process foods with less energy, as are the producers looking to use less energy in producing their crops. They're also asking us to look into issues around water.

Surprisingly, a lot of countries think that water is not an issue in Canada, but it will be an issue, and it is an issue—

Mr. Jean Rousseau: Do you mean not wasting water?

Dr. Rickey Yada: Yes, and they are actually asking us to look at processes that use less water. Dr. Raizada can probably speak to this issue in relation to drought-tolerant crops. Food companies are now sourcing crops that are drought-tolerant, and they're having to process those commodities very differently.

Dr. Derek Brewin: In general, the open market finds the most efficient use of energy, and in general, that's how I feel about managing energy. If you subsidize the energy consumption of farmers, you might hurt them in trade access or something like that.

However, I would comment that low-input agronomy isn't a place where you can get a lot of industry support for your research program, so I think it is an area where you need some kind of public investment. I would put a plug in there for the Martin Entzes of the world.

Dr. Manish N. Raizada: Modern agriculture, particularly in grain production, is incredibly stupid when it comes to energy.

I'll tell you what our energy is currently based on. We consume oil and natural gas to produce synthetic nitrogen fertilizer to make crops. We consume those crops. Then humans produce solid waste, which is rich in nitrogen and phosphate; then we spend huge sums of money in municipal waste treatment plants to burn off that nitrogen. Ecologically speaking, it's completely stupid in terms of energetics.

We need to do two things. First, as I mentioned earlier, people who grow soybeans or know about soybeans also know that they're rich in protein. The reason they're rich in protein is that protein requires amino acids, and the building block there is fixed nitrogen. Soybeans are able to associate with the microbes that I discussed earlier and convert atmospheric nitrogen gas into ammonia fertilizer; therefore, we need to take better advantage of the microbes I discussed earlier, not only for soybeans but for cereals and other crops. There's a lot of potential in that area.

The second thing we need to do is at the waste treatment level or the toilet level. We need to recycle human waste. People laugh when I talk about this, but we could solve the nitrogen energy problem overnight by doing a better job of recycling human waste.

Mr. Jean Rousseau: If we could succeed in one of these fields, could we have an advantage in the international market?

● (1705)

Dr. Manish N. Raizada: Absolutely. The cost advantage alone is huge, besides appealing to people who drive Priuses, in terms of its low.... It's striving towards the movement. The terminology I really like a great deal is “ecological agriculture”.

Dr. James Rude: I'll make one comment about drought-tolerant crops, and it relates to research that's been done before. I actually have a grad student dealing with marker-assisted research into drought-tolerant crops and GM crops. One of the things we get out of this, which we often get out of returns to research studies, is that when you have a relatively large increase in production without a corresponding reduction in cost—and in these cases you wouldn't have a reduction in cost—then when prices go down sufficiently, the effect at the end of the day is that producers end up losing money or not being any better off. The ones who come in as first movers take advantage of the situation, but the majority of the sector do not.

With regard to a lot of these technological innovations, I would caution you that you have to think very carefully about what they will do at the end of the day with respect to price impacts.

Mr. Jean Rousseau: Do I have some more time?

The Chair: Well, you're a little over. If you have a quick comment or something, I'll allow it.

Mr. Jean Rousseau: No, I'll be back with those.

Thank you, Mr. Chairman.

The Chair: Okay.

Go ahead, Mr. Lemieux, for five minutes.

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

I want to follow up on the marketing theme.

Dr. Rude, in the materials you handed out to the committee you highlighted the market information and export capacity-building components of Growing Forward, which has been roughly $20 million to $25 million a year over the last couple of years. You made the comment that it's very hard to measure the impact of these programs empirically. I think you're right; it is.

I was in Japan when access for Canadian beef was blocked due to BSE, and Australian beef moved in. One of the people I was talking to in Japan, who lives in Japan, was saying the slogan had become “Aussie beef”. That's what many Japanese associate with beef now; it's “Aussie beef”. I thought, “There's a branding going on right there”. It's a bit like the way we brand Angus beef here in Canada. There are all sorts of different beef, but Angus beef has just been marketed that way, and it actually means something to the consumer.

I think it would be good if we could empirically measure whether this Canada branding program is working, how much it's working, etc., but it would also entail spending money on the parameters we would want to measure.

In your experience, have you received positive or negative comments on the Canada-brand branding exercises that we do or initiatives that we launch in other countries? Do you think some of that money should be spent on measuring whether or not it's having an impact and what kind of impact it might be having, or do you think we should go with the assumption that the feedback is positive, so we should just continue in that way?

Dr. James Rude: I think it's a little difficult to exactly price out what covers the Canada brand. I think you also have the AgriFlexibilityfund. It is half a billion dollars, right? I think that because there are partnerships with provincial governments and partnerships with private firms as well, trying to figure out this complex web of where the money is going and trying to determine exactly what happened is very difficult.

Derek Brewin earlier described some research done by John Cranfield on the producer check-off in the beef sector. There actually has been some research done on that sector. If you're interested, I can give you John's study.

In terms of the Japanese market, I think we have to be a little bit careful. If you go back to earlier than BSE, back to the point when the Japanese first opened up their market, the Australians got much more headway in the Japanese market. It was largely because of Japanese investment in Australia and the locational advantages. We tried to produce wagyu beef here at the time, but we didn't do a very good job of it. The Australians had the advantage in terms of the foreign direct investment that took place in their market.

They also have an advantage in terms of climate. You can have grass-fed beef. If you're worried about hormones or you're worried about BSE getting in through the protein additives, they naturally have an advantage.

● (1710)

Mr. Pierre Lemieux: All right.

From a marketing point of view, I'm wondering about the fact that success or impact is very difficult to measure empirically. Are you proposing that money be spent to measure it empirically, or are you proposing that this is just a shortfall in our investment in branding but that branding works anyway?

Dr. James Rude: The Australians spend considerably more. I'm not certain what the order of magnitude is, but it's very substantial. They've been in this business for quite a while. At the same time, they are not focusing so much on national brands, as we are. I think we've sort of hung our wagon to the star of a Canada brand. I think we have to be a little bit careful about that. I think you need the flexibility to be able to respond to individual market situations.

With a Canada brand, you are dealing with everything that's out there and you're expecting a very blunt instrument to deal with every contingency.

Mr. Pierre Lemieux: What would you propose as a more precise instrument?

Dr. James Rude: I think I'd probably increase the funding that goes to the individual industries. You continue the types of partnerships you've had. Possibly you continue on with the Canada brand, but at the same time I think you need to study it a little bit. You face the risk that if something goes seriously wrong, where once you had a Canada brand that was positive, suddenly it's a Canada brand that is negative.

Mr. Pierre Lemieux: Right. Does someone else want to add anything, because I'm going to run out of time?

Dr. Derek Brewin: I just want to make a quick point. For one thing, I think the pork consumers said that sometimes having the Canadian name on the brand was negative. The other thing is that we can ask the consumers about the brands that matter. I think that if you ask the grain industry, they'll say the Certificate Final for an export in Canada is worth something. You want to protect the Canadian Grain Commission's ability to keep that Certificate Final there. Maybe ask the consumers about this brand.

Dr. James Rude: That's one thing CIGI does in its role. Its consumers are a lot easier to identify; they are wheat millers across the world. They offer training sessions. They bring in people for big drunks.

Voices: Oh, oh!

A voice: Why are you looking at me?

Dr. James Rude: No, I was actually looking at Derek.

Voices: Oh, oh!

Dr. James Rude: It's one sector in which it's easier to target and identify who the consumers are. As you get into broader processed products, it's very difficult to target exactly who they are.

The Chair: Thank you.

Mr. Brewin, I'd like clarification on something you said. You said that a buddy of yours in pork—

Dr. Derek Brewin: I think I was listening to testimony at this committee. A pork producer was mentioning in relation to country-of-origin labelling that being Canadian in the U.S. market was considered a negative.

The Chair: Okay; maybe it wasn't a buddy, then.

Dr. Derek Brewin: No.

The Chair: You said something to the effect that maybe having a brand was bad. Did you mean having “a” brand, or having a Canadian brand?

Dr. Derek Brewin: In some markets, putting “made in Canada” on it actually can hurt your returns rather than have a positive effect.

The Chair: Why would that present—

Dr. Derek Brewin: It's because they want to buy U.S. If you're in a U.S. market, sometimes the preference is for their local market.

You're just so confident in the Canadian market you don't—

The Chair: Okay. I'm told differently down there, but anyway....

Mr. Hoback, you have five minutes.

Mr. Randy Hoback (Prince Albert, CPC): Welcome, witnesses. It's great to see you here this afternoon.

I'm going to go around the map, because there are probably about 10 topics I'd like to dive into. I don't have enough time to dive into every one of them, so there are a few I'm just going to skim across the top of.

Mr. Pierre Lemieux: The chair will give you more time, Mr. Hoback.

Mr. Randy Hoback: He will, will he?

The Chair: I've been pretty generous with everybody today so far.

Mr. Randy Hoback: He treats us fairly.

Dr. Rude, I'm going to ask you about the trade policy side.

You've looked at the global market; if you were advising our trade people, which markets would you go after most aggressively at this point in time?

● (1715)

Dr. James Rude: The obvious answer is still the Asian markets.

I'm not sure what's going to come out of the India negotiations. I think there are probably going to be too many exemptions at the end of the day. However, some of the members of the trans-Pacific partnership—Malaysia, for instance—could potentially be very expanding markets.

We also probably don't pay enough attention to our own hemisphere. I think things could be done within NAFTA; you could clean up rules of origin so that instead of getting the zero tariff of NAFTA, firms would end up paying the MFN tariff so they don't have to establish the origin of the product. There are things you can clean up on the edges.

I also think we can try to re-establish links in both Central America and South America, in Brazil in particular.

Mr. Randy Hoback: You talked about the Asian markets. I'll just go back to that, then. You've done price analysis, and that is part of your expertise. Do you figure those markets would have the biggest bang for bringing dollars back to the farmer?

Dr. James Rude: It would probably be more of an income effect: as income grows, demand is heightened.

Mr. Randy Hoback: So the income—

Dr. James Rude: The demand goes up more; it's more responsive to very rapid.... You tend to think of less developed markets as having more responsive demand with respect to income. You see very rapid growth in those markets.

Mr. Randy Hoback: Would be fair to say, then, that if Canada is not at TPP or actively pursuing those markets, we'd be on the outside looking in, and that would be detrimental?

Dr. James Rude: Very much so.

Mr. Randy Hoback: Okay.

Mr. Raizada, you talked about fertilizers and stuff like that. I find that really interesting, because I used to work for a company called Flexi-Coil, which was bought out by Case New Holland. I used to spend a lot of time in eastern and western Europe. No tillage was how we grew our company from a $50 million company to a company of about $350 million.

One of the frustrations I had when I was taking product into eastern and western Europe was the regulation side of things. It was amazing. With the stuff that was built in Canada, homologation would come into play, and the shields and the guards and everything had to be perfectly right, yet if we had built the same product in the U.K., all of a sudden they didn't really care. I think it really comes down to what you said, Mr. Brewin, about standardizing regulations; then you could just build something in Canada and ship it over there as is.

I'm curious about your fertilizers. There is stuff like Agrotain. Lots of work is being done at the University of Saskatchewan on that aspect. When that research is completed, do you see hurdles in getting it exported to markets outside Canada?

Dr. Manish N. Raizada: In terms of hurdles, if I didn't state this, my suggestion is that there are more opportunities for export to developing nations than to developed nations. Europe, Australia, etc., will put up barriers, but there are huge opportunities in parts of Asia and Africa. The rest of the world ignores Africa; Africa has a billion people. My prediction is that in 50 years we will be talking about Africa. I think we should get in at the base here.

Mr. Randy Hoback: That reiterates the point with regard to the tariffs and the barriers. That's why you need trade agreements—so that you can actually work through issues one by one when they come up. You have a process in place to deal with them. Would you agree?

Dr. Manish N. Raizada: This is starting to go beyond my area of expertise, so perhaps I'll address the others—

Mr. Randy Hoback: If you have the process in place, you bring stability into the marketplace. An angel investor could look at it and say that they see the long-term benefits coming to Canada, because they know they're going to have reasonable access to *x* market or *y* market. Are we not seeing that at this point in time, or are we still a little bit away from that?

Dr. Manish N. Raizada: I think I will refer to one of my colleagues here.

Mr. Randy Hoback: Okay. Does anybody want to tackle that question?

Dr. Derek Brewin: Can you ask it again?

Mr. Randy Hoback: As we bring in different trade agreements, for example, we have lots of regulation work that we're doing with the U.S. An example is that datasets developed in the U.S. can be utilized here in Canada, and vice versa. Shouldn't that be bringing that investment in for research into Canada too?

Dr. Derek Brewin: I think so. It depends on how well the harmonization works. It might lead to a bunch of people locating in the U.S. and trying to access our market. It really depends on—

Mr. Randy Hoback: It depends on how aggressive we are in attracting them to our universities and our research parks, etc.

Dr. Derek Brewin: Yes, I think so. Yes.

● (1720)

Mr. Randy Hoback: Dr. Yada, I'm going back to trade and some things we look at in the marketplace that we say we're not willing to touch. Supply management comes up all the time. If we stay with 5% on sensitive products, it would never be touched in any of the trade agreements, yet nobody seems to talk about that.

Do we need less than 5% in sensitive products to get our product to other parts of the world?

Dr. Rickey Yada: I'm going to refer that to my colleague—

Mr. Randy Hoback: Mr. Rude talked about it.

Dr. Rickey Yada: This is a comment that Sylvain Charlebois asked me to bring forward on these kinds of issues.

Dr. James Rude: You're talking about the WTO market access conditions right now. The idea is that there would be special arrangements for products defined to be sensitive, and there would be some upper limit.

It depends who you're talking to. The various tariff lines would define the percentage in terms of covering off every supply-managed product. I think it's a bit over 5% that they would cover off, so they wouldn't be entirely immune. However, they are very ingenious at redefining things and putting things into other categories. Cheese compositional standards come to mind.

Even if there was a pressure there, there are a lot of smart people around who are going to be very ingenious in redefining exactly what fits where in a tariff line.

Mr. Randy Hoback: In relation to that 5% mark, there's the ability to do a trade deal, still maintain supply management, and yet still get market access for the other products that we export. Would you—

Dr. James Rude: You're going to have to give up something. With the sensitive products, they would be giving up reductions in over-quota tariffs, but they would be accepting increases in the size of the in-quota tariff, so they would be increasing the size of the quota. That would actually provide some access to the market.

Mr. Randy Hoback: It would maintain the price stability for this —

Dr. James Rude: It would maintain the price stability. Probably you'd would end up with a bit lower prices. With additional access, that access is open; the domestic industry, if it wants to increase the size of the production quotas, could capture it at a lower price.

Mr. Randy Hoback: If we could go back, we talked about soybeans going into Asia and the Asian market. Is that because of preferential treatment to soybeans over, say, a product like canola?

Dr. James Rude: Yes.

Japan, especially, is the market, and so is China. There have been a lot of studies in the past that.... Some peculiarities in the way the tariff lines have been set up in both countries give a certain amount of access to soybeans and to the American producers.

Japan has historically bought a very consistent amount of canola. They have large crushing facilities, and it's been a very profitable venture for both them and us.

Mr. Randy Hoback: We have the Prime Minister going over to China as we speak. That market is very important to us. I believe the president of Grain Growers of Canada is with him.

I know he has focused on canola going over to China a couple of times, and now he's focused on the grains market. I think that's a positive thing, Chair.

The Chair: Thank you to our witnesses. Thanks to all of you for being here today.

Go ahead, Mr. Valeriote.

Mr. Frank Valeriote: I don't have a copy of either Dr. Raizada's report or Dr. Yada's report. Will they be submitting them to the clerk in writing?

They read from prepared remarks, and I don't have a copy of them. Could we have a copy, Mr. Chair?

Mr. Frank Valeriote: Could we have a copy, Mr. Chair?

The Chair: Yes. They're coming to the committee, so I don't see any reason why not, except...they're only in English. That's why they weren't presented. I'd suggest that unless they're going to have the reports translated, maybe you could approach the witnesses and get them directly from them.

Mr. Frank Valeriote: All right. That's fine.

The Chair: Thank you again, gentlemen, for being here.

We have a couple of minutes left, although I know votes are coming. I've called a steering committee meeting for 11:30 on Thursday, in room 228. That's just next door. Basically, we just need to talk about where we're going to go after the Growing Forward 2 study.

I have another comment. We have witnesses for two more meetings on this leg, and then we have the first meeting on meeting consumer demands. Right now we're having trouble getting enough witnesses to go forward from there, so we need a little bit of direction so that the clerk can either book witnesses for another meeting....

I had a chance to talk to Pierre in the House today; Pierre, you wondered about having maybe a total of two or three meetings for that component.

● (1725)

Mr. Pierre Lemieux: Yes, I think so.

The Chair: Are there any other comments? Would that satisfy...? Okay.

Now, doing that would take us one or two meetings beyond the break week. With the amount of testimony we've had, at least that week, Frédéric, it would allow the analysts to at least work on something to get ready. We may have to go into our next study while they finish writing the report, and then we can always come back to it and deal with the report when it's finished. We can talk in a little more depth about that.

A voice: Is it two meetings in total?

The Chair: I think it's two or three. Is there any preference?

Mr. Pierre Lemieux: Let's see which witnesses come forward.

The Chair: Okay. Fair enough, then. Very good.

Thank you very much. Get those witnesses in.

Thank you again, gentlemen. The meeting is adjourned.

Published under the authority of the Speaker of the House of Commons

SPEAKER'S PERMISSION

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

Publié en conformité de l'autorité du Président de la Chambre des communes

PERMISSION DU PRÉSIDENT

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