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# **Standing Committee on Agriculture and Agri- Food**

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**EVIDENCE**

**Wednesday, February 29, 2012**

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**Chair**

**Mr. Larry Miller**



## Standing Committee on Agriculture and Agri-Food

Wednesday, February 29, 2012

• (1530)

[English]

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

I'd like to thank our three witnesses for being here today. I very much appreciate it.

This is our final meeting on Growing Forward 2 and our final category in that study, which is meeting consumer demands.

First of all, from the Alberta Food Processors Association, we have Mr. Ted Johnston. Please try to keep your presentation to 10 minutes, sir.

**Mr. Ted Johnston (President and Chief Executive Officer, Alberta Food Processors Association):** That's the hardest thing of all, Mr. Chairman.

**The Chair:** I'll show you when you have about a minute left.

**Mr. Ted Johnston:** For the committee's record, I've also been the industry co-chair of the Agriculture Canada value chain round table for food processing in Canada.

I'm going to address some of these remarks from a national perspective, and I will tie them together in terms of Growing Forward 1 and Growing Forward 2. We could go back to the APF if you want to talk about these things and how the transitions have not worked terribly well.

Canadian consumers have pretty simple wants. They want tasty, nutritious, and safe food at an affordable price, and they have definitely expressed a preference for Canadian food products. There's a little bit of nationalism tied into that. The Canada brand group out of Agriculture Canada have done some study. They did a beautiful virtual store study. If you ever get a chance, have a look at it. It indicates clearly that Canadians prefer Canadian product as long as it's priced competitively with other products from around the world, and that horizon is at about the 10% level, so we have a problem with "Product of Canada" in this country, and I'll talk about that in a few more minutes.

Safety is an expectation of consumers. It is not a marketing issue. It is not something that you can go out and sell. I used to be the president of the Superstore division of Loblaw companies, and I can tell you I never had a customer walk in, stand in an aisle, look up and down, and say, "What's not safe?". It was all safe, and it bloody well better be.

I'm speaking to you today on how the government needs to recognize the Canadian consumer through its next five-year federal-

provincial policy agreement, which we refer to as Growing Forward 2.

Growing Forward 1 and the previous five-year program before that, APF, were focused primarily on primary agriculture, with little or no focus on processing. Unfortunately, the current minister expresses no interest in the processing side of his department. He repeatedly states his position as "farmers first", and this is reflected in the focus of the department, although it has improved somewhat since 2009 with the previous Minister of State for Agriculture getting involved with us.

Progress was made when we formed the Food Processors Competitiveness Working Group in 2008. The previous Minister of State, the Honourable Jean-Pierre Blackburn, took an interest in leading the creation of the round table and the development of growing the Canadian food processing sector. An industry-government action plan was announced by Minister Blackburn on January 24, 2011. That action plan is available on the Agriculture Canada website. There were 36 action items in it dealing with economics, market access, R and D and innovation, and regulatory reform.

What has that got to do with consumers? I'm going to show you very clearly that it has a great deal to do with consumers.

First is a little bit of background. You may or may not be aware that food processing is the largest manufacturing industry in Canada. It represents \$89 billion of economic output, but that's down from \$94 billion just three years ago, and that erosion is one of the things that's going to negatively affect consumers and one of the things we have to address in policy.

Food sales to Canadian consumers are about \$160 billion. Two-thirds of that comes through retail; one-third comes through food service.

Food processing is the largest manufacturing employer in Canada, currently employing approximately 270,000 Canadians directly, and if you add in the goods and services and ancillary operations, it's pretty close to a million Canadians out of our workforce of 20 million. However, that number is down from 305,000, again, just four short years ago. We've had 58 significant plant closures over that four-year period. I can point out too, and I will, how that is negatively affecting consumers and why we need to address that issue in Growing Forward 2.

Industry currently supplies 77% of the processed food and beverage products available in Canada. Industry currently purchases 40% of all Canadian agricultural outputs. The number is higher in the livestock sections, where it's 65% to 68% in beef and pork, particularly.

There are 6,400 food and beverage establishments in Canada, with the concentration in Ontario, Quebec, B.C., and Alberta, but 90% of those are SMEs, meaning fewer than 100 employees, and 29% of them have 5 or fewer employees. The large establishments make up less than 5% of the plants, but they process 50% of the output, and we have some policy issues related to those statistics that I hope will be addressed in Growing Forward 1 and Growing Forward 2.

In Canada, 60% of the food processing facilities are domestically owned, but this is a shrinking number.

Probably one of the things that would surprise a lot of Canadians is that McCain doesn't actually have a Canadian president anymore. The Canadian operations report to a U.S. president in Chicago.

The industry is increasingly dominated by a few companies. The largest 50 account for 60% of all food production in Canada. Meat accounts for 27% of the output. That rose 9% in 2010 as beef got into some other markets again. That is versus 2% for the total industry, but, if you do the math very quickly, you'll find out that the entire increase in the total industry came because of the weighted average of beef. As beef goes, so has gone the industry over the last few years. There's been no real growth. Shipment increases have merely paralleled the Canadian population growth over the last five-year horizon.

The part that probably impacts consumers the most—and there are a number of policy issues to be dealt with on this—is on the import side. In 2010 we imported \$21 billion of food into this country. In 2004 we had a positive trade balance of \$5 billion; in 2009 we were negative \$1.9 billion. In a five-year horizon we had a \$7 billion shift, and not in the right direction. In 2010 it came back a bit because of the beef; we were \$300 million negative. In 2004 we were the number three food-exporting nation in the world; in 2009 we had slipped to number nine. In 2010, with the beef back, we managed to wiggle our way back up to number seven.

The high Canadian dollar is weakening our exports to the U.S. It's encouraging U.S. companies to close Canadian branch plants, and those are a big part of the 58 plants that have gone. Our trade balance, although it's positive, is still way below the \$6 billion that the U.S. that we had in 2004.

There are a number of reasons. I refer you, if you haven't looked at it, to the study by the George Morris Centre that indicates that the Canadian processing industry is 40% less productive than the U.S. on average. They updated that study in 2005. The reasons are primarily high wage and benefit costs, lower levels of automation, and outdated facilities.

What does all this have to do with consumers and Growing Forward 2? Canadian consumers believe, and rightly so, that food grown and processed in Canada delivers precisely what they demand. There is a high degree of certainty about safety, it's nutritious and tasty, and it supports the Canadian economy. Even though they may not articulate it clearly, it's my belief that if

Canadian consumers were aware of the continuing threat to their domestic food supply and therefore to food security, they would insist that the Government of Canada take strong affirmative action to retain and renew this vital industry for the benefit of all Canadians. Government policy needs to change, and it begins with Growing Forward 2.

I'm going to give you a few of the issues that need to be addressed through federal policy.

The first and foremost issue that's causing the erosion of this industry in this country, and thereby causing the replacement of domestic product with import product for our Canadian consumer, is simply the lack of access to affordable capital. This capital is required in terms of improving our productivity, automating, modernizing, and getting competitive with the rest of the world. We had the benefit of being behind a 60¢ dollar, and even up to an 85¢ dollar. We were competitive in world markets and domestic markets at those kinds of currency exchange rates. At a \$1 dollar we are not competitive, and we continue to lose share to the United States.

I'll talk more about safety standards, if the chairman doesn't give me the boot, because there are some very scary things happening on the food safety side. There was a test case done out of Growing Forward 1.

Here's one of the policy issues. There was a \$500 million fund, AgriFlex, that was part of Growing Forward 1. They took \$50 million of that and put it into what they call the API, the AgriProcessing Initiative, which was to put a loan program in place. It had a \$2 million cap as an interest-free loan, to be paid back over seven years with a first year holiday, so it was an eight-year period. That program has pretty much all been distributed, and we're just starting to see the results come back from it. That was a good experiment in terms of what could be done and how we might address these issues, but \$2 million, I can assure you, in a plant of any consequence, has almost no impact whatsoever. The number is far too small, as is \$50 million.

I'm suggesting that we need to address that issue in Growing Forward 2. We have the test case in Growing Forward 1; in Growing Forward 2, we need to address that particular policy, we need a direction, and we need to make some very strong changes.

● (1535)

On food safety standards, there were a number of things done in Growing Forward 1 in terms of improving or supporting food safety in Canada. The difficulty is that we are basically facing five different standards that food manufacturers try to meet in this country.

One would consider the Canadian Food Inspection Agency and its standard to be top of the list. Unfortunately, it is closer to the bottom. Although a federally inspected plant must meet those standards and any inspector from CFIA can come in and shut down your plant with no recourse—there is no ombudsman, no way to get this turned around quickly—even when you comply, it doesn't necessarily mean you're going to be able to sell domestically or to a foreign market. The export certificates are not recognized in most markets. We're in the middle of this discussion with the European Union, and they send their own inspectors over here. They couldn't care less what CFIA says in terms of the export certificate.

Turning to Loblaws, you had better have a BRC standard if you want to sell to Loblaws. That is over and above what the CFIA standard is, and it requires equipment and plant changes. If you want to sell to Walmart, you need SQF. That's different again, so heaven help the poor manufacturer who is trying to supply two or even three different customers who have three different standards they have to achieve.

For the product approval process, there was money taken from Growing Forward 1 to support Health Canada to streamline the product approval process. If we want to see innovation and development of new product in Canada, we need to take a stronger approach to that aspect. Some improvement was made, but we are still extremely slow.

On market access, current programs in Growing Forward 1 are focused primarily on primary agriculture. There's a small program there to support the processing sector, but it's aimed at small manufacturers and it's a very limited program. In Growing Forward 2, we need to see that program expanded, and we need to include the larger manufacturers, because that's where you get the best bang for the buck, and there are going to be more purchases from Canadian farmers.

One that you're probably sick of hearing about—we addressed this committee many years ago on this subject—is “Product of Canada”. For all practical purposes, the 98% guideline has resulted in the removal of “Product of Canada” from Canadian manufactured food products. We are in the process right now of seeing more and more American products show up. The Canadian product is not identified. The American product is—with 51% U.S. content—so they now have the advantage. If the consumer looks at it and can't determine if it's a Canadian product, well, the next best thing is to get something from the United States, something that at least it is not coming from Southeast Asia.

Canadian manufacturers are at another disadvantage there. This 98% guideline flew in the face of this standing committee's recommendation that 85% was the right thing to do, and we still have a problem with it.

• (1540)

**The Chair:** Could you conclude? I've been really generous.

**Mr. Ted Johnston:** You have been, and I thank you very kindly for that. I suspect that in the questions I'll be able to finish it, so I can wrap it up there, if you wish.

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

From Bioniche Life Sciences, we have Mr. Culbert. You have 10 minutes or less, please.

**Mr. Rick Culbert (President, Food Safety Division, Bioniche Life Sciences Inc.):** Chairman Miller, committee members, and guests, thank you for allowing me this chance to discuss with you what we see as a great opportunity to make Canada a leader in public health and in on-farm food safety, and in doing so, to meet the demands of consumers for safe food.

My name is Rick Culbert, and I am the president of Bioniche Food Safety, a division of Bioniche Life Sciences. Bioniche is a small to medium-sized Canadian company based in Belleville, Ontario. We employ 225 people and are actively growing. Our food safety division was specifically created in recognition of the growing importance consumers place on food safety. In many ways, this food safety division is the interface between the other two divisions of Bioniche, those being our human health and animal health divisions.

As a research-based, technology-driven Canadian biopharmaceutical company, we are committed to discovering, developing, manufacturing, and marketing innovative products for human and animal health worldwide. To that end, in collaboration with the University of British Columbia, the Alberta Research Council, and the University of Saskatchewan, Bioniche has developed a globally recognized and fully licensed product to enhance food safety for consumers.

A generation ago we had not heard of E. coli 0157, but this deadly strain of bacteria is a food- and water-borne illness that poses serious health risks for Canadians. It infects an estimated 26,000 Canadians every year, is linked to a higher rate of chronic illnesses, and is potentially fatal. This strain of E. coli is infamously linked with the tragedy in Walkerton, Ontario, where seven people lost their lives and thousands more fell ill after the town's drinking water became contaminated.

In the United States E. coli 0157 contaminated spinach; the cost was an estimated \$2 billion. What most consumers don't know is that there, as with Walkerton, the source of the outbreak was linked to cattle. Most consumers also don't know that globally, wherever there are cattle, there is associated human illness due to E. coli 0157.

Researchers have repeatedly identified domestic cattle as the primary reservoir or source of E. coli 0157. Cattle are able to harbour this particular strain of bacteria in their intestines with no ill consequences to them; however, when it's passed into the environment and either enters groundwater or comes into contact with food, it can kill people, and it has.

Although the illness was originally called “hamburger disease”, more consumers now become ill from fresh produce contaminated by E. coli 0157 than from ground beef. Walkerton was 12 years ago, yet human illness and food recalls due to this pathogen have occurred as recently as two weeks ago here in Canada. Despite the existing inspection system and controls currently in place, E. coli 0157 illness and related food recalls continue to hit the media.

In terms of how this links into meeting consumers' demands, Canadian consumers want and deserve to have confidence that the food they are feeding their families is safe. They deserve to have confidence that everything practical and reasonable is being done to ensure the safety of their food.

The good news is that we can do more to meet this consumer demand. We are now able to better ensure the safety of our food, thanks to the groundbreaking and innovative development I mentioned earlier.

A brilliant microbiologist by the name of Dr. Brett Finlay, who has been inducted into the Order of Canada, discovered a method by which an effective vaccine could be made to reduce shedding of E. coli 0157 by cattle. It's the world's first vaccine for this purpose. It's purely Canadian. It was developed with the aid and support of Canadian government research grants and loans, and it's a giant leap for this pressing public health issue.

At Bioniche we often characterize this as the first public health vaccine that's not administered to the public. As cattle develop no disease symptoms from this strain of E. coli, it's really not an animal health vaccine. This vaccine is not for the benefit of the cattle. However, by reducing the amount of E. coli 0157 that is shed by cattle into the environment, and thereby reducing the risk of E. coli 0157 contamination of groundwater, beef products, or produce, the vaccine is for the benefit of people.

The challenge we face is ensuring widespread use of the vaccine to better protect the health of the public, to expand markets for Canadian cattle farmers, and to strengthen consumer confidence in Canadian food safety. We are proposing the federal government fund a national voluntary vaccination program that allows farmers to access the vaccine at no charge through their veterinarians, and to have it administered as they routinely inoculate their animals against common cattle diseases.

• (1545)

Again, this isn't a vaccine to protect cattle. It's a vaccine to protect public health.

That reality makes it very difficult for beef and dairy farmers to justify the added cost of the vaccine. There's no system in place for retailers of ground beef to compensate cattlemen, as the supply chain for beef is very diverse and it's not integrated. There is similarly no system in place for the fresh produce industry to compensate cattlemen for this risk reduction step.

We understand that times of austerity are not the best times to ask government to consider a new spending program. However, we are in a unique position here in Canada, and the math makes sense. Canada is poised to take advantage of increasing world demand for food, and it will serve us well to adopt innovative on-farm food safety technologies to meet consumer demands.

The cost of the vaccine is \$3 per dose. While it is unlikely that every farmer in Canada would participate in a voluntary program, the estimated annual cost to vaccinate all the cattle in Canada would be \$50 million. For that investment, we would get stronger consumer confidence in Canadian food safety and a significant drop in the estimated \$221 million primary and secondary annual health care costs associated with E. coli 0157; we'd get recognition of a

Canadian innovation and the creation of high-tech Canadian jobs to manufacture the vaccine for a global market; we'd get a strong Canadian reputation as a leader in innovative public health interventions; and we'd also get the reputation of a global leader in on-farm food safety and in meeting consumer demands for safer food products.

E. coli 0157 is a persistent public health issue. We are presenting you with an opportunity to not only provide an economic boost through enhanced consumer confidence, but to also reduce illness, ease a growing burden on our health care system, and ultimately save lives.

Consumers are justifiably demanding safe and reliable food sources. They expect that all appropriate, necessary, and reasonable steps will be taken to ensure that Canadian food is safe for consumption. We are asking this committee to recommend the creation of a national voluntary E. coli 0157 vaccination program as a demonstration of Canada's ability to meet consumer demand for food safety, both locally and globally.

Thank you.

• (1550)

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

Finally, from Food Secure Canada, we have Ms. Anna Paskal. Go ahead for 10 minutes, please.

**Ms. Anna Paskal (Senior Policy Advisor, Food Secure Canada):** Thank you very much for the opportunity to speak with you this afternoon. It's a real honour to be among you, our elected representatives. I acknowledge that you're working hard to make Canada a better place and to build a better future for food in Canada. Food Secure Canada shares wholeheartedly in those goals.

My name is Anna Paskal, and I'm the senior policy adviser for Food Secure Canada. As some of you may know, Food Secure Canada is a national membership-based organization whose members are taken from the food movement from coast to coast.

The food movement is the most diverse grouping of people who work in the food sector across the whole country. It includes farmers, fishers, people who work in food banks, teachers, nutritionists, dietitians, international development organizations that work on international food issues, unions, provincial and territorial food networks, and much more. It is the most diverse and vibrant group of people and organizations who work on food issues across the country.

The common goal that brings people together as members of Food Secure Canada is to work across silos and across geographies to build a healthy, fair, and ecological food system for Canada.

We're here today in the context of the Growing Forward renewal process specifically to speak about meeting consumer demand. Food Secure Canada feels well placed to speak to this issue and specifically to make some links between what consumers want and how genuinely meeting those needs will also build a healthier and stronger Canadian society overall.

I'm going to tell you a little bit of a story about how we came to be here today to recommend some of the things that we'll be bringing forward.

Food Secure Canada is emerging from an unprecedented countrywide initiative called the "people's food policy". The people's food policy was a three-year initiative through which 3,500 Canadians participated in developing a national food policy for Canada. This was unprecedented and completely citizen-led, from coast to coast to coast, involving all kinds of Canadians.

The people's food policy was grounded in the principles of food sovereignty. Food sovereignty privileges people, communities, and nation-states to have the right to define their own food systems. Over the course of years, these 3,500 Canadians held kitchen table talks, wrote policy submissions, and participated in volunteer policy-writing teams. This is thousands of real people sitting around real kitchen tables talking about real food issues. These are all consumers, so bringing forward the priorities of the people's food policy reflects very accurately what consumers want today.

The result of the people's food policy is the overarching document "Resetting the Table: A People's Food Policy for Canada", which you would have all received in advance of today's meeting. We also have 10 detailed policy papers; we sent you the one on agriculture, as it seemed most relevant today, but there are many others on other topics, such as science and technology and international food policy. You can refer to those on our website.

Taken as a whole, the people's food policy is the most comprehensive national food policy being advanced in Canada today. I would really like to underline that point, because we're at a time now when many different sectors and organizations are building national food policies or strategies; the people's food policy is the most comprehensive one being advanced, so I would urge you to consider it in discussions you may be involved in.

The impetus for developing the people's food policy began from a key starting point: our food system is failing Canadians. There are over two and a half million Canadians who don't have enough food to eat—two and a half million. I repeat that number because many Canadians, including elected representatives, aren't aware of the situation of food insecurity in the country. At the same time, we're losing thousands of family farms, over a quarter of Canadians are considered obese, and the industrial agriculture system is one of the leading contributors to climate change, so the status quo is no longer an option: we need change.

Canada can be a global leader in seizing this moment of change and meeting the needs of consumers while also building a stronger society, greater health for the population, and a stronger economy. This approach would be based on the number one priority that came out of the people's food policy, a process that involved thousands of Canadians from coast to coast to coast. Its number one priority is this: Canadians want a sustainable local food system approach.

In other words, they want food that is produced and processed closer to home, using sustainable methods. This very much matches the broad outcomes that you've already identified for Growing Forward around competitiveness and market growth, and specifi-

cally around adaptability and sustainability. A sustainable local food strategy would help meet those needs.

● (1555)

One after another, urban and rural, indigenous and non-indigenous Canadians told the people's food policy that they want to serve their families food that is processed and produced closer to home and produced through sustainable methods. I think this echoes very much what Mr. Johnston was saying.

The potential benefits for our society are huge. Local selling and processing opportunities shorten the food chain, which has cost savings and environmental benefits. Working this way links farmers to citizens, maximizing the dollars that farmers receive. Rebuilding local and regional food economies revitalizes rural and remote areas while bringing fresh, healthy food to more people, including in the cities. A shift to fresh and healthy food based on local ingredients can bring great benefits to Canadians, from school kids to people recovering in our hospitals.

A shift of this nature would result in reductions in health care and social costs, and gains in environmental and other externalities. It's a real win-win policy approach.

There are many examples that come from the entrepreneurial and innovative food movement, many of which are Food Secure Canada's members. I'll just mention three to illustrate what I mean by local and sustainable food approaches.

One of them was mentioned already by Dr. Evan Fraser, so I'll repeat that, just because it's sometimes good to hear about things twice. I'm talking about FarmStart. FarmStart is an NGO that supports new and young ecological farmers by offering them the chance to try farming, and if they like it, by providing support—technical support, business planning support—so that eventually they can start their own farms.

Another example is FoodShare, based in Toronto. They run a food hub. They buy large amounts of fruits and vegetables from nearby farmers, bring them to the city, and then distribute them at an affordable rate to schools. They serve hundreds of schools in the Toronto area. They also provide good food boxes to the local community.

Another example is Local Food Plus, which helps to build regional food economies through local sustainable procurement. They're like a dating service for buyers and producers of local and sustainable food. They bring them together and they provide a background check, a certification system, to show that this really is local and sustainable.

These are just a handful of the groundbreaking and innovative local food programs that come out of the food movement. They would benefit from additional funding, but specifically from enabling policy environments.

Many members of the general public are already supportive of positive and forward-looking food systems. We all know there is unprecedented interest in local and sustainable food. People are talking about their farmers and their fishers just the way they used to talk about their doctors. There is a real pride in getting to know where our food is from. However, to really make systemic change and reap the benefits that I outlined above, we must build support for sustainable local food into our policy processes, and this is where you guys come in.

Key to this is the procurement sector. Federal, provincial, territorial, municipal, our schools, our hospitals, our universities, our correctional facilities, our legislatures, government offices—these can all be powerful allies in building the kind of food system that Canadians want, which is food that is Canadian and is sustainable.

If there's one request that Food Secure Canada would submit for your consideration, it would be to make the most of this policy renewal opportunity and to support a sustainable local food strategy. A sustainable local food strategy could be a key guiding component of the Growing Forward framework. It can be an overt, clear strategy with associated financial support for sustainable local food and it would help address many of the challenges facing our country.

It would also address the broad outcomes desired for Growing Forward—competitiveness, market growth, adaptability, and sustainability. If anybody is interested, I have quite a few specifics on what a local food strategy could entail.

By supporting local food producers and regional food processing, by encouraging local food infrastructure, and by building community and institutional demand, we can build a new food system for Canada. This would require a significant shift in focus for Agriculture and Agri-Food Canada as well as other departments, but we can do it, and there would be a lot of citizen support.

We've quadrupled food exports in 20 years in our country. We can surely quadruple how much sustainably produced Canadian food is being grown, processed, and eaten closer to home. This would make a real difference in our economies, our environment, and our health.

• (1600)

We can work together to build on the tremendous innovation that's already sustaining diverse, decentralized, and resilient food production and processing. We can do this through a comprehensive, federally funded, sustainable local food strategy.

In so doing, we can enhance the strength of our economies, the resilience of our environments, and the health of our population. With your active support, we can make this happen.

Thank you.

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

We'll now move to questioning. Ms. Raynault has the first five minutes.

Go ahead, Ms. Raynault. You have five minutes.

[*Translation*]

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

My question is for Ms. Paskal. I scanned your brief, which provided a lot of information on the People's Food Policy. Thousands of people have been consulted and given their opinion on the food we eat today. Despite all the commercial production, some people do not have enough to eat.

Is it because the price of fruits, vegetables and meat is too high? Is it because people don't earn enough money to buy them?

**Ms. Anna Paskal:** Basically, it's a matter of poverty.

The other recommendations of the People's Food Policy reflect other priorities. I noted two—sustainable food and eating locally—but there are five in total. One of them is a federal poverty prevention program. If we don't systematically address the fact that people can't get healthy food, we'll never be able to resolve the food insecurity situation in Canada.

**Ms. Francine Raynault:** Exactly. We also know that people are turning to food banks more and more. I find it appalling that people cannot buy food.

As for agriculture, what could we do to encourage young people, boys and girls, to become farm producers, to raise animals, grow vegetables, even though those young people aren't from farming families? People would need government assistance to get established. What's your opinion?

More local vegetables would need to be available on the market. Farms would certainly be smaller; they wouldn't be 1,000 acres, but probably a few hundred. However, they could feed people locally.

**Ms. Anna Paskal:** Actually, in 15 years, we have lost 62% of our young farmers. It's a very serious situation. If we want Canadian food and agriculture, we need Canadian farmers. And for that, we need to take into account what farmers make. Now, as you know, their income is less than zero, if we consider the fact that people work outside the farm and we exclude grants. We should first be able to support the incomes, and we have several suggestions for that. Then, we should have programs to support new farmers who would like to farm.

I made reference to an NGO based in Ontario that does this very well and that is starting to have programs in other provinces. But there's a lack of funding. If we had more programs like that one, we could enable young farmers to try to get into agriculture. It's important to have programs where established farmers provide support so new farmers can determine if they like farming, can know what the challenges are and see what they can expect. They also need financial help. Business plans and all that need to be developed. There are NGOs that do this very well, but they need support to develop those plans, and a policy system that can support this type of program that aims to bring more farmers to Canada. This is the key issue for having more sustainable Canadian food in Canada.

•(1605)

**Ms. Francine Raynault:** Where would this funding come from?

**Ms. Anna Paskal:** It could come from several sectors, since it's an investment in our future. So the funding could come from the government or the private sector.

We can evaluate what the social benefits and the benefits related to our health system would be. How much could we save by having more fresh, locally grown fruits and vegetables?

Obesity and heart conditions cost our country billions and billions of dollars. We are almost suggesting a shift toward local and sustainable agriculture that will have an enormous impact on health, economy and the environment in our country.

**Ms. Francine Raynault:** I don't want to name countries, but we know that the food we export is thoroughly checked, while only 2% of the food we receive is. So we don't really know what we're eating. Perhaps those countries are using insecticides and other products that we haven't been allowed to use here for several years. But we're made to eat it anyway.

**Ms. Anna Paskal:** Yes, and we know what the consumers want. Interest in what we eat has grown significantly. We want to eat healthy, fresh food from producers we know close to home. It's good for everyone. That's why I'm encouraging you to consider a concrete aspect of this policy that supports local, sustainable agriculture. There's a lot we can do.

**Ms. Francine Raynault:** Do I have any time left, Mr. Chair?

Thank you.

[*English*]

**The Chair:** We'll now move to Mr. Lemieux for five minutes.

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

Thank you to our witnesses for being here today.

I would like to clarify one thing on the food processing side.

Mr. Johnston, you feel there is very little agricultural support for food processors. I want to at least make my colleagues aware that under AgriFlexibility, we announced \$50 million for the agrifood processing sector. It's available up to 2014. To date \$20 million of that \$50 million has been allocated through 35 agreements. If we go with the numbers that were presented with the proposals, it should be creating over 550 jobs.

I know there have been other investments too. For example, there is Food Beverage Canada, Alberta's technology institute—I think you mentioned that—and other initiatives like that to help the food processing sector.

It is an important sector. I think it's a sector that's in high demand. As life becomes busier, Canadians have a desire for processed foods. When our food processors are presenting their products, I know they're trying to do it in a way that will be of true benefit to Canadians, a way that is nutritious and well presented, so that they become a natural choice by Canadians.

I want to ask a few things. First, when I think of processed foods, there is a wide scale. At the lower end, I would say there is taking

fresh garlic, mincing it up, and putting it in a vacuum-packed jar. That's food that's been processed to some extent. Then I'm thinking of the other end perhaps, where you can have a whole meal presented to a consumer.

When you're thinking of the food processing sector in general, I'm sure you would span that spectrum as well, but where is the preponderance, I suppose, of the food processing industry?

As well, where is the growth within the sector? What are Canadians looking for?

I know that when I am in grocery stores, I see products changing. I see new products that weren't there before and I see old products that are being presented in a different way, with newer packaging and different attributes. I'm assuming that's what Canadians are wanting and willing to choose.

I wonder if you could share your thoughts with the committee about where the growth is within the sector, and how the sector is meeting that.

**Mr. Ted Johnston:** To begin with the first part—about what we encompass—in the case of my particular provincial association, our membership goes from the people who wash the dirt off a carrot and put it in a bag right through to that full meal preparation you were talking about, whether it's fresh-packed or otherwise.

The biggest areas of processing in this country are killing cows and pigs and cutting them up and putting them in a box. That is the biggest sector. Southern Alberta is a very important part of what happens in that area.

As to where the growth is going to come from in the Canadian industry, you have to put it into the perspective of being in a world market situation. In all honesty, we're a speck on the butt. We have 37 million people here; we're a very small country. We keep talking about becoming dominant, but what we really have to do in this country is become the best guerrillas out there and pick the niches.

I have a very good example. In Alberta we have a company that has become the largest gluten-free baker in North America. It does a great deal of business off the Internet and ships by courier. It's the biggest user of courier services in western Canada. It ships into the United States every day and is now branching into Europe on a similar type of basis, using courier services.

The world is changing in terms of what we can do. This is a very specific niche where we can be an expert and use Canadian agricultural outputs, although there are still some difficulties with it. He cannot get some product in Alberta that he needs; it has to come from Manitoba. We have some barriers to those kinds of things as well.

In sum, growth will be in niches. We react to what our customers want, particularly on the retail side. They are the ones who are talking to the consumer—not our people, and not the farmers. The retailers tell us what it is and where the next generation is. Sometimes they create it, as Loblaw's has done with their "Insider's Report"; sometimes it comes from the demand that comes through various organizations.

•(1610)

**Mr. Pierre Lemieux:** Do you know if your clients use, for example, funding that might be available through Western Economic Diversification? These are agencies that are meant to promote economic growth, and all these food processors are businesses. They need new equipment, they need to hire new employees, they need to grow and expand into other markets. There is economic development funding available that's not necessarily agriculturally base, and I'm wondering if your clients take advantage of that.

**Mr. Ted Johnston:** WD is not one that the companies themselves would particularly go after. As an association we will work with WD in some of the programs, usually in partnership with the provincial government. We had one that developed a program to try to expand on private label development in western Canada, particularly in Alberta, to ship to the United States. It was working absolutely wonderfully when we had an 85¢ dollar, but it went right out the window as soon as we hit dollar parity. The company went bankrupt and went out of business.

However, we are very fortunate in Alberta, and I hold Alberta up as the example of what could be done. I think this needs to be done on a national level, and that's why the federal government needs to get involved. We have AFSC, the Agriculture Financial Services Corporation, which was set up primarily to administer the safety net programs for the province of Alberta but has grown beyond that. They now provide basic financing programs that support the modernization and the automation of this industry in the province of Alberta.

**Mr. Pierre Lemieux:** As do tax cuts, right? As an example, there are general business tax cuts that agriprocessors benefit from when they're buying new capital equipment.

**Mr. Ted Johnston:** Coming back to the context of small and medium-sized businesses, the largest number of companies in this country are the small and the medium-sized ones. The tax cuts are not the biggest issue to them. The biggest issue is being able to get dollars up front to do the thing in the first place so that they can make the profit where the tax cut comes into play. They need the up-front dollars.

**Mr. Pierre Lemieux:** I guess that's where I see AgriFlexibility or WD. There are economic development programs they can apply to for funding to help them with that kind of expansion.

**The Chair:** Pierre, you're—

**Mr. Pierre Lemieux:** Thank you, Chair.

**The Chair:** Thank you.

Go ahead, Mr. Eyking, for five minutes.

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

I just hope the parliamentary secretary realizes that sometimes loans are not going to be the answer, and that with all these new regulations that are coming down, it's a downloading. When you look at the United States, I think you see that they have a lot more money in place to help the processing plants, and that's the reality.

Mr. Johnston, I've toured many facilities throughout Alberta. Do you remember that? Yes? We toured a chicken plant, and the next

day it was gone. I hope they are back in business, but it was quite a tour we had.

It's surprising that people don't realize how much value-added food is being produced in Alberta. I have to tip my hat to the Alberta government for what they are doing there to make things happen.

You mentioned a few things. One thing that bothers me is what's happening with the Loblaws and Walmarts of the world. I find that if farmers or food processors have an operation, they continually get not just inspections but new mandates from whomever. One day the federal government is coming in, or it could be the provincial government, and the next thing Loblaws is coming in. It's borderline harassment, almost, on where they have to go, and they have to change all their policies and how they process stuff.

Shouldn't the federal government be taking a lead in bringing the Loblaws and the Walmarts and the Sobeys of the world into a room together and saying, as was stated by everybody here, "Okay now, Canadians want safe food, and we all agree with that, so how do we get there and what do we have to do?" We would have a game plan that we could take to farmers or to any producer to show what needs to be done, and then we could ask how we could help them achieve that, whether it's through outright money....

Right now it's not only almost harassment of these food producers, but it becomes a matter of increased costs. They have to stop production to modify their facilities, and then they turn around and don't get any more money for their product.

Shouldn't the federal government take the lead in getting all the stakeholders in a room to establish where we are going and how we are going to achieve it?

•(1615)

**Mr. Ted Johnston:** Thank you for the lead-in to the action plan, because that topic of concentration is addressed specifically in that industry-government action plan. It says "retail concentration", but you have a worse concentration in food service. One-third is food service. The two major companies are both American; one even moved their buying office out of Canada. They don't have a buying office here anymore; you have to go to Grand Rapids, Michigan, if you want to talk to them. The Government of Quebec has conducted a study on the impact of this retail concentration in Canada, and I think there are probably some pretty scary things in there. They haven't published it at this point in time.

However, our point with the round table has been that the Government of Canada does need to take some kind of lead on this position. I'll give you one anecdotal story.

A gentleman who runs a further meat processing facility in Alberta just spent \$3.5 million to get his plant to the level where he can be federally inspected and approved by CFIA, and he is. He still can't sell to Loblaws, because it's not BRC. That would require another \$1.5 million. He said he went into the bank and said he needed another \$1.5 million. They said, "Well, what's your sales increase plan?" He said, "There is no sales increase; this is just to try to keep the business I already have."

There's no economic upside, but the cost is attached to it, so yes, it's harassment. Yes, it's a problem. It's a huge problem.

**Hon. Mark Eyking:** I have a couple more questions. They only allow me to ask one question. I only get five minutes for the whole two hours. I'd just like to get that on the record.

**Mr. Ted Johnston:** I took part of it in my presentation.

**Hon. Mark Eyking:** With regard to local food, we have local producers in our region. Let's say you grow good raspberries or strawberries and you want to make jams or jellies. In order to go that extra step or be able to sell locally, you almost have to sell individually in your backyard. As soon as you go to the so-called Loblaws, even if you have the right codes and everything, it's almost impossible for local producers to get into that big network. We see that with honey producers as well. It's great to talk about doing it and to encourage everybody to do it, but there's a big disconnect between what we can produce and who will help us sell it.

Shouldn't there be some bridging happening there, or some expectation? The retailers have no problem promoting their "buy local" campaigns, but even though there are four honey producers right around the region, they're buying honey from Argentina because it's easier for them.

**Ms. Anna Paskal:** I couldn't agree more. In fact, those are some of the concrete elements of a local food strategy that we would propose.

In Canada we need to rebuild the middle of our agriculture system. We need to rebuild regional processing and local processing so that people have access to that kind of transformation locally. This will have huge benefits for the economy as well.

It would also be very helpful—and policy can support it—to have front-end representatives for those local food systems. They could aggregate local food so that it would be as easy to buy local sustainable food as it is to go to Sysco, for example. We have some examples of that already in the food movement. The local Food Plus is a very good example of that. They'll bring together what you want—meat, produce, honey, grains—and sell it to you so you don't have to find individual buyers.

**Hon. Mark Eyking:** I'm not just picking on Loblaws, but it's a real problem getting through that door. It's a shame. There has to be some way for us to encourage those....

They advertise local produce, but they're not buying local honey because it's just simpler to bring in a pallet load from somewhere else. That's what it's all about, but nobody holds these people to check.

• (1620)

**Ms. Anna Paskal:** There are two sides to that. One is making it easier for them to buy it by aggregating that local sustainable food. The other side is making a policy environment where those large retail stores have to buy local and sustainable food.

One example to look at is biofuels. We've legislated a 10% biofuel content. We can legislate a certain percentage of local and sustainable Canadian food into our retail system. We have that power, and we have the precedent.

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

Mr. Payne, you have five minutes.

**Mr. LaVar Payne (Medicine Hat, CPC):** Thank you, Chair.

I thank the witnesses for coming.

There are a number of important topics in terms of consumers' demands. One of the issues we've heard quite often is around safety, and another one is being competitive in the marketplace.

I was interested, Mr. Johnston, in your comments on the 60¢ dollar and the 85¢ dollar. If you're going to be competitive, you have to be competitive at that level as well, whether it's a 60¢ dollar or a \$1 dollar.

I'd like to hear a little about your food processors. Is there some rationale for why they haven't been able to compete on that basis?

**Mr. Ted Johnston:** It comes back to this whole discussion about the cost of food in terms of what goes on. In this country the percentage of our disposable income that we spend on food is way lower than pretty much everywhere else in the world, particularly relative to Europe. Food is relatively inexpensive in this country, and the margin squeeze from that concentration of retail in food service comes down to the processors, so their margins are squeezed.

How you see that manifested is that the Americans are investing at the rate of about 2.5% capital over their depreciation. We're at about 0.8%. What that tells you is that we're trying to cover some of our bottom line out of the depreciation. We're not investing even what we're taking as depreciation currently. That has been going on for a number of years, and it has negatively impacted modernization and automation.

The Netherlands has gone in the entirely opposite direction. The Netherlands, after World War II, said they were never going to starve again. They invested in this industry. They are automated. The trade attaché from Washington told me they've invested \$54,000 of capital for every hour of labour they use in their food processing industry. They have higher wage and benefit rates than the Americans do, yet they beat the Americans at their own game because they have very highly automated and very sophisticated processing facilities. That's really where we need to be in this country.

We've got this huge agricultural base. We've got all this wonderful agricultural output that we could transform. We've got a huge percentage of the world's fresh water and we haven't been able to figure out how to capitalize. What we have to do is take this industry, modernize it, and get it automated. We'll still have lots of jobs for people, because we've got areas that are going begging right today. If this country had a policy that it wanted to be back to number three or preferably number two in terms of food nations in this world, the only thing stopping us is really the will to get on with it and get it done.

**Mr. LaVar Payne:** In today's economy we know as well that we're facing some budget restraints and that there are certainly going to be some cuts, so the question is how we'll manage to do that in Growing Forward 2, because we won't be able to put out the number of dollars we have available. My colleague Mr. Lemieux talked about \$50 million being available, and I think only \$20 million was taken up. It seems to me that there's some area there for some of the processors to do that.

What does your organization do, or have you done anything, in terms of innovation around food safety for producers?

**Mr. Ted Johnston:** Do you mean for producers or for processors?

**Mr. LaVar Payne:** I meant for processors; sorry.

**Mr. Ted Johnston:** In terms of food safety innovation, basically all these standards, as I said, are going on all over the place. We've got the global food safety initiative, we've got ISO 22000, we've got SQF, we've got BRC, we've got FSEP. We don't have to do anything. We've got more stuff coming at us in terms of all of these various standards.

We participate in consultations. There was a federal-provincial food safety policy conference in Edmonton about four weeks ago today, which I attended. Many senior bureaucrats from CFIA and Health Canada were there to participate and discuss that issue. They made the one fundamental point that what we need to do is move towards a single standard. We've got to get to a single standard because of the cost and all of those things.

This industry does not object to regulation. There are some people who think that we do. We don't object at all, but we need one standard. Tell us what it is, and we'll get on with it and give you exactly what you're looking for, but we can't afford to do five standards.

The API initiative is a good example, although our numbers disagree. The numbers that I have are a little higher in terms of what's gone out the door on API. One of the areas that it does not do is it will not support change that's based on food safety.

• (1625)

**Mr. LaVar Payne:** I have a question for Mr. Culbert.

You talked about funding the vaccine for cattle. I don't have a clue as to how much it would cost to fund it or who should be responsible for that. Should the producer be responsible for it? Should there be some government funding for it? Is that a shared cost between the producer, the province, the federal government? I don't know if you've got any numbers that would help us understand that aspect.

**Mr. Rick Culbert:** Thank you for that question. The challenge, as I said, is that incurring the cost of a public health intervention is very hard for an agricultural commodity producer to do. Who's going to pay him back for it? In reality, the answer to this is more of a cross-departmental hybrid, if you will. It is quite conceivable that this could be mandated like a public health immunization. However, it's just not given to the public. It goes through veterinarians and the animal industry.

The math is pretty strong. If all the cattle in Canada were vaccinated, it would cost \$50 million, but the benefit just in terms of health care costs is \$221 million. According to the George Morris

Centre and some of the agricultural economists, the return in consumer confidence would be about \$80 million, so it would be over \$300 million in all.

The math shows an easy return, but it's coming from multiple sources: it's potentially benefiting trade, it's benefiting public health, it's benefiting municipal wells. It's just that the cost should not be borne by the guy who's raising cattle, and the cattle would be perfectly healthy.

**Mr. LaVar Payne:** Do I have any time left?

**The Chair:** No, you're out of time.

Mr. Rousseau, you have five minutes.

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

[*Translation*]

My question is for the three witnesses, starting with Ms. Paskal. It seems that consumer demand is increasingly paradoxical. They want a quality, often organic, product of Canada, but they also want to pay as little as possible. It's a contradiction that producers seem to have difficulty responding to. It's difficult because of all kinds of things. We just heard about safety standards. There's also transport which, in Canada, creates huge costs.

I'm a big believer in buying locally, in products from local public markets. What can we do to make healthy, balanced food accessible to people who are increasingly poor? In fact, the gap between the rich and the poor is growing. We seem to be forgetting a large part of our population. It's a problem that will be difficult to resolve in 10 or 15 years. What can we do to resolve it?

**Ms. Anna Paskal:** Thank you for your question. This is a concern for us as well.

It's really a matter of comparing figures. We see that the food we buy in dollar stores, for example, is part of a system of agriculture and industrial processing that benefits significantly from all kinds of subsidies, including transport and production. But there are huge costs associated with the consequences on health.

**Mr. Jean Rousseau:** Especially since these products are often imported.

**Ms. Anna Paskal:** Yes, precisely. And we're the ones paying the cost in terms of health, environment and in social respects.

But in the local, sustainable sector, there are almost no subsidies. The external impact is enormous environmentally and socially. It's important to look into these figures because that's what is causing the inequality in our perception of the costs. So a real review process needs to take place to find out how we pay and what the costs of the two systems are. Although, we would prefer to integrate them to get more support. Otherwise, we aren't talking about the same thing. We aren't even talking about apples and oranges, but airplanes and oranges, or something like that. I think that would be an important starting point.

• (1630)

[*English*]

**Mr. Jean Rousseau:** Mr. Culbert, on the same subject, would you comment?

**Mr. Rick Culbert:** I'm sorry?

**Mr. Jean Rousseau:** On the same subject...?

**Mr. Rick Culbert:** I'm sorry. I don't understand your question.

**Mr. Jean Rousseau:** You didn't have the translation, then?

**Mr. Rick Culbert:** Yes, but I'm still not clear about your question.

[Translation]

**Mr. Jean Rousseau:** I was talking about the growing demand for quality products and organic products that contradicts the prices. People favour price over the quality of the food. What can we do in Canada to finally meet this need that people have?

[English]

**Mr. Rick Culbert:** I understand. Thank you.

I think the answer lies in respecting that the market will be somewhat segregated. The market demand for organic food is very real, but it's also very much a minority. It also has likely a higher cost of production than non-organically produced food, but if there's a sector that wants it, we should offer it to them, obviously.

**Mr. Jean Rousseau:** I agree.

**Mr. Rick Culbert:** I think the other issue that's more relevant and more important to this on-farm food safety issue is on-farm food safety when you are selling your food to your neighbour. That's the last place you want to contaminate a food source. Even with the terrible situation in Walkerton, Ontario, years ago, their chief medical officer of health told me that they had a second outbreak not long after, but it was in strawberries served at a church supper. The strawberry patch was right beside the cattle pasture, and it accidentally became contaminated. It was local, fresh, all that stuff.

There again, if we're going to put this emphasis on local, I see all the more reason to have policies that support on-farm food safety.

**Mr. Jean Rousseau:** Thank you.

Go ahead, Mr. Johnston.

**Mr. Ted Johnston:** I think you've hit the nail right on the head. There is a cost attached, and the retail environment in Canada does not believe that the Canadian consumer will absorb that type of cost. Prices have gone up about 6% over the last year, and they're getting some push-back on that.

It becomes one of the difficulties. Trying to get costs out of the process is one of the biggest issues, and that's where we say that we have to get some of those costs out of the system.

We don't always have a whole lot of impact on input costs. I'm not just talking about agricultural input costs: a lot of inputs—water, electricity, and all the rest of those issues—come into play. Unless we can find ways to get those costs out, we will continue to experience upward pressure, and the Canadian consumer, ultimately, will end up paying more.

If we also continue to not be competitive on the other side of it, we'll create more poor people. There will be even more jobs lost out of this country. This is now our largest manufacturing sector, but we're losing it.

[Translation]

**Ms. Anna Paskal:** May I add something?

[English]

May I add one little bit?

[Translation]

There is also the issue of the liability of the producers. You spoke about organic products. I'm not talking specifically about organics, even though that is one aspect of sustainable agriculture.

On the ground, there needs to be a barrier between chemical farmers and organic farmers. That zone is on the organic farmer's land. That is exactly the situation of organic farmers: they have to protect themselves from the chemical products, they have to pay for certification. So all of these costs are included in the process. If the government could see that the environmental benefits can really compensate for the costs of organic farming and help these producers, it would change the costs for organic farmers and, as a result, the prices.

The government must really lift this burden off the organic farmers. Then, clearly, the prices will drop. And we could list the economic benefits. I just wanted to add that.

• (1635)

**Mr. Jean Rousseau:** Thank you, Ms. Paskal.

[English]

Thanks, Mr. Chair.

**The Chair:** You're very welcome.

Go ahead, Mr. Lobb.

**Mr. Ben Lobb (Huron—Bruce, CPC):** Mr. Johnston, in your presentation to talked about a CFIA ombudsman, didn't you?

**Mr. Ted Johnston:** Yes. It's something we've requested in the action plan. There are a number of areas in CFIA where there has been no appeal. One is the level playing field relative to imports and domestics. Some action has taken place there, but we have example after example of overstepping CFIA inspectors. They can walk into your plant on a Thursday afternoon and say, "No, that's it. You're done," and there is no recourse. There is no place to go, unless you're prepared to go through a long and convoluted process.

**Mr. Ben Lobb:** Who would he report to?

**Mr. Ted Johnston:** He would report to someone probably in the regional office, who would report to the western Canada director, who would then report to one of the vice-presidents here in Ottawa. It's quite a long process, depending on how far down the ladder that individual was.

**Mr. Ben Lobb:** In Ontario, where I'm from, there are provincial inspectors and there are federal inspectors. In the year 2012, does it make any sense to have two layers of inspectors? Do you think there are synergies to be found by combining those efforts?

**Mr. Ted Johnston:** Well, you forgot one. There are three layers. How about local health? Any one of them can walk into your plant. Even if you're a federally inspected plant, some local health inspector who may have been out of school for three weeks could walk in and shut you down.

**Mr. Ben Lobb:** If we could combine two to start, would that be progress?

**Mr. Ted Johnston:** It would be progress. There have been some negotiations among the provinces on federally inspected meat. It may not ever come to pass in my lifetime, but there is work being done.

**Mr. Ben Lobb:** You talked about Loblaws standards and Walmart standards and all the different standards. Is it really the government's problem that Walmart or Loblaws have certain standards, or is that the industry's issue?

**Mr. Ted Johnston:** The government's problem is a result of that. The result is that people are closing their doors.

**Mr. Ben Lobb:** Maybe we could relate this to the auto industry, an industry I was in before I came here. About 10 years ago, they had TS 16949, which were world standards put together by the industry. If you wanted to be a tier-one supplier to the Big Three, you had to be TS 16949. It had nothing to do with the government. It was all with industry, and everybody was at one standard.

Instead of having the government involved, doesn't that make sense, or should this industry be treated differently?

**Mr. Ted Johnston:** How many automobile manufacturing companies are there in the world? Can I count them all on two hands? We've got 4,600 small and medium-sized guys. We've got 6,700 different companies in Canada—

**Mr. Ben Lobb:** Hold on, though, hold on—

**Mr. Ted Johnston:** Multiply that around the world, and good luck.

**Mr. Ben Lobb:** I'll ask you a question: how many automotive parts suppliers are there around the world? I'll tell you, it's probably the same number. That's my point.

**Mr. Ted Johnston:** I don't think it's anywhere near that kind of number. It's not a homogeneous industry, unfortunately, and that's the difficulty.

**Mr. Ben Lobb:** No, but I'm just saying shouldn't the same...? Well, okay. We've got five minutes. Whatever.

Ms. Paskal, in your paper you talk about prohibitions on corporate farms. Are you saying a small family farm that's incorporated should be prohibited?

**Ms. Anna Paskal:** No. I'd have to find the exact page, but certainly not. The idea here is around keeping farms in the hands of farmers, so there'd be no absentee ownership or corporate ownership by people who have nothing to do with farming, as in foreign ownership, investor ownership. The idea there is that the people on Canadian farms should be farmers farming. That's the essence of that point.

**Mr. Ben Lobb:** Also in your presentation you talked about young farmers and that we need to get more. I still think I'm pretty young, but not too far down the road from where I live a 150-acre farm was sold the other day for \$2.2 million. It had no buildings, no home, not even a driveway. How's a poor guy like me going to buy that farm in 2012?

**Ms. Anna Paskal:** You hit the nail on the head. What's interesting is the link between the two questions you had, because foreign ownership, absentee ownership, all of that—

**Mr. Ben Lobb:** This was a local guy right down the road.

**Ms. Anna Paskal:** It drives up the prices of all the farms, right, so it makes it possible to ask for \$2.2 million for a farm. These things are important. Globally there's a land grab on farmland because it can be used for all kinds of things now, and it's pricing out food and food production. In Canada we need to keep an eye on that, because we could lose our farming base, and our farming base is what's going to enable us not only to build our economy, support our health system, and support our environment, but also to maintain our food security into the future. These are serious security issues at the same time.

There's a real link between the way we handle our landholdings and the case of the \$2.2 million farm, which means we then can't have farmers on the land.

• (1640)

**Mr. Ben Lobb:** Did you say the government should legislate grocery stores to carry certain goods?

**Ms. Anna Paskal:** It's a possibility. When we look at trying to build the demand side for local and sustainable food, assuming the benefits, we can look at that idea.

**Mr. Ben Lobb:** I'm sorry to interrupt, but I'm short on time.

If you look at the case of Loblaws with their Ontario corn-fed beef program, isn't that the right way to go? The industry and the farm groups come together, there's demand from the consumer, and the retailer understands there's an opportunity here to have a good thing. Isn't that the way it should go, instead of government screwing things up and legislating that they do something?

**Ms. Anna Paskal:** They could go hand in hand. For instance, to go back to the bee example that your counterpart was giving, unless we make it easy for them to buy local and sustainable—

**Mr. Ben Lobb:** What I'm saying is it wasn't Jimmy the beef farmer who went to Loblaws and said he had a few loins here for them. They came together as a group on the Ontario corn-fed beef.

It's the same thing with Mr. Eyking. If Joe the beekeeper has a few pints of honey, Loblaws is too big to deal with, but if they came together as an industry or in a region, that's the way to go, instead of legislating it.

**Ms. Anna Paskal:** I think they're two sides of the same coin to reach the same ends.

**Mr. Ben Lobb:** It's quite a bit different, I think.

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

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

I didn't realize the government was all bad all the time, but in any case, maybe I'm happy I'm in the opposition and not feeling as if I'm all bad all the time in the government.

Mr. Culbert, I think you were saying earlier that you see E. coli as a public health issue. If I read you correctly, you're saying at three bucks a dose, it's about \$50 million for the Canadian herd. That saves us about \$221 million in health care costs, all dollars being approximate. Rather than your seeing it as a safety issue for the farm per se, it becomes a public health issue, so it's in the public purview in the sense that it should be in the form of legislation, etc.

If indeed there was a will to do this across the country as public policy, does the cost of three bucks a dose go down if we inoculate every animal in the country?

**Mr. Rick Culbert:** I think that's a potential, yes. There are economies of scale. We're just in the process right now of gearing up our production facility. Of course, our cost of production to date is calculated on what our production yields have been. We're not manufacturing 50 million doses per year or enough for \$59 of sales. I think it's a very fair question. Yes, it could go down.

More importantly, should any licensed E. coli vaccine come on the market, I wouldn't expect any government program to mandate one specific vaccine. Any one of those could be used. What I'm getting at is that with competition comes pressure on price. I also know that technology-wise, we're now looking at potentially second- and third-generation vaccines. Part of their appeal is they're going to have lower costs of production, so I think it's fair to expect that the cost would ultimately come down.

**Mr. Malcolm Allen:** Mr. Johnston, my friend Mr. Lobb and I both come out of the auto sector. I know what he's talking about when it comes to an industry standard and getting into the industry standards.

He quite correctly pointed out that he could be considered a young farmer if he got into farming. I couldn't be, on the other hand. I've been in the auto sector for a long time. I remember the 1970s and 1980s, when the auto sectors had a multiple layer of programming that nobody could get their head around, especially the suppliers. The tier one, tier two, tier three suppliers were doing exactly what you are today, so your sector reminds me of the 1984 auto sector, quite frankly.

I know what the auto sector went through, because we got to the ISO standards much later. The late 1990s and early 2000s were when we really got to a standard that the whole industry accepted. Then the suppliers could actually say, "That's the standard I've got to meet. Fine. I'll do that." Before that, they were racking their brains trying to figure it out.

If we set a standard—in other words, if the CFIA said to you and the Walmarts and the Loblaws, etc. what the the Cadillac or platinum standard was and mandated it and had everybody comply with it, which means the only thing that might be different among Walmart, Loblaws, etc., would be the cosmetics of how they wanted it to look versus what the safety standard was, would that be helpful at all to you?

• (1645)

**Mr. Ted Johnston:** That's fundamentally what one of the major issues is. Again, safety is not a marketable issue. They can do their own marketing thing in whatever format. It's that one single standard, and we'd prefer that it be the CFIA standard at the appropriate level so that we can comply once. The problem is

spending the \$3 million to do one, needing another \$1.5 million to do the second, and another \$1 million to do the third; the economics just aren't there.

**Mr. Malcolm Allen:** Okay.

About the investment in automation, you're absolutely right. The only reason there is an auto sector, besides the bailout that we entered into a number of years ago, is the high level of automation that went through that sector. I use these examples because the food processing industry is following along, albeit about 15 to 20 years behind. You said 20 years, and I would agree with you.

That being the case, if we were to modernize it similarly to what the Netherlands did—and we're looking at a substantive amount of capital—are we talking about creating jobs through this type of investment? I don't mean direct jobs in the process. The plant I came out of in St. Catharines has 1,550 workers in it. In 1992, it had 9,400, but there are more engines coming out of the St. Catharines plant in 2012 than there were in 1992, simply because of automation. That's why it's still there. I'm not looking at the direct jobs per se right inside that processor.

What do you see coming out of that real investment of capital that actually drives jobs and keeps processors working? Quite frankly, I don't have any left in the Niagara region. The last canner closed up five years ago, and that's the end of that, which means there are no peach trees for cling-free peaches. They're all thrown out on the ground now.

**Mr. Ted Johnston:** There are no soft-fruit processors in Canada. They're gone.

First let me make one point. We're not talking about a bailout here. We're not talking about a handout. We're not talking about grants. What this industry needs is a loan program, and that's fundamentally what we're talking about. As I said, if you had taken the biofuels initiative five years ago, that \$2 billion—there's not a lot of that left—and if you had done the same thing and put it into modernizing this industry, today you'd be 60% to 70% of the way down the road. We'd be competitive, and you'd probably have \$1.89 billion of it left, because it would be being paid back.

We see that on a smaller scale in Alberta with AFSC. As the president of the AFSC will tell you, the people in the processing sector are the ones who pay back the best. Of the portfolios that default, the fewest come from the processing side. That's what we're talking about.

The impact would be that it would keep Canadian industries that are here today.

I have one anecdote: one of my members got some support to automate a line, and he took 10 people off that line and replaced with them with two. Those two people were highly trained technicians instead of basic hourly-wage workers. Doing that met our labour strategy because the rest of them actually were needed immediately in other jobs within the plant, so that achieved a whole number of things.

We've had multinationals withdraw from this country. At our round table, the Canadian head of PepsiCo Frito-Lay indicated that they had made an investment in Canada in Alberta because of the financial program that was there for support. I would suggest that having a program of that nature in place would also encourage foreign multinationals to invest in facilities in this country as well, because we have the great agricultural base here to draw upon.

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

Mr. Storseth, you have five minutes.

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

Mr. Johnston, you're basically talking about an interest-free loan, I believe, as being one of the most needed things to help the automation—the lack of automation—in your sector right now, but there must be different needs at different levels. I mean, you represent an extremely large number of processors, some of them quite large and some of them quite small. What are we talking about for the smaller guys? Do they have the same needs? Clearly they do not. What kind of dollar figures are we talking about?

**Mr. Ted Johnston:** They essentially have the same needs, although the very small ones, the “fives”, don't. They need some help. Their primary issue is related to meeting safety standards versus putting in significantly larger plants.

As an example of the others, the gentlemen I referred to as the largest gluten-free baker is now opening up European marketplaces. He's going to need to do a significant expansion to be able to do that. That's going to be totally capital-intensive. His challenge will be to come up with the capital to be able to do that kind of expansion. As well, in Ontario today significant plants are having great difficulty just trying to make the changes to the facility that are required to meet these multiple safety standards, and they cannot get financing support to do that.

• (1650)

**Mr. Brian Storseth:** I don't mean to be rude, but we just have five minutes. Predominantly what size are you talking about that will benefit from the loan?

**Mr. Ted Johnston:** Do you mean in terms of companies?

**Mr. Brian Storseth:** Yes.

**Mr. Ted Johnston:** All sizes would benefit from it.

**Mr. Brian Storseth:** Even the small businesses would?

**Mr. Ted Johnston:** Even the small businesses, because—

**Mr. Brian Storseth:** They would be the ones who would be accessing—

**Mr. Ted Johnston:** If you want to go from being small to medium-sized, you need to be able to go into that kind of a jump. Again, we have Alberta. We have a lot of things in place out there. We have this business incubator. We have the development centre. We built the business incubator so that people could move into development to get to production, the theory being you could build orders and then go out and build your plant.

The problem is how to finance building the plant. I've proven that I can make this product and that I can make it in volume, but now I have to come up with the millions of dollars to be able to put that

plant in place. That's the other thing that API does not do. It does not deal with start-ups and it does not deal with safety.

**Mr. Brian Storseth:** What would the cost to the taxpayer be?

**Mr. Ted Johnston:** At the end of the day, it's whatever the defaults were—

**Mr. Brian Storseth:** What would your costs be?

**Mr. Ted Johnston:** —and the time value of the money.

**Mr. Brian Storseth:** But there are some start-up costs, so what is the total dollar value you're looking for?

**Mr. Ted Johnston:** As I said, it's whatever.... It's the loan pool we're talking about here.

**Mr. Brian Storseth:** So what are we talking about?

**Mr. Ted Johnston:** In that loan pool, I would suggest you're probably looking at somewhere between \$800 million and \$900 million to take us significantly down that road, and you could continue to reinvest it. The other downside with API is that API money coming back in will not be reinvested in that program; it's going back into general revenues.

**Mr. Brian Storseth:** You made the comment that Canada is falling off the shelves because of “Product of Canada” label requirements that were changed to 98%. This deals directly with consumer demand. Where are you seeing that? Is this something you're seeing in jams predominantly, or are you seeing it across the board?

**Mr. Ted Johnston:** It's across the board in terms of the term “Product of Canada” being removed from labels on Canadian-processed product. The manufacturer could not comply with it. If you add pepper to something, or any of those types of things, you don't hit the 98% guideline. This committee did quite a study a couple of years back and came out with an 85% guideline; industry said it could live with that one.

When we ship it to the United States, of course, we have to reprint our labels and put “Product of Canada” back on, but we can't use that terminology here.

A study by the department, the virtual store study, showed that identifying a product as Canadian positively impacts sales. They've run a number of pilot programs on that, and those results are available to this committee.

They're suggesting the way around it is to use other terminology —“Made with 100% Canadian Strawberries”, for example. I call it the weasels. That's a statement that could be made, but it still requires a separate label. If you do part of your business in Canada and part of it in the United States, you have two different labels, and that adds to the costs. It's another one of the pieces of the puzzle.

**Mr. Brian Storseth:** Ms. Paskal, my last couple of questions are to you.

I read what you talked about here in regard to land ownership. I have a local start-up company called Nilsson Bros. out of Westlock. Would you suggest that a Canadian company like this would still be able to buy land in Canada and use it? Are you just talking about foreign nationals here?

**Ms. Anna Paskal:** Yes, definitely.

What we're trying to make the connection between, for instance, is countries like China that are going to countries in Africa and buying up massive tracts of land to be able to feed their populations into the future, and Canada, which needs to start looking forward in that way. We need to make sure that farms and farmland in Canada are producing food by Canadians and for Canadians.

That's the gist of it. I'm going to take a look at the wording there because I think we may not have explained it as clearly as we could.

Thank you.

**Mr. Brian Storseth:** Okay, thank you.

**The Chair:** We'll now move to Mr. Atamanenko for five minutes.

**Mr. Alex Atamanenko (British Columbia Southern Interior, NDP):** Thanks very much.

Thanks to all of you for being here. I'm going to try to formulate my thoughts and to be as precise as possible to allow you as much time as possible to answer.

I just have some comments. It seems to me when we're talking about some kind of a national policy or a sustainable food strategy, we have this juxtaposition between trade and sovereignty. How do we, as a trading nation, balance our sovereignty with the ability to continue trade and to pursue markets? I would say the goal of this government seems to be more to pursue more markets and to get more markets for our farmers who trade, and I understand that.

I did a tour across this country a few years ago and I put a report together on a food strategy. In your organization and the Liberal Party and the National Farmers Union and the Federation of Agriculture there seems to be this desire to have some kind of a food strategy.

Things hit us. As you mentioned, off-farm income is an issue with large farms. The fruit and vegetable sector has really been hammered by trade agreements. There's push-back from the minister saying that we've got to be careful of trade obligations when we're considering one of the points you had in your report about procurement. All these things seem to be there. You mentioned will, Mr. Johnston, and I would like to submit that we need the will.

I have a couple of questions. Can we truly have a national food policy without reconsidering our trade agreements, for example? Without renegotiating NAFTA, can we truly have a national policy? Is it political will that we need to find this correct balance between trade and sovereignty?

In regard to Food Secure Canada, what concrete elements would you include, for example, in a sustainable local food strategy? What are other priorities? How could we work together to develop this, and what role could you play?

This touches, of course, on the processing sector. It seems like such an overall problem, and yet we need to move towards this area. How can we do that, keeping in mind sovereignty, on the one hand, and trade?

I'll stop there.

Anna, maybe you could start.

• (1655)

**Ms. Anna Paskal:** Thank you very much for the questions.

Certainly we need political will. A shift in direction would need to take place, and it would include looking at our trade agreements. We need to, for instance, continue to defend supply management. Supply management isn't perfect, and there are ways of making it better, but fundamentally it matches demand to the need and keeps the production in Canada and local. That's a very strong policy approach that we already have, and it is under attack globally. In the trade arena, we need to keep our eye on supply management while we're working to make it better and serve the needs of small farmers and new farmers entering into agriculture.

We also need to look at new trade agreements like the Canadian-European trade agreement, which, as we understand it, would prohibit the protection of local food procurement. That's something I hope MPs are looking at closely. When a new trade agreement comes up, is it affecting what we're already trying to do to protect Canadian food and Canadian food production and processing?

We've touched a bit on some of the concrete elements we would propose for a local and sustainable food strategy, but I'll run through them.

The first would be a kind of a paradigm shift from viewing export as the main goal for Canadian agriculture to acknowledging the broader environmental, social, and environmental benefits to shifting resources into the country to support local and sustainable food systems—hand in hand with trade, yes, but not this massive emphasis on trade and very little support for local and sustainable. That would need better integration, because fundamentally food—and that's why we're talking about a national food strategy—covers the departments of agriculture, health, trade, environment, and education. Maybe we need a minister of food who would have some kind of interministerial responsibility and could look at how all these things connect.

Then we need to look at the supply side and the demand side. On the supply side, as we were discussing earlier, we need more farmers and new farmers. We get a lot of new Canadians into the country with farming backgrounds. It would be great to be able to support them into farming and to be able to support young farmers, as we were discussing earlier. I mentioned that we've lost 62% of our farmers under 35 in a 15-year period.

We need to rebuild the middle of our value chain. We were talking about this, and I believe we share a lot with the Alberta Food Processors Association in this sense, which is that we need to also support small-scale food processors. They need help with R and D support for small-scale processing, as well as changes in inspection to favour decentralization and diversity in scale, so that some small producer who has five employees isn't dealing with the same intensity of inspection that some of the larger processors are.

Support for supply management is one of the concrete elements, as I said.

Transition to sustainable agriculture is a big one. Many industrial agricultural farmers, let's say—larger farmers who are producing using chemical methods—they would like to shift to more ecological methods, whether that's organic or not. We need to support that shift, not place the burden uniquely on them. At the same time, we need to look at changes in the way we do livestock and meat processing. All those details are in the document I circulated.

On the demand side, it would start with a huge overhaul of our education approach. We need to be able to put forward the benefits of local and sustainable food, in formal and informal channels at all levels. A lot of community organizations are doing this already to support some of the work.

For example, I was talking about FoodShare, which runs regional food hubs that bring in fruits and vegetables from nearby farmers and make them available at affordable rates to schools. It also has an incredible education curriculum, point by point for each grade from kindergarten on, around cooking, around food, around nutrition, around health. By the end, when they graduate, they know how to access and prepare healthy food. These are lifelong skills.

We also need these large-scale shifts in procurement policies that I was talking about. To me this is really fundamental. This is systemic change. We need to look at procurement and making the procurement have more Canadian sustainable standards.

We need clear labelling. As Ted Johnston was saying, it's crazy that Canadians can't walk into a grocery store and easily identify what is Canadian. We would take that one step further and say there should also be "sustainable local" labelling so that people can see that it's meeting certain standards on environment and all other aspects that are included in sustainability.

The last element is simplifying procurement—aggregating, bringing producers together with intermediaries who can make it easy to buy local and sustainable food.

•(1700)

We really feel that these elements of the strategy very much address what the outcomes are that we're looking for in a new Growing Forward strategy. Four priorities have been named, and two of them are adaptability and sustainability. Managing risk, anticipating change, adjusting to the market and environmental pressures, and maintaining our resources—the local and sustainable food strategy hits all of those key outcomes that we're looking for.

In terms of how we can work together, the food movement makes up the innovators and the entrepreneurs of the local sustainable food system in Canada. They have started small across the country. There are thousands of fantastic projects from coast to coast to coast. Taking a really good look at that and seeing which ones would make sense to scale up, which ones need support, which ones need enabling through policy—these would have real structural changes on our food system.

We don't need to spend a lot of government money developing new programs or doing a lot of research studies. We can look at what's being done on the ground across the country and build on that. Food Secure Canada and our membership would be very happy to participate in a joint exercise of that nature with government.

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

Mr. Zimmer is next.

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

I have a question for Ted. You're talking to the right side of the table in terms of reducing red tape. That's what we're about. We're reducing levels of unnecessary regulation. That is who we are, and we have already moved toward this.

You talked about provincial and federal harmonization in meat inspection. We are doing these things. We are working toward that.

Since you're from Loblaws, your experience—your former life, I guess—has been within that system, correct?

**Mr. Ted Johnston:** I spent 45 years in retail here and in the United States.

**Mr. Bob Zimmer:** Right.

You talked about different standards for Walmart, Loblaws, etc. Those frustrate us as well, but as you know, we have a federal standard, so creating another federal standard to say that this is what you have to do, and you don't need the rest....

As somebody who's been in that particular system for so long, if you were sitting in my chair right now, how would you suggest we fix that?

•(1705)

**Mr. Ted Johnston:** I'm not sure that legislating it is the answer, obviously, because we are in a market economy and we have a free market out there, and they are entitled to do their thing. However, the Government of Canada and the appropriate ministers can certainly influence those types of decisions to bring some rationale and some thought to the issue.

I know it was attempted in Europe a number of years ago, the idea being that they would have that single standard and then one audit would be good for the five major retail chains throughout Europe. It lasted about two years before it fell apart. Now they're all back to sending their own inspectors into those plants again.

The bottom line is it's not an easy task, but it's killing us right now.

**Mr. Bob Zimmer:** You say that it was initially the way you would have wished it to be, but it has moved back. Can you explain the rationale for why it didn't stay, or what you perceive to be the reason why?

**Mr. Ted Johnston:** The difficulty occurs when someone in any given organization who has influence within that organization says they need a better standard than they have. Remember, this is not altruistic. It has nothing to do with altruism at all. They're doing this because food is the next tobacco; we're just about to start getting sued over these things, and they're doing their absolute utmost to ensure that they don't get themselves caught in this situation, so they're getting advice from somebody within their organization, or outside it, that this standard is the good one and the one they have to go with. At the same time, somebody in another organization has made the case for something else.

We don't know how it came about, but we've ended up with this hodgepodge that is very difficult to meet.

**Mr. Bob Zimmer:** Right.

Again, we're with you, but in suggesting that this is a problem—we all know it's a problem—if you, an expert of 45 years' experience, can't give us an absolute solution, or your best wish for a solution, then it's going to be....

I guess we're just looking for a solution; again, we want that.

**Mr. Ted Johnston:** If I thought for a minute that I could get Galen and the head of Sobeys and the head of Safeway and the head of Save-On-Foods, Jimmy Pattison's group, together in a room, and that they would actually come because I invited them, I would do so. Unfortunately, they won't come because I make that phone call, and I think that's really what we're talking about: there is a level where that phone call could take place. There could be a discussion. There could be an encouragement that might possibly influence them.

I think that's what we're talking about.

**Mr. Bob Zimmer:** Okay. Thank you.

Do I still have time left, Mr. Chair?

**The Chair:** You have a couple of minutes.

**Mr. Bob Zimmer:** Anna, I have a question for you.

I like being able to buy corn from our farmers' market and I like to be able to buy Peace River beef from the store. We like that part of it, but I had a question for you.

In some of your literature you talk about sustainability, and you say right now what we're doing is unsustainable. What I want you to define is what "sustainable" means to you. To me, "sustainable" means a farmer can grow and sell his product without government help, and that it can be sustained on a long-term basis. You mentioned that a lot of the time some of this isn't financially beneficial to the grower, possibly, so how is that sustainable in the long term?

**Ms. Anna Paskal:** I think the common definition of sustainability that's usually used is meeting our needs now without compromising our resources to meet our needs in the future. Another way that I would look at it is—I don't know if you guys have heard of the "100-mile diet"—eating food grown within 100 miles. We're trying to shift that idea to the 100-year diet, meaning being able to have the resources and the resource base to be able to eat well in 100 years. That's how we would look at it.

**Mr. Bob Zimmer:** I have another question that relates to sustainability. In one of your comments you say that it brings healthy and fresh food to more people. We all know that modern methods of agriculture produce more food. It just is a reality that it does, rather than the old way, so I'm curious to know how we are we going to get fresh food to more people with your solution.

**Ms. Anna Paskal:** I would answer that in two parts.

One is that when we refer to bringing more food to more people, that's around local agriculture and supporting local producers. It's easier if you shorten the chain to have fresher and healthier food available locally.

I would also posit that in fact it's not necessarily true that you can grow more food for more people using monocultural approaches. In fact, if you look at studies done internationally, in a diverse resource base where you have fuel, fodder, and food being grown in the same place, the yields are actually higher, so there is some analysis to be done around the basic premise that you brought forward.

● (1710)

**Mr. Bob Zimmer:** If that's the case, why isn't our agriculture system doing that right now?

**Ms. Anna Paskal:** That is a very big question.

That has to do with subsidies and our industrial agriculture system, and putting us on a trend toward export-based commodities. If you're selling one product, then you want to make the most of that one product if your goal is to increase exports. If your goal is to feed people and build a strong resource base, then you look at different outcomes: you look at net farm income, you look at long-term sustainability on an environmental level, you look at health outcomes. It has to do with what outcomes you're looking for.

**Mr. Bob Zimmer:** But at the end of the day it also has to be sustainable in terms of having a farmer who can afford to buy the land, buy a tractor, and actually pay the bills.

My last question—

**The Chair:** Please be very quick, Bob. Everybody is abusing the time today.

**Mr. Bob Zimmer:** You said you wanted to shift away from prioritizing basically an export-focused system to one based on more local goals and you said you wanted to see more young farmers enter agriculture. I still don't see how you square that circle and make it affordable for young farmers to enter the market if we're going to exclude exports out of the equation. To me, it doesn't add up financially.

**The Chair:** Can you give a very quick response?

**Ms. Anna Paskal:** In no way do we want to exclude exports from the equation, but right now net farm income is below zero, so certainly our current system is not working. Based on exports, farmers are going out of business. That's not the way to bring more farmers in. There's a more positive way to bring farmers in, which is around building local economies. Then they'll be supported and be able to stay in business. That would be the short answer.

**Mr. Bob Zimmer:** I wanted to ask her how it's at zero.

**The Chair:** I was just commenting on that. I know it isn't zero.

**Ms. Anna Paskal:** It's in the paper. The numbers are at the beginning of the agriculture paper.

**The Chair:** Every commodity group in the last half of 2010 and all of 2011 had banner record years, every one of them, so I dispute that figure as well. Maybe you could supply that to us, because I personally don't buy it.

Mr. Leung, you have five minutes.

**Mr. Chungsen Leung (Willowdale, CPC):** Thank you, Mr. Chair.

My first question is for Mr. Johnston.

Canada is a very high-cost agricultural production country in terms of heating, transportation, and labour. If you were to suggest a type of food industry in which we would be internationally competitive and have the competitive advantage, what area would you consider we go into? It is a key part of our entire national economic strategy to be an exporter of agricultural products. That includes the fisheries and even caribou—I would go that far—and seals.

**Mr. Ted Johnston:** Well, fundamentally, you look back to our climate and our agricultural land base in terms of what we are best suited to. We're not the greatest vegetable climate in the world. We have half of southern Alberta covered in greenhouses, and we still can't supply everything required.

I would say livestock, cattle, and pigs, and to a lesser extent poultry and oilseeds. We have huge tracts of land where we can grow great oilseeds. We could do other similar types of things. I think the Spitz example is a good one. They put together basically vertical integration, contracted with the farmers to grow sunflower seeds, and unfortunately were sold to Frito-Lay, so it's now an American company. It's not a Canadian one anymore.

You could take those particular areas and ask what the valued-added things are. Well, we shouldn't be shipping canola seed. We should be shipping oil. There are other things we can do with those types of products.

Certainly there are all sorts of things on the grain side. We are a major baking nation in terms of the types of things we do, be it gluten or gluten-free. There are both sides of that equation. We can add high value to it.

We have good dairy resources in this country. We have some issues domestically in terms of what supply management has done, not necessarily with regard to pricing but with other factors that have occurred in that particular area.

I would pick the ones with the best agricultural base and then ask what value-added items we can add to make us competitive.

• (1715)

**Mr. Chungsen Leung:** In terms of food processing, we will also be falling behind Latin America and Asia in terms of the pure labour input. That still means we will be a net producer of the basic food itself and will have it processed in Asia or Latin America. Even if we import it back into Canada, it will still be cheaper than producing it ourselves, so what is the strategy to maintain that work in Canada?

**Mr. Ted Johnston:** That, primarily, is where the area of automation modernization is required.

The Netherlands are very competitive at much higher wage rates and benefit rates than what we have in this country, and they have high energy costs and all the rest of it.

Just as an example, energy is a major component. Alberta has the highest industrial energy rates in North America. Our guys are being killed. When this Bill 50 goes through with the power grid, it will be double or maybe or even triple what we have today. They're not stupid; it's deregulated, so guess what? Monday to Friday, 9:00 to 5:00, is when the rates are highest, and that's when your plants are operating. That's because you have a labour shortage, so the people

you can get only want to work Monday to Friday from 9:00 to 5:00. You're not running 24-7. However, at an automated facility, for two-thirds of the time you be would running when the energy costs were lower.

Those are the kinds of things we have to do to get costs out of the processing sector. That's why we keep coming back again and again to modernizing it and automating it and getting ourselves competitive, because those other input costs are not going to change.

**Mr. Chungsen Leung:** Thank you. The next question is for Ms. Paskal.

An economist once mentioned that food production grows arithmetically and population increases geometrically. If that is true—and I believe that it's true, and we've seen it over the last 200, 300, or 400 years—your model of sustainable small farms will not work. Small farming is simply not sustainable. Local food producers can only produce for a very limited population, as long as that population is static. Once that population grows, as in some urban centres, I don't think your model is sustainable. Would you address how you can make it sustainable? How do you see that it can be sustainable?

**Ms. Anna Paskal:** I think there's a real misunderstanding around that idea, actually, because the figures globally are that 70% of people are fed by small-scale peasant agriculture. I think that if we canvassed most people, they would think that they are fed by large—

**Mr. Chungsen Leung:** I'm talking about our society. In looking at England and Europe and North America, Thomas Malthus was addressing this issue when he proposed his theory of food production versus human population growth.

**Ms. Anna Paskal:** Are you suggesting that we won't be able to feed Canadians if we put more emphasis on smaller, more local production?

**Mr. Chungsen Leung:** Yes, I am suggesting that. I don't think small farms are efficient enough to supply the growing population in our urban centres.

**Ms. Anna Paskal:** They definitely are, but I think we would need to produce some material to support that point. The way we look at the figures—

**Mr. Chungsen Leung:** Just look at the amount of food that we import versus the amount of food that we produce locally. Take a city like Toronto. It is totally out of whack. We cannot sustain ourselves with the farms near southern Ontario. We cannot sustain a population of 5.5 million in the Greater Toronto Area.

**Ms. Anna Paskal:** We've seen, over time, a shift from being able to feed more Canadians with Canadian food to not being able to feed as many Canadians with Canadian food. We believe it's possible to reverse that trend and feed more Canadians with Canadian food.

**Mr. Chungsen Leung:** I don't think the facts are pointing that way—we're importing more and more food.

**The Chair:** Is there any last comment on that? I have a couple.

Ms. Paskal, you made a comment early on—I don't know whether it was in your presentation or in one of your answers—about there being fewer farmers out there today. I always use the example of my grandfather, who raised 10 kids in the late 1920s, the 1930s, and the early 1940s on 100 acres of land. He worked a bit off and sold a bit of wood and that kind of thing. My father raised my six brothers and sisters and me on about 1,800 acres. When I farmed, I was up to 2,800 acres.

The reason I bring this up is that for about 70 years the number of farmers has been decreasing. This isn't a new phenomenon. Is there less land being farmed out there? I think I know the answer, but that's the way it is; whether we like it or not, farms are simply bigger today. There is no less land being farmed, although obviously there is a bit of development around big cities; Mr. Leung was just talking about Toronto, and it always burns my butt that some of the best farmland in the world gets paved over instead of being farmed.

Would you agree that there are fewer farmers, but not any less land being farmed in Canada?

• (1720)

**Ms. Anna Paskal:** I think it's just what you say: the farms are getting bigger and bigger, so there are fewer farms, and those farms are bringing less return per farmer. It's not as easy to have 22 people supported on one farm as it used to be.

That goes back to the net farm income question that we were bringing up before. The net farm income usually includes subsidies and off-farm income. That's how we see farmers having a positive balance sheet. However, if we take out the off-farm labour—like the wife of the farmer working as a schoolteacher in the nearby town—then that's a net zero. It's incredibly difficult to attract farmers to that kind of financial reality. The ones who are already farming get trapped in a cycle of debt. The farm debt is astronomical. That's not a desirable livelihood.

**The Chair:** Okay, but I'll come back to your point. You made a comment about 22 employees. I presume what you meant was that a bunch of individual farms that used to support 22 people are now down to one or two people because of technology. Is that what you were saying?

**Ms. Anna Paskal:** I was referring to your personal history of there being 22 people on a farm. I assume your grandfather could feed those 22 people on the farm.

**The Chair:** I'm not going to belabour it, but I'm going to use the example Mr. Allen used. He was in the auto industry.

He referred to the fact that because of automation, an auto plant that he worked in went from  $x$  number of employees in the 1970s to where it is today through technology. That's what it does. It's the same in agriculture today. Whether we like it or not, it's a fact of life, and nothing is ever going to change it. Certainly, you don't want to

get into—or at least I don't want to get into—government intervention on it.

Mr. Johnston, you made a comment—a good one, I thought—on the amount of disposable income that Canadians spend. It is very true, and I don't know what you do to fix it, other than have the willingness to basically pay what food costs instead of paying through your taxes.

I do take issue with a comment you made on the “Product of Canada” labelling, whether it's jam or whatever. The intent of the Product of Canada labelling is to show that 98% of the main product is Canadian, so if it's strawberry jam, as long as 98% of it is Canadian strawberries, it's a product of Canada.

I think the processing industry in this country should be ashamed of the fact that any time they get an opportunity to put “Product of Canada” on it, they're not doing it. They're doing it for different reasons, but they usually all come down to money. I still think that there's a huge advantage to using that label. It's not used to the extent that it could be. If there isn't a Product of Canada label on it, then you can presume, as an educated consumer, that it's not a product of Canada.

Not all the processors are doing it, but too many are doing it and using the 85% as an excuse. What do you want to do, make it 100%, and then have an exemption, or whatever?

**Mr. Ted Johnston:** We went through that question with the deputy minister, Mr. Knuble, about a year and a half ago when the proposal came forward to do the exemption list. That would have been a horrific nightmare to try to deal with.

We will agree to disagree on the 98% number. The 98% number is not achievable for the vast majority of products if there's any processing done whatsoever. We run into the seasonal issue. Depending on the time of year, there might be Canadian beet sugar, but it's not coming all year. Any time you add these things to it, you don't meet the 98% number, although it is the desire of the Canadian manufacturer to be able to do so.

As I said, we are further impacted by the fact that the American product comes into this country identified as a product of the United States at a significantly lower number that we just can't meet, given the number that we are saddled with today. That's one of the other downsides.

We talk about establishing a level playing field; as God knows, there are enough things we're fighting out there right at the moment, trying to keep our noses above water; that one should have been an easy fix.

• (1725)

**The Chair:** I think the opportunity is there, and it's not used to the extent that it could be.

Thanks again to all of you for being here today.

Just before we go, to the committee members, we have an in camera meeting on Monday to deal with where we go. It's basically to deal with some things that we need to discuss to move ahead.

Next Wednesday, we have witnesses coming. It's tentative at this point, but the department has been invited for the March 12 meeting and CFIA for March 14. As I said, it has not been confirmed yet, but they're aware of it. For the two weeks coming up after the break, we need witnesses or some kind of direction on where we go from there,

and hopefully we can discuss that at the Monday meeting. We can think about that over the weekend.

Thanks again for being here.

The meeting is adjourned.

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