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Chair

Mr. Larry Miller

Standing Committee on Agriculture and Agri-Food

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● (1530)

[*English*]

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

I'd like to welcome our witnesses today. Mr. Chambers I believe is here, and by video conference, we have Mr. Holmes from the Canada Organic Trade Association.

Mr. Holmes, please go ahead, for ten minutes or less.

Mr. Matthew Holmes (Executive Director, Canada Organic Trade Association): Thank you, Mr. Chair, and honoured members. It is a pleasure to appear before your committee again. My name is Matthew Holmes and I am the executive director of the Canada Organic Trade Association, or COTA, as we're called.

I also serve on a number of advisory bodies to government, as regulatory chair of the organic value chain round table and as a member of the industry advisory group to the Senior Market Access Coordination Committee of Agriculture Canada, DFAIT, and CFIA.

I believe COTA is an interesting organization given today's topic of supply chain. We are a national membership organization for the organic business community in Canada, and as a result, we reflect the full Canadian supply chain. We represent primary producers and producer umbrella organizations. We have organic livestock and dairy producers; commodity traders; exporters and marketers; and food, feed, and non-food manufacturers; as well as retailers of organic products.

Additionally, we serve those that play a critical role in our sector's infrastructure and value chain: organic inspectors, consultants, and organic certification bodies. In many ways the history of the organic sector's growth has been one of a well-connected value chain. We have always had the need to maintain an identity-preserved supply within a limited pool of downstream users. The downstream manufacturers or retailers of organic products have always oriented their businesses to the concerns and expectations of the final consumers, filtering information back to the growers and producers through our organic principles and standards. Even the organic standards themselves are written and defined within a consensus model that involves representatives throughout the value chain. Producers, processors, retailers, and consumers all have an active voice in establishing what organic means in Canada for both domestic and imported products.

Thus the organic sector is acutely aware of consumer preference and concerns related to the integrity of the food chain, production practices, and traceability. Our sector has worked within the limits of those concerns established by our consumers and with the latest agronomic science to develop innovative production and processing that minimizes the use of costly external inputs, synthetic materials, and additives, and reduces the use of energy and fossil fuels, while maximizing the natural release of nutrients to plants, integrating pest management techniques, and increasing the biodiversity and resilience of essential plant, bird, and insect populations such as pollinators.

In many senses organic products are already value-added products. It is simply about establishing systems that will not compromise that unique identity, while communicating the value and integrity of that system to the marketplace.

Perhaps the best descriptions of the power of the value chain come from examples within our current membership in the sector itself. So I will describe three examples from my membership to you today, all of which have value chain intentionally built right into their business structure. These three examples span the traditional to the novel in terms of their organization, and all three have attracted the attention of investors targeting innovative, environmental, and social organizations oriented towards growth, agriculture, and a strong marketplace.

Organic Meadow Co-operative and Organic Meadow Incorporated market over 60 organic products in Canada on behalf of 100 family farms throughout Ontario and Manitoba. They produce and market organic milk, dairy, eggs, and frozen vegetables. Their website features interactive maps where you can meet the farmer families who own and govern their cooperative. The careful management of their brand and their commitment to transparency and to their local production supply chain has paid off with impressive growth and consumer loyalty.

In August 2010, Organic Meadow and Steen's Dairy announced a joint partnership, and the opening of a 20,000-square-foot dairy processing plant—the first new independent dairy processor in Canada in 20 years. As a result, this facility will now process organic and conventional dairy products and help to ensure a critical link for the SME value chain for decades to come.

My second example is Manitoba Harvest, one of Canada's 100 fastest growing companies in four of the last five years. The company has brought a speciality crop, which couldn't be grown in the country just a few years ago, to a wide variety of innovative products that rival flax and chia seed for their protein, fatty acid, and omega profiles. Today, Manitoba Harvest is the largest vertically integrated hemp food manufacturer in the world, with products distributed globally. The company is involved in every part of the supply chain for its products from contracting directly with organic growers to crop storage to on-site QA labs to food processing to packaging and distribution, creating a closed-loop sourcing system and distribution model that has benefited the company greatly.

Meanwhile, my third example, Organic Central is a project in the final stages of development and financing organized by Homestead Organics in Berwick, Ontario. The concept will bring together a number of distinct organic businesses, one of the biggest independent organic distributors in eastern Canada, a warehouse, a test kitchen, a business incubator, and other partners organized along the vertical value chain. It will be positioned to easily access and serve the Montreal, Ottawa, and Toronto markets.

Resident businesses will benefit from access to shared space and resources as well as common staff and areas, allowing SMEs to benefit from efficiencies that are typically available only to businesses of a certain scale. This project has been developing its business case and marketing plan thanks in part to federal involvement through the Community Futures Development Corporation and the Eastern Ontario development program.

Historically, organic has had to maintain a closed-link system in order to ensure its rigorous standards and integrity, and to maintain transparency and traceability for consumers. Therefore many organic companies have chosen models that maintain very close relationships with their supply chains, their local growers, and their local processors and handers, and all have grown together as a result. In many cases doing so has also been of tremendous value to the sector at large, and has contributed to the strong market position it enjoys today.

Global organic sales are now worth $59 billion a year. Canada is the fifth-largest organic market in the world and is valued at approximately $2.6 billion in annual consumer sales. Canadian producers also enjoy more trade recognition for organic products than does any other country in the world, with access to 96% of world markets through our trade agreements with the United States and European Union, but our value chain does face some serious challenges in Canada. One is risk mitigation and the loss of market access or organic product designation through the commingling of organic with non-organic, especially with genetically engineered crops or those grown with intensive chemical inputs.

Organic's segregation system is what gives it value and what consumers expect, but it is also one of our areas of risk to all points along the value chain, and one that is not recognized or addressed under our system of risk management and crop insurance for farmers, or under management practices used by other production models that can harm us the most.

One of our other challenges is now supply. The market has grown about 160% in Canada since 2006, but our production has remained fairly static. In fact our latest figures, which we have analyzed with our partners at Canadian Organic Growers, show that organic producer numbers in Canada fell by 4.5% from 2009 to 2010 and that this loss was particularly acute in the Prairies. In Saskatchewan alone we saw a drop of as much as 16% in producer numbers. In British Columbia, Quebec, and Ontario, we saw the producer numbers actually hold their ground or even grow by as much as 10% with increases in organic acreage as well. B.C., Quebec, and Ontario all have small processors, often with closer linkages between the producers and what they grow, and the consumers and what they eat.

Commodity agriculture is a good business and has been for years, but as many of you know, it is also often a lonely business and our prairies, in particular, do not have many links along the value chain.

● (1535)

To conclude, ironically Canada has some of the best conditions for organic agriculture in the world—our land, growing conditions, relatively low pest pressure, progressive trade agreements, and one of the highest-demand growth markets in the world. But our producers and our value chain, in general, are still facing an upward climb, and our market demand is often met by imports that we, in turn, could be supplying ourselves.

While other countries support the transition to organic farming, organic farmers in Canada face costly investments of their own for the inspection and certification costs of our system, as well as the demands of retraining and extension support linked to a different way of producing.

Some provinces have chosen to invest in this, but it's very piecemeal across the country and is an area where the federal and provincial governments could partner more.

We may also soon face a new tax, or user fee, to access and update our own organic standards in Canada. Our competitors in the United States and Europe do not face any such costs for maintaining their systems.

Finally, the organic value chain, as is the case for any segregated system, needs protections to guarantee its integrity, and investments to develop the hubs and links needed to grow.

As we've seen in the examples I have used, with the right conditions and the right supports, the rewards and the demand are unquestionably there, Mr. Chair.

● (1540)

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

Now from the Canadian Supply Chain Food Safety Coalition, we have Mr. Chambers. You have 10 minutes, please.

Mr. Albert Chambers (Executive Director, Canadian Supply Chain Food Safety Coalition): Thank you very much, Mr. Chairman and members, for inviting the Canadian Supply Chain Food Safety Coalition to appear during your hearings on the supply chain.

An understanding of the role of the food supply chain in Canada is important for many reasons, two of which are directly related to the mandate given the coalition by its members: food safety and emergency preparedness.

However, prior to discussing these, I would like to take a minute to introduce our organization.

The coalition was formed in December 2000 and incorporated in 2007 to act as a single strong voice for industry along the food chain, with the public and government, on industry-wide food safety issues. Our membership is composed of national, provincial, and regional associations involved in the agrifood industry and of individual companies that provide services to the industry.

At the start of the year, the coalition had 27 national associations as members, three provincial or regional associations, and five companies as allied members. These organizations represent businesses at every link in the supply chain, from input suppliers through primary production, transportation, processing, manufacturing, distribution, and importing to final marketers at export, retail, and food service.

Our vision is that Canada’s agriculture, aquatic, and food industry will have a world-class reputation for producing and selling safe food. Our mission, as the coalition, is to facilitate, through dialogue within the food industry and with all levels of government, the development and implementation of a national, coordinated approach to food safety to ensure credibility in the domestic and international marketplaces.

Over the past 11 years, we have been actively involved in consultations with ministers and with officials at all levels—provincial, federal, and territorial—and in intra-industry discussions about the future shape of Canada’s food safety system. Several years ago, because we are the only Canadian organization that includes members from all segments of the food supply chain, the members assigned the coalition a role in pandemic, emergency, and critical infrastructure planning. Your review of the supply chain should probably explore this facet as well.

To meet its members' needs, the coalition undertakes monitoring and analysis, with a particular focus on Canadian and international trends; policy development, either with its members or with governments; advocacy; and special projects, such as our current project on food safety auditor qualifications and competencies.

From our perspective, the supply chain is defined very broadly indeed. It includes, for us, service producers, which are businesses that work with the supply chain in key areas such as pest control, quality and food safety consulting, or audit and certification; input suppliers, which are businesses that manufacture, import, or distribute farm chemicals, animal health products, seeds, fertilizers, food additives, and other chemicals used in processing, packaging materials, and equipment manufacturers; primary producers, including farmers, aquaculture producers, the fishing industry, and even those involved in niche sectors like wildcrafting; processors, further processors, and manufacturers that transform those products into food or feed ingredients or ready-to-consume food; transporters that play a key role at every link of the chain and cover all modes as they move ingredients and finished products along the chain and to every community in Canada; importers that handle inputs, ingredients, feed, and food; distributors of all sizes that provide the logistical system that ties the chain together; and final marketers, including retail and food-service establishments, institutions, exporters, and yes, even food banks, that provide our goods to the consumers here in Canada and elsewhere.

As I've noted above, the coalition has members from all these key segments of the supply chain. Why? Because they all have a strong common interest in providing Canadians with a safe food supply.

Mr. Chairman, when we appeared before your Subcommittee on Food Safety in June 2009, we made a number of recommendations based on a set of four principles that our members had strongly supported earlier that year.

Principle number one is that food safety is the shared responsibility of all participants in the supply chain, all governments, and consumers.

Principle number two is that governments at all levels, the agrifood industry, and other stakeholders should foster and facilitate the development of an integrated, coordinated, and national approach to food safety policy and regulation, based on sound scientific risk assessment and risk management principles, and on international standards.

● (1545)

Principle number three is that industry and government food safety initiatives should encourage the implementation of HACCP and/or HACCP-based food safety systems by businesses all along the supply chain.

Principle number four is that food businesses, governments, and other stakeholders have a responsibility to adequately resource, proactively manage, update, maintain, and continually improve their individual and collaborative food safety systems and food safety initiatives.

Your subcommittee endorsed these principles.

The coalition members were particularly pleased that the subcommittee, on page 4 of its report, adopted our recommendation for a national food safety strategy by stating that:

> Governments at all levels, the agri-food industry, and other stakeholders should be invited to participate in and facilitate the development of an integrated, co-ordinated, and national approach to food safety policy and regulation based on sound scientific risk assessment and risk management principles and on international standards.

We were also pleased that the subcommittee restated our declaration that Canadians, no matter where they reside or purchase their food, are entitled to the same level of assurances about its safety—assurances that should be based on common standards and expectations. A corollary of this statement is that agrifood businesses within each link of the supply chain should be asked to operate according to common standards and expectations within and amongst responsible jurisdictions. Our expectation of imported food products should be, as a matter of course, the same as we would expect from our national system.

In the three years since the subcommittee reported, some—but not enough—progress has been made to realize this key objective. Industry furthered its discussions. Federal, provincial, and territorial ministers and committees of officials have continued to meet, and industry-government sessions have championed the idea. Most recently, it was a key recommendation of a national food safety forum in Edmonton, sponsored by the Alberta government in January of this year. However, substantive discussions involving all the stakeholders have yet to begin.

We cannot overemphasize the importance of moving forward now to develop a national food safety strategy. It should be the foundation of the modernization of Canada's food safety legislation and regulations at both the federal and the provincial-territorial levels.

Over the past decade or so many of our trading partners—developed and developing countries alike—have established new food safety strategies and implemented major changes in food safety legislation and regulations. I believe you have a copy of my brief in front of you. You can see there's quite a list there of those that have dealt with it in the past decade. I think it's fair to say that of the OECD countries, Canada and New Zealand are now the last two to proceed with the modernization of their food safety legislation and regulatory systems. Legislation is currently before Parliament in New Zealand.

All these legislative initiatives are based on a full supply chain, farm-to-fork approach, and incorporate at their core the requirement that all food businesses implement preventive controls using HACCP or HACCP-based requirements.

The U.S. initiative is particularly important. Yes, they are our biggest agrifood trading partner, but this is not the only reason. The new U.S. approach to food safety will push their requirements well beyond their borders. Initiatives respecting preventive controls, food defence, traceability, registration, importer responsibilities, third-party certification, etc. are now putting great pressure on Canadian agrifood exporters and will have ramifications in our domestic market for years to come.

In their December 2011 response to the Weatherill report, the Minister of Health and the Minister of Agriculture and Agri-Food indicated that a new federal food safety bill would be forthcoming. In correspondence with the coalition earlier this year, the ministers have also clearly stated that consultations with stakeholders would precede its introduction into the House. As well, there was a reference in last week's budget.

These statements are all good news.

The promised consultations will provide an opportunity for the elaboration of a national strategy, and the introduction of a bill, perhaps even a separate food act, will provide a mechanism for modernizing the federal food safety regime. These consultations should also provide an opportunity for serious discussions about how industry and governments respond to the international challenges identified above.

● (1550)

One of the key mechanisms for meeting this last objective is the industry-led food safety programs that members of the coalition and other industry associations, working closely with governments, have developed and implemented for almost every segment of the supply chain. We now have 20-plus national HACCP-based, commodity-specific, on-farm food safety programs covering 99% of primary production.

For other segments of the supply chain, industry associations have developed, or are in the process of developing and implementing, national programs covering: input suppliers, like feed mills; specific food products, such as bottled water, or ice manufacturing—one of the latest ones deals with kosher products; distribution, for example, fresh produce at the wholesale level, grain handling, retail distributors, and warehouses, even retail stores and food banks; and then services, including trucking, packaging, and water and waste water.

Industry-led food safety systems and the national on-farm and post-farm food safety recognition programs established by governments are now an integral part of Canada's food safety approach. They are a necessary complement to the capacity of governments at all levels to engage in direct inspection and auditing activities. And they are a clear example of the supply chain working together in a pre-competitive way to meet an important societal need: food safety.

Looking ahead, in terms of future investments, our 2009 strategy document and the subcommittee's report both strongly endorse continued investment by agrifood businesses, their associations, and governments, to ensure that these systems are implemented and adequately resourced, proactively managed, updated, maintained, and improved.

Ministers and officials are discussing new program and funding arrangements for the agrifood sector under a Growing Forward 2 framework. Farmers and others have been consulted. The coalition strongly believes that food safety must have a priority role in this framework. Food safety cuts clearly across major policy objectives outlined in the 2011 Saint Andrews Statement. It's essential for competitiveness, for innovation, and for the assurance of our infrastructure.

Growing Forward 2 should commit both levels of government to a set of clear food safety objectives. We would recommend the following as some examples of what these should be: development of a new national strategy; modernizing and harmonizing FPT food safety legislation and regulations; creation of new national food safety decision-making mechanisms to ensure ongoing harmonization; continued funding for all segments of the supply chain—but in particular for micro-, small, and medium-sized enterprises—for food safety system development and implementation; formal agreements by the FPT ministers to finalize the national on-farm and post-farm food safety recognition programs for the strengthening of Canada's surveillance capacity; and adequate resourcing for FPT initiatives.

In conclusion, the coalition would like to thank the committee for asking it to make this submission. An understanding of the role of the supply chain is essential to understanding the Canadian agrifood industry, including, we would again emphasize, the fishing and aquaculture parts of the chain.

Food safety, as we have stated, is viewed by the participants in the supply chain as a pre-competitive matter, a scenario where all segments must work together. It's also an area of significant and continuous change. All stakeholders, industry, and governments need to collaborate to ensure that we have a world-class reputation for producing safe food.

Thank you, Mr. Chairman.

The Chair: Thanks very much, Mr. Chambers.

I'll move to questions.

Mr. Allen, you have five minutes.

● (1555)

Mr. Malcolm Allen (Welland, NDP): Thank you, Chair, and thank you to both for being with us today.

Mr. Chambers, you referenced the subcommittee's report. I thank you for that, as one of the few members here who actually sat on that committee for the entire period of time. You're right, not all of the things have been done. Hopefully, the government will eventually get to them.

In your view, you seem to be indicating there are a number of issues. I'll take out the “for granted” piece we all agree on, which is that we want safe food. There isn't anybody who doesn't. That becomes the non-partisan, non-political piece. We all agree we want safe food, or as safe as humanly possible, obviously.

I'm interested in this piece. You talk about this competitive piece, of other places having standards that may indeed be beyond what ours are when it comes to safe food, and how that impacts on our chain as far as being able to access those markets. You've referenced it.

I want to get a sense. Is this imminent? Is it already there or is it something in the future? And how quickly do we need to act?

Mr. Albert Chambers: Thank you, Mr. Allen, that's a very good question.

The challenge has been coming for a number of years, and I certainly don't want to leave the impression that Canadian farmers and processors and other participants in the supply chain haven't been moving ahead very quickly to try to meet what they've seen for some time as the new paradigm in terms of food safety. Governments in Canada have also led the way.

What we are bringing to your attention is that the legislative and regulatory environments have changed in most of our trading partners. In some of those countries now, take India or China, that change is on paper and it's going to take a very long time to happen in terms of reality on the ground for a great many firms in those countries.

In Europe that change has been happening for not quite a decade, in many respects. So in some parts of what we're looking at, they're further ahead. What's happening in the U.S. is going to happen relatively quickly. The legislation was finalized and the President signed it a year and a bit ago.

They're behind on some of their regulatory processes, but we're expecting some major pieces of regulation, some major regulatory initiatives still to be announced this spring that will bring the U.S. into line with what many other countries—the EU, Australia, New Zealand, etc.—have been experimenting with, which is mandatory requirements for all participants in the food chain for preventive controls, as an example. New uses of third-party auditing is another example. Different approaches to dealing with imports is another example.

So the environment has moved ahead. Are we behind? Not yet, significantly, but I think we have an opportunity now to learn and to put into practice quite quickly a lot of the initiatives that others have been experimenting with over the past decade to bring us up to par with where they will be at.

Mr. Malcolm Allen: We've heard from other witnesses at an earlier time about different groups requesting—and to use names like Walmart and others—other standards that are beyond the basic standard that CFIA may ask for, which is fine. But the difficulty for suppliers and the supply chain is that if you've got Walmart you're dealing with—I'll use my own name—Allen's and we're all different standards, how do they define...?

Am I wrong to suggest we need to find where that standard is, where all of them would basically say that's a good standard, so it becomes a regulatory piece and those who are feeding the supply chain can say, “You know what, I now know which one it is and I can go do that”?

Mr. Albert Chambers: I think in the ideal world that would be a very good place to be. It's not going to be easy to get there. Those standards move much faster than regulatory standards can. We see a number of initiatives globally where the private sector's trying to harmonize and bring some control over that variation.

We have two excellent examples of that here in Canada, and they are the recognition programs that industry has negotiated with the federal and provincial governments for the recognition of on-farm food safety programs and for post-farm food safety programs. If you did an analysis of what's been happening with those programs and what's been happening with some of the private sector global initiatives, I think you would find a great deal of correspondence between what the process steps are and what the requirements are. So we've been moving ahead quite well that way.

What we haven't done is package all of our initiatives into a clearly articulated strategy that will carry us forward. The last strategy that governments put together dates from 1994, and that was a federal-provincial-territorial one and with a certain amount of industry input.

So in effect, what we're saying with our recommendations here is that, given all this other experience around the world, it's time to now step back, and then take that step and define where we want to be going for the next five to 20 years, and set it out quite clearly so we all know what the rules are going to be. Then move ahead with legislation federally and with the other changes that may be needed at the provincial level to modernize our system and bring it up to speed.

● (1600)

The Chair: Thank you very much.

Mr. Hoback, you have five minutes.

Mr. Randy Hoback (Prince Albert, CPC): Thank you Chair and thank you gentlemen, both on video and in the room, for being here.

Mr. Holmes, I'm going to maybe start with you and talk a little about the supply chain on the organic side of things. I just want to get an understanding in my mind of how you're finding the retail markets—for example, shelf space, accessibility, and that end of it. If you could just give us an overview. We have Loblaws, Sobeys, and Metros, for example, here in Ontario.

How do you find it for organics as far as getting that shelf space? How competitive is it? Are there any hidden fees or anything else to be part of that shelf space?

Mr. Matthew Holmes: Certainly it's a competitive market, but it's a growing one. So there's continually more room opening up. If you're looking at some of the private-label brands, which are held by the retailers, those are approximately 21% to 22% of Canadian organic sales now. So the retailers are definitely the front line. They see the information first before anybody else does, and they're certainly responding by introducing new organic products in the marketplace faster than anyone else is.

There's a great amount of growth at the retail level from what we can see. We see, certainly, other examples in the U.S. This is the case with the Whole Foods chain that's also moved into Canada. Also the Safeway chain has developed a brand of organic called the “O” brand, which they've recently taken outside of their own chain. They've started selling it as a brand itself to other retailers. That, again, is speaking to the potential and the growth in the marketplace.

We're seeing some of the challenges along the links to get there. Organic is certainly still a very small player relative to the food sector in general. It's approximately 2% to 4% of food sales in Canada. So what we see is that we may have hubs that are very successful in going right from producer through to the retailer, but there are other areas where there might be gaps.

The typical ones we've heard about in the past are in the livestock sector. There could be great challenges in finding, for example, a slaughterhouse that has the right certifications in place.

Similar to what Mr. Chambers was just saying, we've seen, in the history of the development of the organic sector, the issue of the private certifications that come in. Retailers are often the first movers in this. They respond to either what they see as a way to differentiate themselves from their competitors, or perhaps to consumer demands. They introduce a new system of certification and verification. Many of today's food safety requirements are based on what the British retail council introduced as a collective—

Mr. Randy Hoback: Sorry I only have five minutes, so I just want to.... What I really want to tie into is that you're talking about these grocery stores having 21% of the labels. With them having the label and the store, is that preventing non-grocery-store labels from getting market space and getting access to that shelf space? Is that actually a barrier or is that actually relevant in the organic sector?

Mr. Matthew Holmes: You'll hear different sides to that story. We haven't seen a specific linkage. It's kind of the old four gas stations on an intersection actually pull more business. You could see that, with the growth of shelf space, there's going to be that desire to differentiate and create a variety of products. Some consumers choose a value brand and that's important to have on offer—

● (1605)

Mr. Randy Hoback: Yes, but I guess what I'm trying to get at is that when the grocery stores have the shelf space and then they also have their own label, how do I, as Mr. Randy Hoback, and my organics get in and compete with that shelf space? How accessible is it?

I'm kind of curious what the margins are like at the grocery store with my own label versus the private label or the grocery store label. Do you have any knowledge on that?

Mr. Matthew Holmes: We don't have knowledge on the margins that the retailers are seeing in that. They're a very closed system in terms of that dynamic. What we do know often, though, is that some of the companies are supplying both the private label and the branded label product. Sometimes it becomes a question for an individual company on what kind of volume they need to get to the next level.

I haven't heard of examples. I'm sure there are some where a product can't get in because there's a private label there, but I think there would be an equal number of examples where a retailer wants to show a diversity with different price points, and their value brand is going to be the one at the bottom of that level.

Mr. Randy Hoback: Thank you, Chair, I'm good.

The Chair: Mr. Valeriote, for five minutes.

Mr. Frank Valeriote (Guelph, Lib.): Thank you both for appearing.

I'm going to start with Mr. Chambers, and then move on to Mr. Holmes.

Mr. Chambers, I'm going to ask you three questions about food safety.

A number of groups have appeared before our committee, one of which was the Agriculture Union. They made a claim that only 2% of imported food is actually inspected, which of course causes us concern and makes us alert to the issue. We really need to be factual about this. I'm wondering if you can speak to that claim and shed some light on it.

The second issue is that with respect to the lack of a food safety strategy, which you've been calling for and others have been calling for, and the fact that we are now second-last, as you say, in the lineup of 34 OECD countries in failing to have one, what do you think the holdup is? Is it a particular government? Is it a lack of initiative—and we need to be candid here—on anyone's part?

Third, I want to know if this alarms you. I'm looking at page 261 of the budget. It says that the Canadian Food Inspection Agency is going to be cut by $56.1 million, something you're probably already aware of. We had 22 deaths to listeriosis not too long ago, recommendations to improve food inspection, and now we're seeing cuts of $56.1 million. To me, it means maybe they're not being quite intentional or as vigorous with food inspection as they—and by “they”, I mean the government—might be or should be.

Can you answer those three questions for me?

Mr. Albert Chambers: Thank you very much.

I can't provide you with any more accuracy as to the percentage of imports that are inspected on a daily, monthly, or yearly basis. It's a problem that challenges industrial countries all around the world, in terms of being able to inspect the volume of product that's coming across the border. It's one of the reasons that a number of countries have tried to throw their borders further out, in terms of requirements, and it's an area where I believe we're possibly entering into some very fruitful discussions with the U.S. about partnering in those kinds of activities.

So, yes, it's a concern to Canadian food businesses, which obviously want a level playing field. But we're also very realistic that inspection doesn't necessarily guarantee food safety. It's a question of whether or not the food businesses, themselves, are committed to having food safety. You can't inspect your way to food safety. We can't inspect every single product or we'd be going home to dinner tonight without anything on the table, I regret to say.

What's the holdup in the strategy? I think it's a challenge that's been there all the years that I've been working for the coalition, which is a little over a decade now. So that takes us through several governments, and I don't think any of them are particularly to blame. It's just not yet been the time. Our view is that now for certain is the time. Let's do it now. We have lots of clear models that we can work with and lots of experience elsewhere we can work with, and modernizing our legislation and regulatory requirements shouldn't take the near decade that some of the others have been struggling with, if we move on it now.

In terms of the budget, I also noticed that there are some clear indications that there's going to be some additional funding provided in the areas where activities have been beefed up over the last few years. So, clearly, the government's been engaged in a balancing act. They've indicated that those savings are to come out of other areas than in terms of inspection.

The coalition and others have been involved in recent months in discussions with officials at CFIA about their new inspection modernization initiative. Indeed, I sat down with some of the senior officials there last week to have some further discussions on it. I'm quite confident that they're moving very seriously to improve the systems that they have in place and are looking at some different approaches.

That's why we think we need a national strategy discussion, so we can have an open and frank discussion of those approaches, both from the government side and the industry side, to see where we could go.

● (1610)

Mr. Frank Valeriote: Thank you.

Mr. Holmes, very quickly, you mentioned an additional tax that the organics industry will be facing. Can you briefly describe that?

Secondly, I'm curious about low-level presence. I hear from some in the organics industry that it's going to be helpful, especially with respect to the CETA negotiations and getting organic products into Europe.

On the other hand, I hear from others that it's not helpful. Are consumers in Canada becoming a little more receptive to low-level presence? Or are they still insisting on absolutely no presence whatsoever of non-organic or GMOs?

Those are my two questions.

Mr. Matthew Holmes: Okay, there are two questions. The first is the tax. It's a little inflammatory, but it's the prospect of a user fee that we're facing, on two counts.

One is access to the Canadian Organic Standards. There's been an agreement in place for two and a half years now, where the Canadian Food Inspection Agency is providing a fee to the Canadian General Standards Board to make sure the Canadian Organic Standards are available and accessible online. That concludes in 2014. At that time, we don't know whether there will be a charge of as much as $180 just to look at the Canadian Organic Standards for every farmer in the country, and not only those who are currently farming, but those who potentially might want to consider organic farming. That's very concerning for us.

Additionally, unlike the U.S. and Europe, we don't have an ability to maintain and update our organic standards to remain responsive and innovative to opportunity or new materials we may want to use —that our competitors use. We have the structure to do that, but it's a bit of a soccer game as to whose court that ball is in and who needs to be paying for that. In the absence of any funding, we're unable to update our standards right now.

Moving on to the low-level presence question, we've participated, and the organic value chain round table has participated, in a number of government consultations on the subject. The message from the value chain round table was clear that there is a lot of concern about this from the Canadian perspective in the organic sector, particularly around the area of seeds.

If seeds are coming into the country.... Sometimes the threshold of one in ten thousand seeds is used as an example for the LLP, or low-level presence, conversation. Well, one in ten thousand seeds can actually have a very dire consequence on the foundation seed in Canada, if those seeds can enter into our supply chain, environmental release....

At the end of the day, from the organic perspective, we trust that our government regulators and government oversight systems are there for a reason, and we would prefer that our own government is conducting those assessments rather than a foreign body.

The Chair: Thank you.

Mr. Storseth, you have five minutes.

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

While I may be dismayed at Mr. Valeriote trying to link listeriosis to the budget and everything in between, I am buoyed by the fact that he has yet to tax my french fries, so I can still have those.

I'd like to follow up with you, Mr. Chambers, about inspection modernization. Could you talk a little bit more about this and your thoughts on it?

Mr. Albert Chambers: Well, we're certainly appreciative that the agency has taken the initiative to look at the question. Industry has had concerns over many years around the inconsistency inside inspections and the level of it. I'm sure members on both sides have heard those kinds of concerns.

Clearly the agency also has some challenges in dealing with a good many acts—I believe the number is 13—and a large number of regulations. I don't remember the number at the moment, but it's a significant number of regulations. And, the acts don't all give inspectors the same powers and those kinds of things.

We look for those issues to be resolved, in terms of the number of acts, regulations, and powers. That's within the purview of government and Parliament.

We also look for an increased capacity within the agency to assure itself, and Canadians, that going into the future we have competent inspectors and functioning auditors. It's a challenge that industry faces, it's a challenge that companies face on their own, and it's a challenge that industries working within third-party unaudited certification systems face.

We all have a challenge here in Canada around the infrastructure of audit and certification, whether it's governments—provincial, federal, territorial, or municipal on the retail and restaurant side in many provinces—or in terms of industry. It's an area where we've approached governments to work collaboratively together, and we see a lot of interest in that.

The project we have as the coalition, with some funding from Ag Canada, is looking at how we might proceed with that. It's a very important issue. The modernization initiative is one that I believe has been well received across the supply chain.

● (1615)

Mr. Brian Storseth: Thank you very much.

You talked about the national approach to a food safety strategy. You talked about the importance of it being science-based. Can you discuss this a little bit, and how important it is that not only the food safety strategy is based on science but also our trade strategy?

Mr. Albert Chambers: We come at this as something that is a foundational statement, from our perspective. The approach we have taken in Canada for well over two decades is that we're looking for rigorous hazard analysis inside companies to determine what hazards they face, and what control measures they should put in place.

The on-farm and the post-farm industry programs I have talked about are all based on rigorous hazard analyses, albeit at the generic level, not at the site-specific level. That requires good access to the latest in scientific opinions, research, and views about how to turn that research into acceptable control measures, etc.

We certainly see that as a foundation to the approach we are looking for. Each time an industry group or a company undertakes an analysis of that sort, it turns up questions that have yet to be answered. What is the best control measure? What is the challenge we're facing here, and how do we overcome it with the tools we have today? Every time we look, we find new issues that we need to challenge in terms of science as well.

Mr. Brian Storseth: The last thing I will ask about concerns the importance of harmonizing our regulations with those of the United States. You're talking about the changes they are making, an example being HACCP. Could you talk about the importance of making sure that our regulations are harmonized?

Mr. Albert Chambers: What we're looking for is that we have comparability in our systems. We've seen the approaches I have mentioned, of looking at HACCP or HACCP-based preventive controls. Canada was a pioneer in the early 1990s with regard to HACCP.

If I may digress just for a moment, Mr. Chair, in the first package of information I got after the U.S. introduced the mega-regulation following the Jack in the Box incident in 1992, there was a video. That video had five minutes of introduction by senior officials at USDA, and the rest of the video was an Agriculture Canada Food Production and Inspection video on HACCP.

So we have been a pioneer in these areas. We're still a pioneer in many of them, but what we now need to do is look at whether we have brought our legislative and regulatory regime into a state such that it can be compared favourably with that of our major trading partners. From our perspective on harmonization, we're not talking about whether this regulation reads exactly the same as that regulation, but whether we're using the same tool kits, we're achieving the same results, and we're doing it within our context.

At the moment we are, but looking down the road the question has to be asked whether, given all the changes that are happening and given our not making changes, we would still be comparable. That is the question we need to really look at.

● (1620)

Mr. Brian Storseth: Thank you.

The Chair: Thanks very much.

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

[*Translation*]

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

I thank our witnesses for accepting our invitation.

I will begin with Mr. Holmes. We know that in Canada we have several distributors and a handful of retailers like Metro and Loblaws.

Do your members find it difficult to market their products through these large retailers who control the supermarkets?

[*English*]

Mr. Matthew Holmes: Our members have products throughout the country with these retailers. In the case of national retailers, they often work closely with a variety of distributors of different scales. Some are very large and some are very small, independent distributors. Some focus more on the small, independent retailers, natural health retailers and so on.

Most of the members I work with have been part of one of the major retailers, or are currently.

[*Translation*]

Ms. Francine Raynault: What do you think the government should do to encourage the development of the organic value chain? Should we seriously try to limit imports which seem to presently be supplying demand, in order to help our organic producers sell their products in our supermarkets?

[*English*]

Mr. Matthew Holmes: Well, in one of my capacities I serve on the world board of the International Federation of Organic Agriculture Movements. Our interest is in seeing the global development of the organic sector.

Often it supports developing nations greatly, and the producers in those nations greatly, to have access to a market such as Canada's. What we've seen throughout the world, and in Canada as well, is that where imports drive the consumer desire for the product, domestic products will eventually displace them. So we're very optimistic. Canadian producers are some of the best in the world, and consumers are going to choose Canadian organic products when they're available.

It's about creating some of the linkages to help those producers get to market and to help them value-add their products. That's where we would like to see more supports in place.

[*Translation*]

Ms. Francine Raynault: There has been much talk about the value chain roundtables, which are a forum for discussing issues and developing common strategies.

How do you assess the approach taken by these roundtables?

[*English*]

Mr. Matthew Holmes: From my own perspective, I've seen it as a very positive development by the governments. Agriculture and Agri-Food Canada has invested a lot of time and resources into allowing industry to help establish the priorities and identify the challenges, and then work collaboratively with government and other players throughout the supply chain to meet those.

In the organic example, I think we're one of only a few who have such a broad part of the supply chain involved. Whereas others may be oriented around specific commodities, our organic value chain round table is horizontal. It includes horticultural producers, livestock producers, food service providers, retailers, distributors, and all points along the chain. It's a very diverse group, which can make it challenging sometimes, in the realm of herding cats, but also very positive, in terms of identifying and moving forward on common challenges and crosscutting issues.

[*Translation*]

Ms. Francine Raynault: Mr. Chambers, your submission states that "the coalition strongly believes that food safety must have a priority role in the framework. Food safety clearly cuts across major policy objectives outlined in the 2011 Saint Andrews Statement". You also say that it is essential for competitiveness, innovation and infrastructure.

Could you please elaborate on this?

● (1625)

[*English*]

Mr. Albert Chambers: Sure. Thank you very much.

We've seen in previous federal-provincial-territorial agreements going back to CARD, to APF, to the first round of Growing Forward, that food safety has been a priority within those. We'd like to see it again be a priority in Growing Forward 2.

For Canada to continue to have the reputation that it deservedly has of being able to export product that is safe and is seen as safe, we have to have initiatives that are going to support the development of food safety systems, especially by small and medium-sized businesses, and by what I refer to as micro-businesses as well.

These industry programs need to be continually refreshed. As my colleague from the organic sector has pointed out, sometimes the dollars to refresh them are hard to get from industry, but in partnership with government this has been a very successful formula. I realize that in this day and age it's a challenge to do, when we're going through some tight budgeting times, but if we play the priorities right, I think there are some opportunities there for work.

We have some serious challenges in terms of infrastructure, and this isn't just in the public sector. It's in the private sector as well. I mentioned a forum held in Edmonton in January on food safety. It was a forum at which industry, both levels of government, and academic institutions were represented in pretty well equal numbers. There was a lot of agreement that we need strategies to ensure that we see graduates coming out of academic institutions—colleges and universities—with the right kinds of skills and competencies to move into the agrifood and fishing industries from a food safety perspective. There are some initiatives in that area as well.

So we see a number of areas in which there are some initiatives. We have listed, in our submission, some of the areas in which we've made previous recommendations concerning potentially new institutions that would involve the feds and the provinces together.

The Chair: Thank you very much.

Mr. Lobb, you have five minutes.

Mr. Ben Lobb (Huron—Bruce, CPC): Mr. Chair, my first few questions are for Mr. Holmes.

Mr. Holmes, I should just tell you that last fall I planted 200 garlic bulbs, or garlic cloves, and they're all up, even in cool southwestern Ontario, so they're off to a good start.

I'm going to go back to the questions Mr. Hoback was asking, because it seems to me that things just aren't quite square here. One is that we understand there's a very small percentage of Canadian-grown organic goods actually sold in Canada. I think less than 10%, if that's right.

I'm just trying to understand. Your organization's goal is to try to promote trade internationally, I'm guessing. Is there a group that promotes the selling or retailing of Canadian-grown organics in Canada?

Mr. Matthew Holmes: There are a number of groups, and we're not exclusively oriented towards exports. It's one area we've seen where we can scale up Canadian production. We've also gone out and developed something called Organic Week, which is a national, week-long campaign we've developed with our partners, the Canadian Organic Growers. The Canadian Organic Growers, or COG, is probably the oldest organization in Canada at the national level that speaks for organic producers and growers at that level.

Together, we've launched Organic Week to celebrate the organic sector in Canada. This year it will be September 22 to 29. It's everything from farmer's market events or school events to an MP reception that I invite all of you to.

Mr. Ben Lobb: To get back to the specifics, then, let's say I grew 100 acres of organic garlic and I wanted to sell it to a retailer.

Would your organization help the farmer in Huron or Bruce county make the connection to sell to Loblaws or Sobeys? How do you work with that?

Mr. Matthew Holmes: We see the business element as integral. As part of our service to our members and to the sector, we try to create business linkages. We have members that are very small—small family-operated independent organizations, or small family farms—and then we have some of the larger organic brands in the world, all of them from Canada.

What we do is we try to set them up with the right type of buyer, the right type of distributor, or the right piece that they're missing. We play a role in the value chain and in the supply chain by trying to create that referral. We sometimes hold meetings so that there's a certain amount of respect and collegiality, and bring two parties together so that they understand each others' needs. We try to help those players at all scales along the way.

● (1630)

Mr. Ben Lobb: Correct me if I'm wrong. I believe when you were talking with Mr. Hoback, you indicated that, from what you know, anybody who wants to sell to a retailer has pretty well been able to sell to a retail chain.

Would I be surprised if any of your members disagreed with that, or is that the case?

Mr. Matthew Holmes: I'm sure many of my members would disagree. There are always challenges working with these large organizations. Many of them have centralized warehousing—

Mr. Ben Lobb: What would the challenges be, specifically?

Mr. Matthew Holmes: Well, some of them would be supplying only at a certain scale, so they may not be interested in that small producer you've characterized. Our role is not necessarily to try to move the retailer to a smaller scale, but perhaps they need to work with somebody who is brokering that product, and amalgamating or aggregating the product.

Mr. Ben Lobb: Okay.

Now, Mr. Chambers, you mentioned earlier that you supported the modernization of the CFIA, which I think we would all agree with, right?

Do you have any specific examples of where CFIA falls on its face, and where modernization is a good thing?

Mr. Albert Chambers: I think it would be difficult for me to give you specifics. If I understand what you mean by specific examples of a situation where it's fallen, in your words, on its face in the relationship with a particular company....

Mr. Ben Lobb: Well, anybody in your coalition who would say, “Jeez, Albert, this is a problem, every time.”

Is there ever any dialogue among your coalition?

Mr. Albert Chambers: Yes, and I think it's fair to say that most of those issues are brought to the attention of the agency by the member associations dealing with the specific industry initiatives. The role of the coalition isn't to be involved in what we would call a vertical issue, such as meat or poultry inspection, or the dairy industry, where there might be specific issues of concern across the country or in certain regions. That's a member issue or a company issue. As the coalition, our role is to bring broader perspectives to the discussion in terms of the whole supply chain.

That sounds like I'm dodging your question, but I'm not, because it's not my mandate to be on the turf I think that you want me to be on at the moment.

Mr. Ben Lobb: Okay.

Mr. Holmes, do you have any specific examples of where you think the CFIA could do better to help your members?

Mr. Matthew Holmes: We've had a really productive relationship with CFIA. Our sector actually approached them, and asked them to work with us on a regulation. They were pretty shocked by that—they don't encounter that too often—but it's part of our assurance to consumers that there is integrity, backing, and enforcement to the claims that are out there.

One area that we've seen that is of great concern to many of my members right now is the widespread use of the term “natural” on products in the marketplace. It's a product claim that doesn't have any basis in a standard, or indeed in any common definition, and these products are often misleading consumers. At this point, we would like to work more to see those sorts of claims better scrutinized, and perhaps have more enforcement.

Mr. Ben Lobb: I think that's all the questions I have, Mr. Chair.

It really sounds like CFIA, from all the testimony we've heard so far on supply chain, is doing quite a bang-up job.

The Chair: Thank you, Mr. Lobb.

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

● (1635)

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

If you would, please put your translation device on, Mr. Chambers.

Ben, I was going to ask the same question. Again, you stole everything I was going to say. They must be good questions if you asked the same ones.

[*Translation*]

Mr. Chambers, I wonder what your role is when one link in the chain is implicated in a food safety incident.

Do you have a role to play when such an event occurs and, if so, what is it? Does Canada do enough to determine what parts of the chain are problematic in terms of food safety?

[*English*]

Mr. Albert Chambers: If I understand your first question, the coalition doesn't have a specific role in the cases where we're dealing with a food safety incident. Our role is much broader than that, at the policy level, if that's your question.

Do we do enough to identify where we may have challenges in the supply chain? I think we've done an awful lot in that area. I think that if we went through an exercise, a serious exercise in developing a national strategy, we might find some areas where we need to do some additional work. The coalition's position, for the most part, has been that we have the parts of a strategy. We just haven't put them together in a coherent way. Going through that exercise of putting together a strategy would probably identify some areas where we do have some weak links.

But over the past decade we've seen industry, with government assistance—I'll put it that way, because industry has taken the lead—work to try to fill in the gaps with tools that businesses along the supply chain can use to strengthen their capacity in the area of food safety. Whether that's in trucking, or on-farm, or in the handling and distribution system, an awful lot of work has been done. There may still be some gaps, but if we stepped back to, say, 1995 and looked ahead, we would see that we've filled in a great many of those gaps over the past decade and a half.

[*Translation*]

Mr. Jean Rousseau: Do you believe that the inspectors of the Canadian Food Inspection Agency have enough tools on the ground to do their job?

[*English*]

Mr. Albert Chambers: Does the agency have enough tools to do its job?

Mr. Jean Rousseau: I refer to the inspectors, *les inspecteurs*.

Mr. Albert Chambers: I think what we're going to see in the coming years is a change in the role of the inspectors. Clearly they have a great many tools available to them in terms of their powers of enforcement and their ability to do those kinds of things. The challenge we've seen—as your subcommittee and as others work their way through the unfortunate events of several years ago with the listeria case—has demonstrated even more so that our enemy is bugs, and bugs can't be seen. The challenge we have is ensuring that businesses take their proper approaches and put in the right systems and have the proper cultural approach to dealing with food safety.

That's something that inspectors will have to learn to work with as well as they move into an environment where, in our belief, inspectors will have a greater role along the supply chain, not just in the current registered establishments.

[*Translation*]

Mr. Jean Rousseau: Thank you, Mr. Chambers.

Mr. Holmes, the organic supply chain tends to be somewhat shorter in Canada. There are fewer players and more direct linkages between the consumer and the producer.

In your view, do we have specific strengths in our organic food supply chain in Canada and, if so, what are they? Can we improve the weak parts?

[*English*]

Mr. Matthew Holmes: That's an excellent question.

It's a fairly resilient group, in Canada. We're talking about 3,700 producers and about 1,100 to 1,200 handlers and processors. We have some of the pioneers in the world. We have the largest organic cereal maker in the world. We have one of the most important ingredient suppliers to the world. We also have some wonderful family farms and family businesses that are Canadian classics, if you will. There's an incredible diversity.

I would actually say that one of our strengths is our diversity in the Canadian organic sector. The supply chain linkages that are weak often change, but historically, one of the ones we've had great challenges with is in the beef sector, in livestock. I raised earlier the issue about abattoirs.

There have been other challenges. I mentioned the prairies. We don't necessarily have value chain connections in points along the prairies. We have commodity growers who are trading or brokering their product in large quantities, but we don't always have some of that facility at home to produce the flours or the pastas that the world is looking for. Sometimes there may be an opportunity there, and other times perhaps it's best to continue with the models that are working. It's a very dynamic sector, always changing.

I can't point to too many profound weaknesses in the chain. It's often geographical as well as sectoral, so you'll have crosscutting issues that will affect an area.

● (1640)

The Chair: Okay. Thank you very much.

Mr. Zimmer, five minutes.

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

First, to Mr. Chambers, I have a question with regard to your organization.

We've talked about improving the regulatory process and bringing that up to the 21st century. When I say the term “modernizing regulations”, what does that say to you, and as an organization, what would you say back as part of those regulations that you'd like to see modernized?

I know it's a big question, but perhaps you could answer that.

Mr. Albert Chambers: There are a number of answers that have been identified by members of the coalition. For example, we see in a number of areas where the legislation requires a regulation to be passed in order for something to be added to a list, whether it's a food additive or whether it's a processing activity, etc. There is some opportunity to change there so that we can deal with things in a much more administratively efficient fashion—move things out of regulation and into administrative lists, where there are still requirements for preconsultation and information to the public, etc., but we don't have to join the government-wide queue to get through the Governor in Council with a regulatory change.

So that's an area where, at the simple regulatory level, there are probably opportunities for inclusion by reference. Both the coalition and the subcommittee in their recommendations supported the use of international standards. If we could move to where we're referencing international standards, then potentially we're working in a system where a codex standard, or an ISO standard or something like that, in some cases an OECD standard, could be the basis and we don't have to go through the process of changing the regulation every time that standard changes.

Mr. Bob Zimmer: Just for the sake of an example—and you've used some groups as an example—how would you see that roll out in practice? It certainly would be an awesome thing to do, but what would rolling that out actually look like to you?

Mr. Albert Chambers: I think the officials have been giving it a lot of thought over the past several years.

Mr. Bob Zimmer: Yes.

Mr. Albert Chambers: I think we probably need to have a food act, as opposed to the Food and Drugs Act. In that process, then, we probably need to go through a discussion of what in this day and age—and remember, it's been a long time since we restructured the Food and Drugs Act from a food perspective—are the tools that we need to have in the legislation, what are the ones that need to be in regulation, and what are the ones that can be dealt with administratively.

I think that when we get into that discussion, there are going to be a number of very clear examples, such as changing lists of food additives or others like that, where it'll be just razor clear that it's something we should be dealing with now in an administrative way.

Mr. Bob Zimmer: Right, and to follow up on that a little bit closer to home, though, what is your organization's view on what has happened so far with harmonization federally to provincially...? Regulatory-wise, how has it gone so far? Where would you like to see it go? What's your perspective there?

● (1645)

Mr. Albert Chambers: One of your colleagues asked why it takes so long to do things federally, and I couldn't give him a precise answer. In this case, I can give you a fairly clear answer: getting 14 governments to agree is a pretty massive challenge.

We have some good examples of how they do it elsewhere, though, that we think are worthy of looking at. The Australians have developed a system that has now been in use for not quite a decade, whereby they have an agreement amongst their Commonwealth government and the states and territories on a mechanism for making decisions that impact both on the commodities and on the products that are dealt with in the federal jurisdiction and in the provincial—or there, the state—and territorial jurisdiction.

It's something that we could look at here and provide a mechanism for. One of the challenges we have is that in some provinces it's the Ministry of Agriculture that's responsible. In some provinces, it's the Ministry of Health that's responsible. We don't very often get those ministers talking together nationally. We can look at some of those opportunities and move them ahead. Some of the provinces have modernized their food safety legislation. They may not yet have gone as far as the rest of the world has gone, but from what tools are available to them, they've moved ahead of what's in the Food and Drugs Act.

Mr. Bob Zimmer: I still have some time, and I have just one last question. In terms of that “modernization” term, you as an organization would still see, I guess predominantly, that modernization has been a positive, as opposed to any lack of regulation being perceived as a negative. But we sometimes see efficiency as a better way to operate, and I guess....

Mr. Albert Chambers: Some of my members don't like me using the word “modernization” either, but yes, at this juncture, as long as it's achieving the objectives in the context in which we've set them out—which is that there are these principles we're working with, these responsibilities we share, and these tools we've accepted as being part of our tool kit to move things ahead—then modernization is going to be a very positive initiative, event, and series of events.

Mr. Bob Zimmer: Thank you.

The Chair: Thanks very much.

Mr. Brahmi, you have five minutes.

Mr. Tarik Brahmi (Saint-Jean, NDP): Thank you, Mr. Chairman. I'll be asking my questions in French.

[*Translation*]

My first question is for Mr. Holmes.

I would like to give you an opportunity to react to the budget that was tabled last week.

I have in front of me a press release from the Union des consommateurs expressing concern and denouncing the continuation of the outrageous tax privileges granted to big corporations. They are worried about the impact of the cuts on the Canadian Food Inspection Agency.

How do you and your members react to the cuts that are certain to occur?

[*English*]

Mr. Matthew Holmes: I think everyone is watching that right now. We don't know exactly what it means. Are there some backroom efficiencies to be realized? I'm quite sure that there are. CFIA works closely with Agriculture Canada. They report to the same minister. I'm sure that there are some ways they can find some savings in that relationship.

We feel that consumers increasingly want to trust their food system, the traceability of the food system, and the marketing claims that are made. We've all seen instances when marketers and advertisers walk up to the line and then take a big jump. We want to know, and our consumers often want to know, that somebody who has third-party or government involvement, or from our perspective, preferably both, is watching those sorts of claims and is inspecting or reviewing how something is done and what is said about it.

That said, I don't think the budget is clear on the exact implications of these cuts yet. We will be watching that very closely.

[*Translation*]

Mr. Tarik Brahmi: On a more practical level, if there were fewer inspectors and therefore less enforcement, could this harm the reputation which brings value to the work you do? That reputation is one of high quality products, a better quality than that of other products.

● (1650)

[*English*]

Mr. Matthew Holmes: I think the Canada brand and the reputation of Canadian food products is very important to my members. They use it in both their domestic sales and their export sales.

Where we do see an issue, however, is that at times, in the inspection regime in Canada, we will see a regional inspector, an Ottawa inspector, or the central office have different interpretations of a government regulation or rule. Again, it's how that's implemented and how it's done that's really important. It's not necessarily about the numbers; it's about the integrity of the inspection. Ensuring that the CFIA remains rigorous and still has teeth and enforcement powers is very important to consumers and to my members in Canada.

[*Translation*]

Mr. Tarik Brahmi: Thank you, Mr. Holmes.

I have a question for Mr. Chambers. This issue is more of a personal and local nature in my riding. Last fall, I was faced with a clandestine slaughter of sheep, as a matter of religious practice, in two municipalities of my riding. I called the Canadian Food Inspection Agency, asking them what one was supposed to do in such a case and whether this was a threat to food safety, and I was told that this was not within their jurisdiction.

Within your coalition, do you see this type of event occurring frequently or is it a new trend? Do you have any comments on that type of practice?

[*English*]

Mr. Albert Chambers: It's an interesting question, and it's not one that's been brought to my attention and concern. From the coalition's perspective, no. Clearly our view would be, as we stated in our presentation today, that Canadians, no matter where they are, are entitled to have food that's produced at the same safe standard. In circumstances where it's happening clandestinely, and I take it illegally, they don't usually produce safe food, so we would be concerned from that perspective. But it's not an issue we've been seized with.

We are aware that there are increasing concerns globally about counterfeit food moving in international trade. These are food products that are not genuine in the can or in the package, although the label says that they have been produced by...etc. I don't believe it's yet a serious problem in Canada, but it's something I know the global food industry is very concerned about. It happens at both ends —in the international field as well as potentially at the local level.

The Chair: Thank you very much.

Mr. Lemieux, you have five minutes.

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

Just to follow up on some of Mr. Brahmi's questioning, I'm actually looking at the budget on page 168. You will be happy to know, Tarik, that the budget is proposing a $50 million increase for food safety. That's what's in the budget. It's a $50 million increase. That's, of course, in addition to the $100 million increase we announced in the last budget.

I just want to encourage my colleagues across the way, of course, to vote in favour of this excellent budget. It does raise the question of food safety.

Mr. Tarik Brahmi: This has the feeling of a press conference.

Mr. Pierre Lemieux: Mr. Chambers, in your presentation you brought up food safety as it pertains to the supply chain. We're going to be looking at a number of different supply chains, but we'd like a supply chain that is efficient and effective, and that exercises due diligence for important things like food safety. What I want to do is present a few things to you, and then have you comment.

The first is that we had some discussion on this committee about how much incoming food CFIA inspects, and it's not 100%. In the supply chain, there are inspections done by U.S. inspectors that we accept as legitimate. We don't see the need for duplication, because duplication has financial cost as well as a time-and-resource cost for people trying to move food products through the food chain.

The other thing I wanted to get is your thoughts on risk-based food inspection processes. If something is low risk, fewer resources might go to inspections. If it's medium- or high-risk, then more resources would go to it.

I'm wondering if you might be able to comment on supply chain food inspection from some of the comments I've made.

● (1655)

Mr. Albert Chambers: There are a number of interesting questions in there, and I'm glad you didn't ask me any more about the budget.

Mr. Pierre Lemieux: I wouldn't put you on the spot.

Mr. Albert Chambers: The coalition's position is that imports should be meeting the same standards that we have in Canada. It's a real challenge to achieve this in a marketplace where we all enjoy food that comes from someplace else.

It's a challenge even in the domestic sense. We have inspectors, but they are primarily functioning in the registered establishments, which represent a significant portion of the Canadian supply but not all of it. We have to achieve results with our imports if we're going to meet WTO requirements that are balanced with our domestic measures. We need to have a discussion about what our domestic measures are going to be, so that we can, as fairly as possible, enforce those measures on our suppliers from the rest of the world.

Mr. Pierre Lemieux: Isn't it possible to align what we expect to see in imports with what food inspectors in the United States, for example, are inspecting in their exports?

CFIA inspects 100% of exports. They inspect a lower percentage of imports. When our food goes to the U.S., the U.S. accepts our export certificate. They consider that the food has been duly inspected, and we would do the same with food coming from the U. S. These are the types of agreements that help facilitate the supply chain.

Mr. Albert Chambers: The coalition is quite supportive of eliminating re-inspection. This discussion is now going on at the Regulatory Cooperation Council, as is the broader discussion about how we can harmonize our approaches to imports. But we still have to have a regime in Canada that allows us to make sure we treat imports the same. We have that challenge to deal with.

Mr. Pierre Lemieux: I had a second question on your thoughts regarding risk-based use of resources, meaning that lower-risk commodities might receive fewer resources than higher-risk commodities.

Mr. Albert Chambers: My understanding is that members of the coalition are very supportive of that idea. They're also supportive of another idea that's happening in the world around us, which the British would call "earned recognition". In registered establishments where we have an ongoing presence, perhaps there could be a system where the success of companies meeting the requirements should be taken into account through a lower level of inspection. This way the resources saved could be diverted to other companies.

Even within a high-risk category, you can have performance as a measure of whether or not you should be devoting more or less attention to that particular food business. We have it. There are a lot of lessons that we can learn, some of which we've been experimenting with, but some of which our major trading partners have been experimenting with as well. We could integrate those in a national strategy.

Mr. Pierre Lemieux: Right.

Okay, thank you.

The Chair: Okay.

Mr. Payne, you have five minutes.

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

And thank you to the witnesses for coming today.

I just want to do some follow-up, Mr. Chambers, if I might, through the chair.

We've been talking about food safety and inspection, and my colleague, Mr. Lemieux, was talking about inspections north and south. My question is going to go beyond that in terms of international trade agreements. As you're aware, Canada is working on quite a number of international trade agreements, and obviously some of these will include foodstuffs that will be coming to Canada.

What do you see or what would your organization recommend, in terms of food safety, with the various organizations? When we're looking at China, we're looking at India, and we're looking at a number of other counties, what protections should we be looking at? Are there some international regulations that we should be following to ensure that food safety happens here for Canadians?

● (1700)

Mr. Albert Chambers: In my initial answer to your colleague, obviously, I went over part of the ground, in terms of what our WTO obligations are. We have to have a system in place here that we can defend if we're going to impose those requirements on others. So we need to have a first look at our domestic system. We do not have a mandatory requirement for preventative controls, whether those are HACCP-based, or HACCP, or some other variant. Moving onto that plateau where we can make that claim is something we need to have a very serious discussion about, or maybe we won't be able to demand that of the products that are coming into the country. We've seen the Americans and the Europeans and others move in that direction. We need to have that discussion.

We need to have the discussion as to what our expectations are around what kind of inspection or audit should be behind those claims that they have preventative controls in place. Is it going to be a demand that they be government inspected, when we don't have government inspection of all of our facilities here in Canada? We have the power to do that, but we don't quite practically have that power, and don't exercise it on a regular basis in every food business in Canada. So we have to have a look at those kinds of things and ask ourselves, as we've developed our on-farm programs and some of these other industry-based programs, are we expecting similar programs to those to be in place in the supply chains that are providing us with imports? And if so, how do we work that out and recognize those?

So that's a couple of areas we need to have a close look at, as we then move out with new initiatives in terms of import controls.

Mr. LaVar Payne: What you're talking about is the WTO regulations also applying to any bilateral agreements that are worked out between Canada and other countries. Is that the—

Mr. Albert Chambers: Put it this way, I'm no longer a trade expert. I dabbled in the field back in the Uruguay Round. I'm not in a position to answer whether it applies to all of our relationships, but clearly it's a fundamental of how our trading relationships are built—that we apply to others that which we have applied to ourselves, to put it in very simple terms.

Mr. LaVar Payne: All right.

You also talked with a couple of our colleagues in terms of the CFIA, the inspectors, the modernization, and certainly the future, and you see the CFIA inspectors having a different role. Has that been tossed around in your organizations, and have some thoughts been put forward as to what those future roles might look like?

Mr. Albert Chambers: We see more and more of them having a role in, what we would call, an audit function, as opposed to an on-the-line inspection function. Whether the title of their job changes or not, we see that happening. As that happens, there will be requirements for new competencies, new skills, new knowledge, and new capacities to apply them. That's something we're seized with, from the perspective of the food safety auditor.

We have had government officials participating in our first two workshops, one of which just concluded last month. The results of that seem to be likely to take us down the road of further work in that area. It was testing the water, but there was I think a fairly.... I shouldn't get ahead of my members, but there's a lot of support for improvements in the private sector and the public sector, at the federal, the provincial, and the territorial levels, in terms of the competency of those key people who are doing that work around food safety management systems.

Mr. LaVar Payne: How much time do I have left? I have a short time.

Mr. Holmes, I have a couple of questions. I'll try to be really quick.

Witnesses have told us that the “buy local” campaigns are not where the future of the agriculture sector is. Would you agree, or if not, why not? Perhaps you could also touch on the certification for organic versus natural products, because a lot of consumers, I understand, get confused about those two terms.

● (1705)

Mr. Matthew Holmes: Thank you for the question.

What's important when you're talking about the claim of being local is that, again, we don't have a common definition. The same thing goes for “natural”. There is no real standard or definition by which that exists.

I'm calling in today from Moncton, New Brunswick, where you can't really get much in terms of local meat. It's raised here, but it's shipped to Quebec to be slaughtered and then it's shipped back. So the question for the consumer is whether that is actually local in their minds anymore. Establishing a basis by which to understand the term “local” is the first point.

In terms of “natural”, this is a word that means almost nothing in marketing terms. Yet consumers are typically encountering it, often right beside an organic product, which the government has used great resources and gone to great effort to actually codify and support with regulation and enforcement.

Consumers see “natural”. It sounds good. It has a good visceral meaning for them. They may choose that, because it may be marketed a couple of points below organic by the retail establishment. But in many cases, it is basically the same as the conventional product, which is at a much better price.

The Chair: Thanks very much, Mr. Holmes and Mr. Chambers. Thank you very much for your time today. We appreciate it. We will be going further in-depth into our report, and hopefully, you can follow up. Thank you again for that.

Before we go, could I ask Mr. Valeriote, Mr. Allen, Mr. Hoback, and Mr. Lemieux to hang back for a couple of minutes afterwards? I just want to have a short discussion.

Thanks very much. The meeting is adjourned.

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