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Chair

Mr. Merv Tweed

Standing Committee on Agriculture and Agri-Food

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● (0850)

[*English*]

The Chair (Mr. Merv Tweed (Brandon—Souris, CPC)): Good morning everyone. Welcome to the Standing Committee on Agriculture and Agri-Food, meeting number 57. Orders of the day are pursuant to Standing Order 108(2), a study of agriculture and agrifood products supply chain (grains and oilseeds).

Joining us today are: from the Canadian International Grains Institute, Rex Newkirk, director of research and business development; and from the Canola Council of Canada, Jim Everson, vice-president of corporate affairs. Welcome. I'm sure you know the drill. You have time to make a small presentation and then we'll move to questions from the committee members. Who wants to start?

Go ahead, Jim.

Mr. Jim Everson (Vice-President, Corporate Affairs, Canola Council of Canada): Good morning.

As the chairman indicated, I'm Jim Everson. I'm vice-president of corporate affairs for the Canola Council of Canada. Thank you for the opportunity to update the committee on the priorities for the canola industry value chain.

I'd like to begin by providing a brief overview of our industry, and then outline some of the key factors that affect the competitiveness of the canola value chain.

Of course, it all starts on the farm. Canola is grown by about 43,000 farmers in Canada, mostly in the Prairies, but also in the Peace River area of B.C. and as far east as the Maritimes. Canola acreage and production have been increasing in recent years, as producers have found increasing value and profit in canola.

This year 21.3 million acres were seeded in canola. Statistics Canada has estimated a total 2012 production at 13.36 million tonnes. It's been an incredible story of growth, more than doubling production in the last 10 years.

You may know that canola is Canada's most valuable crop, generating one quarter of all farm receipts and amounting to almost $8.5 billion to producers in 2011.

The confidence that producers have in canola is being matched by the whole value chain as new investments are being made in the industry. Since 2006, investments in new and expanded crushing facilities have close to doubled the crushing capacity. Some of the most recent investments include two plants in Yorkton, Saskatchewan, a new plant in Bécancour, Quebec, expansion of plants in Altona, Manitoba and Fort Saskatchewan, Alberta, and the announcement of a new plant to be built in the Camrose area in Alberta.

The seed developers are also investing in Canada with state-of-the-art breeding facilities and research facilities in Saskatoon and Winnipeg, and of course, producers invest constantly in upgraded machinery and equipment to improve production efficiency.

The canola sector is contributing to jobs and growth. Today the industry contributes more than $15.4 billion to the Canadian economy each year and generates more than 228,000 jobs.

To comment on the value chain, through the Canola Council, seed companies, growers, crushers, and exporters all sit together at the same table to set goals for the industry and strategies to achieve them. The industry is currently working on a strategic plan, which includes a goal of creating a sustained supply and demand for 15 million tonnes of canola by 2015. We are confident we will meet that target.

Producers deliver canola to a network of primary elevators and crushing plants in their area for processing. The vast majority of canola is delivered and shipped to export terminals, mostly off the west coast, by rail, where it is loaded on vessels for export. Canola is processed into oil and meal at crushing facilities and is shipped by rail or by truck to markets overseas and in North America.

Canola is crushed to produce oil for use as a premium quality vegetable oil. After crushing, the remainder of the seed produces canola meal, which is used as an animal feed. Canola oil is also an excellent feedstock for biodiesel production, as well, and can be used to reduce greenhouse gas emissions generated by traditional fossil fuel diesel.

Canola is the healthiest vegetable oil available. It has very low levels of saturated fat, no trans fats, and high levels of the beneficial fats, to help prevent heart attacks and strokes.

Canola meal is another product with a definite advantage over its competitors. It is high in protein, palatable, and has an excellent amino acid profile. Research shows that canola meal in animal feed can increase milk production in dairy cattle by one litre per cow per day.

That, in a nutshell, is the canola industry value chain. Together we provide the world with a superior, healthier product that contributes to economic growth in Canada.

Regardless of whether canola is exported as a whole seed or first processed into oil and meal, over 85% of the crop is headed for markets beyond our borders. We rely on a strong and steady flow of product to customers in the United States, Japan, Mexico, China, and 50 other countries. This reliance on export markets means that our industry needs to constantly innovate and work to remain competitive.

The federal government policy and programs are important to setting the environment for innovation, market access, and growth. Currently, Agriculture and Agri-Food Canada is developing a Growing Forward 2 policy framework and programs, and these will play an important role for canola in the future. As this framework is being developed, there are five priorities that the Canola Council can point to for future success.

The first is innovation. Canola is a product born of innovation. Innovation is what we must pursue to increase our competitive advantage. This is an area where teamwork through a value chain has been a big advantage. Over the past four years, the Canola Council has coordinated the canola and flax science cluster under Growing Forward. This approach has brought industry, government and university researchers together and pooled knowledge and resources to make the most of every research dollar.

The science cluster is funding a total of about $20 million of research over a five-year period. It includes over 80 researchers in more than 30 institutions across Canada, and some in the United States. Research is directed to canola oil and meal and to improved production. In the production area, the research amounts to about $10 million and involves over 30 projects.

Because of this cluster approach, our industry now has a greater understanding of how to increase yields and minimize disease, and we have more scientific evidence of canola's health benefits to drive oil promotion. Looking ahead to the new Growing Forward 2 framework, we are very strongly supportive of the continuation of the science cluster approach and continued public investment in innovation.

Another priority is open markets. Our industry thrives in a trading environment that's predictable, competitive and transparent. We support the federal government's ambitious trade agenda in key markets like Europe, South Korea and Japan. Canada's entry into the trans-Pacific partnership is good news for our industry. If Canada can make the most of these trade agreement opportunities and conclude some of these trade deals, producers and the industry will have more opportunity to grow the industry.

Also on our priority list is market development and promotion. This is another area where the federal government is an important partner. Our members and Agriculture Canada cost share a $2.4 million promotion program over four years that spreads the word about canola's health and culinary benefits in key markets around the world. We're looking forward to a continuation of this program in Growing Forward 2.

Intertwined with market development is market access. Both of these priorities demand attention. Our industry is very grateful for the strong support of agriculture Minister Ritz and the federal government in maintaining and building market access. The Market Access Secretariat, which is a cooperative approach of the Canadian Food Inspection Agency and Agriculture Canada, has been instrumental in responding to difficult market access issues, such as China's concerns with blackleg.

In recent years, the industry and government have maintained markets with a value of over $1.6 billion per year by working strategically to resolve issues that threaten market access. Our efforts allow the canola industry the opportunity to earn most from international markets and we hope to build on this progress in Growing Forward 2.

Finally, an important issue is science-based regulation. Transparent and science-based regulations are critical to ensuring predictable trade and food security both in Canada and abroad. Canada needs to set a strong example. We need to build on the understanding this approach works best for all nations. In this regard, we are hopeful that major trading nations will develop policies regarding low-level presence of genetically modified products, an important goal because of a growing number of GM crops in commercial production around the world. We support Minister Ritz's efforts to develop a Canadian LLP policy and to promote the adoption of LLP policies internationally.

To sum up, Canola is one of the most exciting sources of economic development in Canada in the years ahead, and to capitalize on that potential we'd like to stay focused on innovation, open markets, market development, market access, and science-based regulation. The canola industry has enormous potential to create economic growth, jobs and wealth for Canadians if we continue to do things right. The Canola Council brings together the entire value chain, and we look forward to a continued partnership with government toward these goals.

Thank you. I look forward to answering your questions.

● (0855)

The Chair: Mr. Newkirk.

Dr. Rex Newkirk (Director, Research and Business Development, Canadian International Grains Institute): Good morning. My name is Rex Newkirk, and I'm, as mentioned, the director of research and business development at the Canadian International Grains Institute, which is an independent not-for-profit organization that provides ongoing technical support to buyers of Canadian field crops around the world and has done so for 40 years.

Thank you very much for this opportunity to present an understanding of the grain supply chain in Canada. Jim has already done an excellent job of providing information on the canola industry, so I'll focus my attention on other aspects of the grain industry. I will attempt to provide an overview of the grain supply chain with a focus on the issues that affect the system, and in particular, the role of the federal government in addressing these challenges.

Canada has a very efficient and effective supply chain. We have been providing grains to the world for over a century, and it continues to improve and change with globalization. The supply chain includes: plant breeders, who develop varieties that address ongoing needs; a variety registration system that ensures customers' needs are met by the new lines of grain; seed growers, who propagate the seed; farmers, who efficiently produce the grain; primary elevators that collect the grain and transfer it into the rail system; transfer elevators or terminal elevators that move the grain to the end customers; flour milling companies, which convert the grain into food ingredients; and finally bakeries, which produce finished products and deliver them to consumers around the world.

The Canadian system also includes a robust grain grading and quality assurance system through the Canadian Grain Commission. Canada provides technical marketing support, which helps ensure customers are informed of the valuable properties of Canadian grain, and this ultimately encourages them to purchase the product. Research is conducted that develops new products from the grains, which creates new opportunities for the crops in food and industrial applications.

The system in Canada is primarily a bulk handling system, as Canada produces a great deal of high-quality grains that are for the most part exported and must be transported in a very cost-effective and efficient manner. The system has been designed to primarily move a homogenous product and maintain purity and the quality of the grain so the customer ultimately receives the product that they purchased in a timely and cost-effective manner.

There have been numerous changes to the grain industry over the last two decades that have resulted in improved efficiencies. There has been a great deal of consolidation, resulting in larger companies that operate very efficiently and in a cost-effective manner. The old wooden grain elevators have been replaced with much more efficient facilities that collect grain from a wide region and efficiently transfer it to the rail system. Recently, as you are aware, the government made changes to the marketing system for wheat and barley, and now the farmers and companies are selling the wheat directly rather than through a monopoly.

The federal government has some key roles in Canada's supply chain, and as such, supports the best interest of the farmer, the Canadian public, and increases trade. This includes research into the customers' needs and ensuring the products that are produced and delivered are addressing these requirements. It includes investment in research and plant breeding, which results in germplasm and new varieties that address customers' and farmers' needs.

It is important that the federal government maintain investment in this area as there is insufficient investment by private companies in the area. Companies often foresee limited potential for return on investment in these crops because unlike genetically modified crops such as canola, where farmers buy seed and license technology from companies each year, farmers typically do not purchase certified seed for non-GM crops such as wheat, barley, and pulses. Therefore, the return to the plant breeder is relatively small and often too little to entice private companies to make this investment. Without a genetic investment, the advances in genetics will not be made and future production efficiencies are lost. Therefore, it is important that governments, in partnership with producers and private companies, make investments in the development of these genetics.

The federal government conducts research to ensure the grain grading system is efficient and meeting customers' needs and therefore maintaining market share. This is a wise investment as it builds customer trust and supports the entire supply chain.

The Government of Canada plays a pivotal role in ensuring food safety through inspection and oversight of pesticide usage. This system has on the whole been very effective, and the grain industry is well respected worldwide as a result. It must be responsive yet predictable, and so far this has been the balance often achieved in Canada.

The government supports market development through its trade commissioners and organizations such as CIGI that work one on one with customers to ensure they are supported and aware of the products that Canada produces. Farmers cost share this activity with government. This has been very effective, and in conjunction with the grain handling and safety roles previously mentioned, has resulted in Canada being well known for producing some of the highest quality and safest grains in the world. Canada is often the preferred supplier for grain, and long-term success of Canadian grains in the world markets relies upon continued investments in this area.

● (0900)

As you are likely aware, during this time of transition of the grain industry, CIGI made a commitment to maintain the level of customer care, knowledge building, and brand maintenance, and in partnership with the federal government, we have been working diligently to keep that promise.

The Canadian government funds research into innovation that can create or support future markets. Typically, basic research is funded that can identify new products and opportunities. Whenever possible, CIGI uses this research to support customers around the world. This is one area where CIGI believes additional attention from the government is required.

Canada has invested heavily in research, but many express frustration that too few of these research projects become commercially relevant. It is CIGI's experience that the issue is not that the research is not of high quality, but that the funding often ends at the discovery stage and does not take the research and development far enough.

For research to become an innovation with commercial successes, it must be demonstrated well beyond the initial discovery stage and be promoted at a commercial level. Commercial customers are not willing to utilize new products unless a long-term continual demonstration of their production and benefits is supported. To ensure Canada reaps benefits from the research, it is critical that new innovations be demonstrated at a commercially relevant scale directly and consistently with potential users.

CIGI, food centres, and other agencies that are capable of demonstrating commercial pilot-scale production and have long-term trusted relationships with companies are well positioned to help move this research to commercial reality. However, this requires a long-term and conscious effort of government investment to be truly effective.

In an attempt to create awareness of the economic possibilities from effective innovation in agriculture, CIGI is planning a two-day event in Winnipeg in January, where four current examples of innovation will be discussed. During this time, the participants will meet with innovators and be able to discuss government's and industry's role in innovation and develop clearer plans to success.

In summary, the grain supply chain in Canada is very efficient and is one that all Canadians should be proud of. The investments that the Canadian government makes into the supply chain, including plant breeding, grading, food safety, technical market support, and market access, have been very effective and will continue to be so in the future.

● (0905)

The Chair: Thank you.

Go ahead, Mr. Atamanenko.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): Thank you very much, gentlemen.

Mr. Everson, you mentioned low-level presence. I'd like some clarification on that.

It's my understanding that the canola industry is successful. You've developed markets and you export to certain countries that accept canola, but you cannot export to those that do not accept GM canola, I would imagine. That's the state of the world today.

I don't understand how low-level presence affects canola, because either there's a high-level presence or there's no presence. Are you saying that if there's contamination of other crops, such as wheat or any of our other exports, there should be a certain amount of low-level presence because there's a possible contamination from other genetically modified crops, such as canola?

I'd like clarification on that.

The other thing is there are certain commodity groups and certain people who believe that before any new crops are released—for example, in B.C. we have the Arctic apple that's scheduled to be released, or alfalfa in eastern Canada—we should be looking at the potential of market loss. That should be a criterion in approving any new genetically modified crops, for example such as they use in Argentina. I know that in British Columbia, the Union of British Columbia Municipalities passed a resolution saying it does not want any GM tree fruit product at all in the province.

Both of you, please, if you have any comments on my questions, I'd really appreciate them.

Mr. Jim Everson: Those are a couple of very good questions.

The issue around low-level presence is the possibility of the contamination of shipments that are qualified, that are approved, by low-level presence genetic traits that are not qualified.

If I could define “low-level presence” for this discussion, it is the unintended presence of products, GM traits, that have been approved in the market that's exporting, or in another market, but have not been approved in the market that you're importing into.

Most countries have very specific sets of laws and regulations to ensure that any product that's genetically modified coming into their territory is approved beforehand, and it's approved by a science-based process that uses codex internationally accepted risk-based standards to approve a GM trait.

In the canola industry, we ensure that before a product is introduced to the Canadian farmer, that product is approved in all of our major markets through this kind of science-based process.

The challenge with low-level presence is that there's a large expansion of the number of biotech products being produced around the world by a number of different countries and for different commodities. Acreage is going up, and the number of products is going up. The challenge there is that the process for approving these products is not universal around the world, and in some markets it's very slow. Therefore, you'll end up having some products approved in some territories but not in others. It's called asynchronous approval.

We will ship only products that are approved to our major markets. The concern is that we use conveyance means, railcars, ships, and so on, that are used for all products around the world. You may have a GM trait in a vessel. The vessel is used, and then it empties that commodity. We put canola in that ship and send it over to a market, and there are traces of an unapproved trait in our canola supply.

Canola is a GM crop, but it's not just canola. It's an issue for all Canadian exports, for example, wheat and barley. If you have any kind of unapproved trait found in those kinds of vessels, in those kinds of shipments, that will disrupt trade.

It's important to make the distinction that the products we're talking about are all approved in one or two countries already using a codex-based process, a risk assessment and safety process, at 100% exposure. In every case in which we're talking about LLP, we're talking about a product that has been approved by a competent authority using codex-based regulations of safety assessment. We're not, in any of these circumstances, talking about a product that is not already approved using those standards.

There have been examples. One example would be a vessel shipping soybeans to a market. The vessel had dust in it from biotechnology corn that had not been approved in that market. There was a very low-level presence. The product had been approved under a science-based risk assessment in another country. It's unintentionally there. It's just been picked up because of dust in the air around a port. That stopped a vessel that's worth millions of dollars—some of these vessels are worth $20 million or $25 million—really, in our assessment, for no good reason. The product is not a threat to health or animal safety. It's been approved by a science-based process, and it's not intentionally in that shipment.

Another part of the story is that some countries are developing new biotechnology products, and they expect that they will be used only in their domestic territory. They're creating that biotechnology product to be used in their country only, and they're not seeking approvals from export markets, but if that product were to end up in one of our shipments, it could contaminate the shipment and cause some trade disruption.

● (0910)

The Chair: Thank you. I have to stop you there.

Mr. Lemieux.

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

Thank you to our two guests today. I really enjoyed my visit to CIGI. Actually, I'd recommend to my colleagues that if they're ever in Winnipeg to visit CIGI. It's a real educational experience in terms of the services that they provide, particularly to international customers.

I want to ask some questions regarding canola. We seem to be focusing on the canola side.

Mr. Everson, you were mentioning that 85% of canola is exported. I'd like to know where you might see choke points that inhibit, slow down, or somehow restrict the export of canola. You mentioned that sometimes it's exported as an oil and sometimes it's exported as canola itself, not crushed.

Are there enough crushing facilities in Canada? Rail support might be something you could talk about. Does the industry get enough support from the rail sector to move product to the ports, and that type of thing?

I wonder if you could comment on that, please.

Mr. Jim Everson: I think by and large in terms of the infrastructure, and this is an important comment on the value chain, by working and pulling together around the Canola Council table and setting goals for the future, the industry has been able to work towards those goals in a collective manner.

As production has increased, farmers have grown more canola. Infrastructure and facilities have gone along with that. There has been a doubling of our crushing facilities, so I think we do have adequate crushing facilities and there's more expansion of that happening.

The rail system fills and unloads the elevator system something like five or six times in a year. It is a highly efficient transportation system. I think we have good throughput.

Most of those issues around physical infrastructure, I think, can always be improved, but they are in pretty good shape in Canada.

I think a lot of our issues in terms of choke points have to do with regulations, with ensuring that we are able to bring products to market and put new seed technology in the hands of farmers in an efficient way. In our case, being able to do that means relying on other countries to approve those biotechnology products in a timely manner.

There are market access issues. Increasingly trade disruptions come up as a result of sanitary and phytosanitary issues and so on, such as blackleg in China. We have to respond to concerns and be able to address them to make sure we keep the markets open.

● (0915)

Mr. Pierre Lemieux: Okay, thank you.

You mentioned value chain round tables a number of times. Do you find that having a value chain round table is a positive contribution to the canola industry and its supply chain issues?

Mr. Jim Everson: Yes. There's a grain industry round table, and it has been very helpful. The model there is that the industry works closely with government officials and they develop policies together so there is an understanding of what the issues and challenges are. There's understanding from the industry perspective of what the limits of government are. It's a way of rolling up sleeves and working together.

I think that kind of cooperation is really important for Canada. For the canola industry, we are a large crop in Canada, but internationally we are not a large crop. Soybeans, rice, and cotton are all bigger crops that attract more investment and research.

In Canada I think we need to work very closely together to make sure we are competitive against those bigger commodities.

Mr. Pierre Lemieux: Rex, let me ask a question about CIGI.

When I was visiting CIGI in Winnipeg, with the change in the marketing of grain here in Canada you were explaining to me that you also had to change the way in which you approach customers. The mandatory Wheat Board is no longer there, although the voluntary Wheat Board is there. I'm wondering if you could explain to us what kind of successes you've had and what kind of changes you've made that keep you in the supply chain that way in offering your services to customers.

Dr. Rex Newkirk: That's an excellent question.

As you mentioned previously, the Wheat Board was our primary source of direction as to which customers to deal with. As of March 31 of this year, the Wheat Board stopped funding market development and therefore providing that direct support to us. Now, in place of that, we have two committees of a group of farmers that are represented across the Prairies.

We also have representation from the grain industry through the Western Grain Elevator Association.

We look at what markets we should be addressing, what the customers' needs are, and then we take those things before the committees. Our last meeting was last week. We ask whether these are customers they feel we should support. We have carried on and we are probably busier now than we have ever been, because customers are looking for that support.

They want to know if we still have the same quality assurance system, whether we still have access to the grain, and who they can buy it from.

We're in there and we're doing that. Our team just came back from Southeast Asia. It gave out the new crop information. They will be heading out again in about a week to carry on in another region of the world.

That was the primary change to our model: whom we work with. These committees have been providing that change. We're hoping that in the not-too-distant future, although we recognize that it takes a while for it to come around, we will have an organization like the Canola Council in the grains industry that will provide that direction and be that organization we can work with. In the meantime we are diligently out there working and using the knowledge we can obtain and using those committees to direct us.

The Chair: Thank you.

Mr. Valeriote.

Mr. Frank Valeriote (Guelph, Lib.): Thank you, gentlemen, for speaking to the committee today.

Last week when we were on our break, I had an opportunity to read an article by Alina Konevski in the *Peace Country Sun*. She was talking about the advances in evolving seed production with new-traits canola seed production, which is marvellous. She also spoke about the lack of value-added industry really being created, at least in Peace Country.

It got me thinking. Why is it that as Canadians, we tend to export much of our commodities, whether it is oil or canola. As you said, we export most of our canola. You spoke of animal feed and biodiesel being a natural by-product of crushing.

I'm just wondering, Jim, if you could talk to us about the challenges or impediments to a more value-added industry growing as a result of our obviously growing canola industry.

Mr. Jim Everson: That's a good question.

First of all, I think I'd point out that we are doing a lot more value added in Canada with the expansion of our crushing facilities—really, a doubling of our crushing facilities—over the last many years. We're now doing more value-added crushing of the seed in Canada and producing oil and meal. Oil has a higher value when it's on the export market, so if we're able to crush in Canada and ship oil, we're contributing to the economic development that canola produces. We're also now in the process in Canada—it's a nascent kind of industry—of building more biodiesel facilities, where we further process the oil into biodiesel usages.

There's more value added going on in Canada now. I think we have had a tradition of growing, and we were the experts at selling seed, but there is a transformation going on in Canada, partly towards more processing in Canada. I think some of the issues are that in some of the markets we work in, some of our major markets, there are situations where you have tariff escalation. There are zero tariffs on seed and then you have high tariffs on oil. Those policies are in place I think mostly to keep the value added in that market.

That's part of why we are supportive of the free trade agenda, in that you can go to some of these markets and negotiate for tariff parity across our products so that we don't have a difference between seed and oil. That would make it much more competitive for our oil processors, who are investing in this country, to be able to sell oil to that market.

● (0920)

Mr. Frank Valeriote: You spoke of rail service. I'm wondering if you could tell us, on behalf of the people that your organization represents, the status of the rail service review, as you see it, and, in regard to the impediments from the absence of the implementation of the recommendations, about the impact that's having on our canola growers and the proper transport of canola.

Mr. Jim Everson: Actually, I'm not very close to the rail service review. The way we approach issues in the canola industry, we are focused mostly on the growers associations. I don't know that I would comment too much on that. I would encourage you, if you want to know more about that, to ask the Canadian Canola Growers Association, the producer group, to appear before the committee.

Mr. Frank Valeriote: Okay. There will be some others who I can ask in the next hour.

I do have another question. What are the biggest challenges facing the grains and oilseeds sector right now? You've told us about the progress you've made. What are the absolute challenges you face that the government could help you with?

Mr. Jim Everson: First, I think, is innovation. It's the public investment and working well together on research and innovation. We constantly have to innovate with the product. We have new specialty canola oils, high-oleic canola oils that have special characteristics for the food processing market, which are a real innovation and are driving the industry now. That's a result of constant investment and reinvestment in the industry to stay competitive.

As I was saying earlier, the private sector in canola is spending somewhere in the neighbourhood of about $100 million on canola research in Canada currently—the seed companies—and you can compare that to the North American investment in soybeans, which would be in the range of $500 million to $600 million.

Mr. Frank Valeriote: Are you concerned that there's a reduction in investment in public research?

Mr. Jim Everson: We're interested in being sure there's a robust public investment and that we work together, as we are doing through the science cluster, to ensure we're making the best use of those dollars.

The other element is rules-based trade and science-based regulation. In the canola industry, we have 85% to 90% reliance on exports, and to a fairly small number of large markets. If there's any disruption in any of those markets for any reason, it can have an impact on canola farmers pretty quickly. We're very keen on being sure that we have predictable, transparent, science-based policies, regulations, and trade rules around the world.

The Chair: Thank you.

Mr. Payne.

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

Thank you to the witnesses for coming.

I need some clarification, Mr. Everson. Did you say that 25% of income for farmers now is from canola?

Mr. Jim Everson: Of farm cash receipts across the country.

Mr. LaVar Payne: Farm cash receipts. Okay. I just needed to get that clarified.

I want to follow up on some of the areas in terms of research. You talked about research clusters. I'm assuming that you want to continue on in that vein.

You also talked about opening markets and competitiveness. Maybe you could expand on that for us as to how you would see that happening. You also talked about blackleg and how we get around those kinds of issues.

Mr. Jim Everson: In terms of research, it's important for us to continue to innovate. We have a strategic plan in the industry not only to increase production, but to increase the value of the product, the energy value of the meal and the oil content. If you can improve the oil content of the seed, for every percentage you increase, you're creating more oil per acre of land. We want to continue to do that, and to do that requires a very focused investment in research.

We think we're getting that through the cluster approach that the Growing Forward framework has. We hope to be able to see that and improve on that in Growing Forward 2.

In terms of markets, it's a matter of negotiating trade arrangements that not only reduce tariffs, but also create more predictability. One area we're very interested in is the trans-Pacific partnership, which is a group of 11 countries now. On the tariff side there is probably not as much to gain there, although there is some, but we have duty-free access to the United States and Mexico currently.

What's interesting is that there's an opportunity, I think, to look at issues like sanitary and phytosanitary, SPS, issues, and when there's a problem with those things, how you respond. There's an opportunity to look at this whole issue of asynchronous approvals of GM traits in the international market. This would add much more predictability to the prosecution of the grain trade. In those kinds of trade arrangements, I think it's an opportunity to sit down, roll up the sleeves, and look at those issues of trade barriers, SPS issues, and science-based regulation to improve the trade environment.

● (0925)

Mr. LaVar Payne: Thank you.

Mr. Jim Everson: Did I fully answer your question? There might have been a third point that—

Mr. LaVar Payne: It was just on open markets and competitiveness. I did mention blackleg, but I think that you talked about that, and of course GM.

Mr. Newkirk, in your opening comments you talked about technical marketing and research. What types of investments do you see are required in research, and how do we get those products that you were talking about to commercialization? Do you have some examples of past successes? What would you see for the future?

Dr. Rex Newkirk: One of the key experiences I have had being at CIGI, and then doing some stuff before CIGI, is that we often assume the industry companies are able to take up a technology as soon as it has been developed in a university or at a research institute and an initial application has been shown. We see we have this neat and novel thing. We have made a cupful of it and assume that now it's ready to go commercial. Often, this is not the case, particularly in agriculture where although the return may not be as risky in the long-term, the companies are not able to absorb any risk because there are very low margins when you go into these markets.

I will give you an example. When I was working on my Ph.D, I developed a technology from canola to make protein concentrates for the aquaculture industry. We saw an opportunity where we could take canola meal and add a great deal of value to it by processing it differently. It could address a market need where fish meal is becoming in short supply.

We developed this technology. We got some patents. We went out to the industry and said, “You guys should do this. This makes a great deal of sense.” They said, “This is great, but have you ever made 2,000 tonnes per day? Have you ever sold 2,000 tonnes per day? What scale have you done this at?” I said, “We made a bucketful of it in the lab and we fed it to some fish.” At that point, the research funding available to do that kind of research is gone because we have already demonstrated it. What it really needed was a continual push into the market. That's what we did.

We had a decision to make. Do we just publish it as we normally would, or do we personally put our effort into it and do it? We started a company. Over the last 10 years, we perfected the process, which took a few years. Then it was a matter of continually being in front of the processing companies that could do this work. We said, “Here's an opportunity for you. We fed it to animals. Here are your customers. Keep in front of them.”

Canada has some infrastructure to do that kind of work. In the case of MCN, my company, we did sell it. Bunge has bought it. They are going to build very large plants. They are going to develop new products from canola. The engineering is under way for that right now. It could have easily stayed in the textbook and had very little economic impact. The investment needed is to keep doing the discovery work, but recognize that we need to take those discoveries to the next stage into the commercial pilot scale into helping, holding the hands of, and courting companies that can take this forward.

A past example of that would be pulses, where we worked with companies in China to produce vermicelli noodles from yellow peas. They were making vermicelli from mung beans. They wanted to grow their industry, but the mung beans available were limited. We thought that we could make it from yellow peas. We did some research and discovered that yes, we could make it. Working hand-in-hand with the government, trade commissioners, and Pulse Canada, we were able to stay in front of the customer and show them that yes, it can be done. Finally, they took it up. Now, it is an annual market turning about 350,000 to 400,000 tonnes of yellow peas into vermicelli noodles in China.

That's the type of effort it takes. It takes organizations. CIGI is one of those. We have the relationship with the customer. We are able to keep demonstrating and pushing. There are food technology centres. There are other organizations able to stay in front of the customer and take it to a scale and a place they can understand. There needs to be a greater partnership between the research and the commercialization activity.

● (0930)

The Chair: Ms. Brosseau, go ahead.

Ms. Ruth Ellen Brosseau (Berthier—Maskinongé, NDP): I would like to thank you both for being here.

Rex, perhaps you could elaborate on what you just said. You said that you need greater communication between the two levels. How can the federal government help with that?

Dr. Rex Newkirk: They can ensure that infrastructure is available to do so.

In the case of MCN, my company, one thing that greatly benefited us is that we needed to take this up to larger scale. We had been doing some work in the lab at the POS pilot plant and needed to take it to a larger scale. A factory that we could rent happened to be available, one that had been purchased by the Saskatchewan government. We could produce large quantities of this material. If it hadn't been for that facility and the expertise there, we would never have been able to go forward and demonstrate enough production.

Where government can play a significant role is to ensure that the funding available to innovation is available at that point of demonstration, and be able to be used for that point. Oftentimes, we have observed that research funds and market development funds are two very different pots, and thou shalt not cross them. As a result, we take research to the research end, but then there's a gap. There needs to be a continuum where you can take that research, work with the universities and founders, and help them bring it into a commercial reality.

Ms. Ruth Ellen Brosseau: The Canadian International Grains Institute is non-profit. Do you receive most of your funding through Agriculture Canada?

Dr. Rex Newkirk: We receive about 50% of our funding through Agriculture Canada. The majority of our funding comes from market development work.

We've had the good fortune, because we're doing the market development work, to be able to take the research that is demonstrated and produced at universities and research institutes and keep demonstrating that to the customer. We've found that to be probably one of the more valuable pieces of market development. If you can keep helping that customer and bring the technology to them, then it adds value. That's why we're so passionate about seeing that gap filled and working with other organizations that can do the same.

Ms. Ruth Ellen Brosseau: Do you think the Canadian federal government is doing enough to support innovation and technology? On the world scene, we export a lot, but how are we doing compared to other countries?

Dr. Rex Newkirk: I think Canada makes some very good investments in basic research. I think Canada makes some investments and they've had some real successes in taking stuff to commercialization. But oftentimes it's been my experience that some other jurisdictions that have greater access to venture capital, to some of the other government funding, will take the research findings that we develop in Canada and put them into jurisdictions, for example, into Chicago, into the U.S., where they have greater access to some of that funding.

Funding is part of it, but part of it is to make sure the infrastructure is there. There are other jurisdictions around the world—in Holland, in the U.S.—that have the ability to do some of that.

I think Canada has made some investments there. We just need to make sure we keep making those investments and grow that investment and understand that piece.

Ms. Ruth Ellen Brosseau: Do you have anything to add, Mr. Everson?

Mr. Jim Everson: I would just add, as Rex said, the point about communications. In terms of research and innovation investment, there are things the private sector does really well and there are things the public sector can do really well.

In canola, there has been a large investment by the private sector in seed development and that's undoubtedly been very helpful to the producer.

Research in areas like crop rotations and ideal crop rotations over a period of time, where you want to do studies over 10 and 15 years, is something the private sector is not likely to do as much. That's where it's important to have public sector research and then have the two working together so that we're making the right decisions strategically about who does what well and how to use our dollars most effectively in this country.

● (0935)

Ms. Ruth Ellen Brosseau: Long-term projects, as you said, over 10 or 15 years, should be something the government should be playing an active role in.

Mr. Jim Everson: That's an example of where public sector research is more appropriate.

Ms. Ruth Ellen Brosseau: Okay.

The canola industry has been very strong. What kinds of weaknesses are there? We've heard a lot of the positive side, on where you've made a lot of gains. Can you elaborate on some problems or weaknesses and some ways you're going to improve?

Mr. Jim Everson: I would say that again we're looking to play a really key and leading role internationally in trade discussions and in discussions around science-based policies and regulations. It's not a weakness on our part, but it's something we need to improve in terms of the international environment to trade grain so that we have a more predictable environment and an environment that leads to greater investment, and so on.

I'll leave it at that. That's probably the area where we want to focus our attention.

The Chair: Mr. Richards.

Mr. Blake Richards (Wild Rose, CPC): I certainly appreciate what I've heard from each of you so far. You're obviously both very knowledgeable and I appreciate your both being here today. I have a couple of questions for each of you, if the time permits. I'll start with you, Mr. Newkirk.

Obviously, the majority of the grains and oilseeds that we produce in Canada are ultimately destined for export. I'm wondering if you could give us a sense as to what that means as far as the fact that we do have such a heavy emphasis on our exports and on foreign markets. Obviously, as a government, we've done a lot of work to diversify the number of markets that are available to our farmers and to our producers for export, and that's been very important and very well received by the industry, for good reason.

I wonder if you could comment on what that heavy emphasis on foreign markets means and how it affects the supply chain.

Dr. Rex Newkirk: Sure.

Canada has always been an exporting nation. We have a great deal of resources and not too many people to feed, and as a result, we are able to produce a surplus of material, which is great for our economy as we are able to export that, to attract value from it. The canola industry has been a tremendous example of how a crop can be grown and further processed.

The fact that we have to export so much of our material has really changed the structure, or has created a direction for the grain supply chain. We know we need to be very efficient if we're going to compete with the world, when we grow most of our grain in the middle of the continent. If we're going to compete with somebody who is right next door to the customer and doesn't have to move the grain very far, we have to be very efficient.

That is really why we've seen so many changes. Although I grew up on a farm, I've only been directly in this part of the grain industry for nine years, and the changes I've seen over the last nine years are amazing. At the time it seemed overwhelming, but looking back, one recognizes that if we hadn't made those changes to create those efficiencies so that we could move the product in large volumes in a very consistent and transparent manner with the quality assurance, we would never be able to compete.

Of course, I would love to see further processing applied to our other crops as we are seeing on the canola side. Again, we have to be able to compete with large processors around the world that have heavy investment in infrastructure, for example, Turkey, where they have flour mills all over the place.

Certainly our industry has been designed around the ability to move and transport.

Of course, our domestic industry is still very important. We do have 30 million people to feed. We cannot ignore them. We need to keep an eye on them. It is important that the government recognize that we don't just export everything, that we do have a healthy domestic industry as well.

Mr. Blake Richards: You made some comments that lead very well into my next question. I see your title is director of research and business development. You've had a lot of opportunity in response to questioning to talk about the research side, but on the business development side of it, I want to get your sense of some of the changes we have made as a government with regard to opening up new markets, in terms of opening up the wheat and barley monopoly so farmers have the option to sell their wheat and barley where they choose.

I wonder if you could comment on those changes and how they will affect the opportunities for things like value-added processing and what that will mean for the industry.

● (0940)

Dr. Rex Newkirk: Sure. The transition has actually gone quite smoothly. The companies are efficient companies. They know what they're doing, and they have been able to pick up the marketing efforts, if you will. They were already moving the product anyway, so it's really just moving into the markets and working with customers directly. CIGI has continued to be there as the resource to provide backup support to them.

As far as further processing goes, there is some debate around what prevents it and why we do not see more production of flour or other products and then export those materials. Unfortunately, I don't know if I have an answer for you on that. I think time will tell. There was certainly some perception that perhaps the monopoly was one of the things that held back further processing.

We have seen some announcements of intentions by people to make investments in further processing in Canada, but if we are going to go into traditional markets and traditional processing such as flour production—normal flour, that is—it's hard for us to do so because there are already significant investments made in other countries.

Where Canada has a greater opportunity is if we can develop new products, things that are not produced elsewhere. If we can demonstrate the health benefits, the processing attributes, the baking attributes of those products, then we have a chance to produce those pulse flours, for example, and maybe some novel products from some of the grains. Then we can build up infrastructure around that rather than trying to compete with a great deal of.... As I said, Turkey is one example where there is very heavy emphasis by the government to mill flour and they have a huge number of flour mills. It's hard to compete with places like that, which have excess capacity.

Mr. Blake Richards: It sounds like there's great opportunity ahead in the industry. I appreciate that very much. I guess I'm out of time for the other questions.

The Chair: I'll thank our guests for being here. We appreciate it.

We're going to move into the next hour, but thank you for the information you've provided.

We'll take a two-minute recess while we load up the video conferencing.

● (0940)

(Pause)

● (0945)

The Chair: Welcome back to part two. This is going to be done via video conference in Calgary, Alberta. Joining us from the Barley Council of Canada Working Group, Mr. Brian Otto, the chairman.

Also joining us very soon, we hope, will be Mr. Rick Istead who is with the Alberta Wheat Commission.

Mr. Otto, I know you've been advised to have some opening remarks and, depending on our next guest, we'll proceed with either questions or continued reports.

I will give you the floor now.

Mr. Rick Istead (General Manager, Alberta Wheat Commission): Thank you, Mr. Chairman.

Actually, this is Rick Istead with the Alberta Wheat Commission. It isn't Brian Otto.

The Chair: I apologize for that. Some issues have arisen today and we had you labelled improperly, but please continue.

Mr. Rick Istead: It's not a problem.

Good morning, and thank you for allowing me this opportunity to introduce you to Canada's first all-wheat provincial producer commission and how we intend to participate in and help shape the wheat supply chain here in Canada.

My name is Rick Istead and I'm the general manager of the Alberta Wheat Commission. This is also a very special day for me as 40 years ago today I began my career in agriculture. Over that period of time my passion for agriculture, and in particular Canadian agriculture, has grown exponentially, largely as a result of working with farmers across the country and numerous stakeholders in our industry.

Farmers are also passionate about their chosen livelihood. I have found them to be a resilient bunch, extremely innovative and always willing to try new things. And they are fully prepared to accept the challenge that lies ahead of them to feed a growing and hungry world. If we provide them with innovative tools and allow them unhindered access to world markets, they can compete with the best of the best.

Today I'm here to share with you one aspect of an agricultural and agrifood products supply chain, how the Alberta Wheat Commission intends to play a role in helping advance Canada's wheat industry, and what I see as the next steps in developing a wheat value chain.

First off, I will provide some points on the significance of wheat to Alberta.

Some 30% of western Canada's wheat, 6.6 million tonnes, is grown in Alberta. Wheat is the province's largest crop by area within the province and annual production is normally in the range of 7.5 million tonnes. Alberta's wheat producers grow all nine registered western wheat classes with Canadian western red spring and durum wheat accounting for approximately 90% of the total acreage.

It is predicted that by 2050 world wheat production will need to increase from the current 660 million tonnes a year, to 880 million tonnes to meet the demand from a world population of 9.1 billion. Production capacity and the province's relative closeness to port, and in turn Asian markets, gives Alberta a competitive advantage to participate in this predicted market and trade growth over the next four decades.

Alberta producers need our support to not just maintain but to meet this growing demand, and to grow the competitiveness and profitability of Alberta wheat.

After almost four years of planning and consultations, the Alberta Wheat Commission, AWC, formally established under the Marketing of Agricultural Products Act here in Alberta was launched on August 1, 2012. This is the first time not only in the history of Alberta, but also in the history of any of the western provinces, that all types of wheat are being represented by one group. The organization is producer focused, producer funded, and producer governed.

The majority of the AWC's revenue is generated by a mandatory, refundable provincial service charge or check-off of 70¢ per tonne for all wheat classes grown, regardless of end use. The organization's membership is comprised of producers who grow and market wheat in Alberta and who contribute a service charge or check-off to the commission when they sell their wheat. That's currently estimated to be 11,000 producers in the province.

The AWC is comprised of five regions, and each region is served by two elected directors and three regional representatives. The AWC is currently being governed by an interim board of directors, but with inaugural regional elections currently under way, the AWC will have their first ever producer-elected board of directors and regional representatives in place by the end of January. The commission is operated by a general manager, who reports to the board of directors, and who is responsible for executing the commission's strategic and annual business plans and overseeing AWC staff.

The AWC will play a critical role in advancing Alberta's wheat industry by: representing the interests of and helping to increase the profitability of Alberta's wheat producers; providing leadership that improves the demand, agronomic competitiveness, and profitability of Alberta-produced wheat; and contributing to wheat-related policy development initiatives that will help not only build capacity, but encourage investment in the wheat industry.

● (0950)

We plan to deliver value to Alberta's wheat producers and Alberta's wheat industry by investing in research and development initiatives targeted at genetic and agronomic improvements and in market development initiatives focused on end-use demand; by identifying opportunities and developing policy and advocacy initiatives that encourage investments in Alberta's wheat industry; by communicating and sharing knowledge with our members and stakeholder partners; by developing future farm leaders; and by collaborating and partnering with like-minded organizations.

While we will continue to move forward in our strategic priority areas, as a brand new organization our primary focus in our first full year of operations will be the following. We intend: to take part in a planning and strategic plan development; to hold regional elections, which are currently under way; to develop a solid organizational foundation upon which to begin operations; to establish clear operational policies and procedures; to hire core staff necessary to carry out the work of the organization; to secure office space; to demonstrate value through networking and regular communications; to establish and grow strategic relationships; and perhaps most importantly, to encourage producer engagement.

Even though we are a brand new organization, we are already being recognized and being asked for our advice and our position on certain policy matters and certain issues and opportunities currently facing Canada's wheat industry.

One such matter is the creation of a national organization to represent the interests of Canada's wheat value chain. We know that our provincial neighbours, Manitoba and Saskatchewan, are currently engaging their producers in a dialogue on the value of creating their own wheat and barley commissions in their provinces. They are both looking at setting up their own wheat and barley commissions by August 1, 2013.

This foundation is certainly needed before we can move to the next step of creating a national council, perhaps one structured and governed similarly to the Canola Council of Canada, which we have to say has been an incredible success story for Canada's canola industry.

There are some who say we should have a national cereals council and others who say no, that we should start with separate wheat and barley councils to give those commodities the focus and support they deserve and need.

The Alberta Wheat Commission, along with a number of other producer organizations, is endorsing separate councils. In fact, the barley industry has recently announced and has moved forward with the Barley Council of Canada, which we believe makes sense. We applaud them for taking this initiative.

Once Manitoba and Saskatchewan get their provincial wheat and barley commissions up and running, we will need to bring all of the wheat value chain partners and wheat industry stakeholders together around the table to debate and develop our road map for the future. The Alberta Wheat Commission intends to take a leadership role in this journey to advance Canada's wheat industry.

Thank you.

● (0955)

The Chair: Thank you very much.

Mr. Otto, welcome. We understand you had some traffic challenges in getting here, but please proceed.

Mr. Brian Otto (Chairman, Barley Council of Canada Working Group): I apologize for being late. Yes, I've had a good tour of this part of Calgary this morning in the dark. It's been a bit difficult to find this place. Garmin is a great thing for GPS, but it doesn't always get you to where you want to be.

Anyway, thank you, Mr. Chairman

Good morning, committee members. Thank you for inviting me here today to speak about the barley supply chain as well as opportunities and challenges facing the barley industry.

Today I am here in my capacity as chairman of the Barley Council of Canada Working Group, but I am also a farmer and I have been actively involved with a wide range of agricultural organizations, including the Western Barley Growers Association, of which I was president until a year ago. I also served six years on the board of directors of the Alberta Barley Commission.

To give you some background information about the Barley Council of Canada, the Barley Council of Canada Working Group was formed in 2011. As you can see from our brief, it includes a great cross-section of the barley industry in Canada from coast to coast. Besides bringing together farmers and industry leaders, the working group has also taken the time to conduct research in order to understand what its role can and should be within the barley value chain. We are currently finalizing our bylaws and business plan and hope to incorporate the Barley Council of Canada, or as we like to refer to it, BCC, by the end of this calendar year.

Before I address the challenges and opportunities facing our industry, I'd like to talk to you about barley as a crop. Barley is a great crop for Canada. It is well suited to grow in our climate. It makes an excellent rotational crop. It has a wide variety of potential end uses. It can be used for the feed industry for livestock, for malt for the brewing industry, and to make healthy food for consumers. Despite this variety of uses, we have yet to truly maximize the potential for Canada's barley crop.

Our industry has conducted research into why this has happened. In the past year, two major studies have been completed on the Canadian barley industry. The "Business Case Assessment of the Western Canadian Barley Sector: In Search of the Optimal Marketing Structure" was initiated by the Western Barley Growers Association with support from the Alberta Barley Commission and was completed in March 2012. The Barley Council of Canada Working Group report on research, stakeholder consultation, and analysis was carried out by Synthesis Agri-Food Network and was completed in early November.

Both of these studies examined the opportunities and challenges facing the barley industry. Both identify a great need to form a national barley council and for it to take a leadership role. The Barley Council of Canada Working Group, through its consultation with the barley industry, as well as by using these studies, has also identified four priority areas for our value chain. These will also be key priorities for the Barley Council of Canada going forward.

The first priority we discovered is support of varietal development and innovation through quality research and breeding programs. The Barley Council of Canada will support varietal development research to improve yield and quality. It will provide a unified voice for barley research and help attract research and innovation funding without duplicating existing efforts or mandates of other organizations. We will take on a coordinating role for research and, working with farmers, industry members, researchers, and various levels of government, we will develop a national research strategy to encourage innovation and efficiency in our industry.

The second priority we identified was crop production and a commitment to grower profitability and best practices. The Barley Council of Canada will support and collaborate with agronomic researchers to develop best practices to manage production issues. The Barley Council of Canada will also educate growers on the customer requirements for Canadian barley and how best to achieve these requirements. It's important that the needs of barley end users are met and equally important that these needs are communicated to barley farmers so that they can grow exactly what the industry wants and so that they can achieve greater success in their own farming operations.

● (1000)

The third priority is to develop markets and improve market access in a manner that complements the existing initiatives. The Barley Council of Canada will expand domestic and international markets by providing a unified voice for the barley industry with government and by working to develop new international and domestic marketing opportunities, such as barley food.

The Barley Council of Canada will take on the role of providing a focus and a voice for the barley industry by communicating and collaborating with existing industry groups, as well as other commodity councils and associations on general trade and market access issues that affect all commodities.

The fourth priority that we identified is improvement in the understanding of the barley industry throughout the value chain and with government stakeholders. The Barley Council of Canada will ensure that all levels of the barley value chain and government have a solid understanding of the issues and opportunities facing the barley sector in order to ensure the industry's long-term success. In acting as a conduit between barley farmers, researchers, industry stakeholders, and government, the Barley Council of Canada will take on an important role in improving value chain communication, and will provide a unified voice to encourage further investment in processing, research, and innovation.

As you can see, the Barley Council of Canada has big plans to grow Canada's barley industry. In having a dedicated, commodity-specific council, we believe barley will achieve the same success as such other crops as canola and pulse.

When the Barley Council of Canada takes on the leadership role our industry has so clearly identified as a need, it will work collaboratively with barley farmers, members of industry, and various levels of government. The Barley Council of Canada will develop and implement a common vision that will enable long-term profitability and sustainable growth of the Canadian barley industry through value chain collaboration.

I thank you for your time, and I look forward to your questions.

● (1005)

The Chair: Thank you.

Ms. Raynault.

[*Translation*]

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

Thank you to our witnesses for agreeing to be here today.

My question is for Mr. Istead.

As of August 1, 2012, the Canadian Wheat Board is no longer the only single desk seller for western Canada's wheat and barley. Since August, what have the biggest changes in the wheat and barley supply chain been?

[*English*]

Mr. Rick Istead: Since August 1, from what we're hearing from the field, obviously there has been a big change in how wheat and barley have been marketed here in western Canada. Obviously it's a time of transition. Certain producers are having some difficulty, some angst, with it, but I would say the majority of producers are looking at it positively. The pricing is excellent. We're seeing large volumes actually traded currently.

A recent survey conducted by a corporate company, BASF Canada, measured the position of producers in terms of the wheat and barley open market, and 84% of them responded positively, that they saw this as a benefit to the profitability on their farm.

Did I answer your question?

[*Translation*]

Ms. Francine Raynault: Yes, thank you.

Bill C-45 would make changes to the Canada Grain Act, such as doing away with mandatory inward weighing and inspection. Other reforms supported by a number of industry stakeholders have yet to be proposed, such as changes to the Canadian Grain Commission's governance model and licensing for third parties to conduct outward weighing and inspection.

What further reforms to the Canadian Grain Commission would you like to see?

[*English*]

Mr. Rick Istead: We're appreciative of the changes that have been made in the Canada Grain Act with respect to the operation of the Canadian Grain Commission, although we would like to see further changes implemented. Our organization intends to respond to the proposed fee increases, which we feel are excessive. I think we need to go back and really challenge the Canadian Grain Commission on what value-added services are really necessary in this changed market for marketing wheat and barley.

[*Translation*]

Ms. Francine Raynault: My next question is for Mr. Otto.

You mentioned best practices in your presentation. Would you kindly expand on that?

[*English*]

Mr. Brian Otto: In growing barley in western Canada, and we'll use malt barley as an example, there are certain practices on the farm that we can use to ensure that we're growing the quality of barley that the malt industry is looking for. Not all malt companies are looking for the same specs in the barley. They're looking for different attributes.

How do we grow the barley to meet the customer's needs? That's what we will identify and try to give the farmer. We want to grow the barley that the industry is looking for, to the specifications that the malt company is looking for, and make sure that it meets the customer's needs.

[*Translation*]

Ms. Francine Raynault: Do customers want GMO barley? Where does that barley go?

[*English*]

Mr. Brian Otto: No, it is not GMO barley. There is no GMO barley available in Canada.

[*Translation*]

Ms. Francine Raynault: Who does your barley go to?

[*English*]

Mr. Brian Otto: When you say barley, are you talking to the malt industry or to the feed industry? Is that what you're looking for?

[*Translation*]

Ms. Francine Raynault: I mean barley for animals and people, both.

[*English*]

Mr. Brian Otto: Yes.

[*Translation*]

Ms. Francine Raynault: Thank you.

[*English*]

Mr. Brian Otto: To give you a little background on barley grown in western Canada, and Alberta grows over 50% of the barley grown in western Canada, 80% of that barley or a little less than 80% of that barley will go into the feed industry. About 22% to 23% is grown for the malt industry. In this case, this year we have between 8.8 million and about 9.1 million or 9.2 million tonnes of barley to market in western Canada. Of that, about 22% or 23% will end up in the malt industry.

Personally, on my own farm, my malt barley has been marketed to domestic malt companies in Alberta, in Calgary, and up at Alix, Alberta. I have delivered some feed barley to the feed industry. As a matter of fact, it's the first time that I've been able to deliver feed barley into the United States, and it went to a Hutterite colony in Montana. That's the benefit of the new marketing system that we have in place. I'm able to access that marketplace and I did pick up a premium on my feed barley because they're short of feed barley down there.

● (1010)

The Chair: Thank you.

Mr. Storseth.

Mr. Brian Storseth (Westlock—St. Paul, CPC): Thank you very much. It's good to see you again, Mr. Otto and Mr. Istead.

Mr. Istead, when you were talking about the survey, you said 80% of the producers who were surveyed responded positively to the changes that have been made.

Mr. Rick Istead: Yes, 84%. That is correct.

Mr. Brian Storseth: Eighty-four per cent.

Mr. Rick Istead: They saw the change in the marketplace as benefiting their farming operations financially.

Mr. Brian Storseth: And certainly, Mr. Otto said that he's already seen the benefit from that this year. That's excellent.

I just want to get a little bit of background information on your organizations.

With the Alberta Wheat Commission, do you have about 11,000 producers?

Mr. Rick Istead: Yes.

Mr. Brian Storseth: You collected it through check-off. Is it a mandatory check-off or a voluntary check-off?

Mr. Rick Istead: It's mandatory with the option of requesting a refund if the producer does not see value in what the organization is doing, or for whatever reason.

Mr. Brian Storseth: How much is the check-off?

Mr. Rick Istead: The check-off is 70¢ a tonne on every tonne of wheat sold. That is estimated to generate between $3 million and $4 million per year for the organization.

Mr. Brian Storseth: Excellent.

Mr. Rick Istead: We have a strategic business plan which calls for about 60% of that revenue to be invested in research and market development initiatives.

Mr. Brian Storseth: You talked about developing farm leaders and I assume you mean future farm leaders. This is something which, as an Alberta MP, I've been working on with different groups. One of the groups that seems to be left out is the primary grade level, the types of educational opportunities in regard to on-farm education.

Are there any thoughts of partnering and working with the province to help create better opportunities for education for future farm leaders?

Mr. Rick Istead: The short answer is yes. We're in the process of having discussions with Ag for Life, an organization in Alberta that's trying to promote agriculture at multiple educational or grade levels.

Mr. Brian Storseth: Excellent. Thank you very much.

On value chain round tables, could you expand on the role of those round tables and the effectiveness of them?

Mr. Rick Istead: You should have all of your stakeholders and players around the table, and if they can remain focused on the issue they're working on, I think we can achieve some positive things. What tends to happen is that we get numerous groups operating in isolation, and we don't really have the value chain partners having that debate and mapping out the direction they want to take.

Mr. Brian Storseth: Mr. Otto, you talked a lot about the potential for growth in the barley sector. Where do you see the largest potential for growth?

Mr. Brian Otto: The largest potential for growth is in offshore feed markets and the expansion of our malt markets. It has been the opinion of the barley industry in western Canada that the true potential was never going to be achieved through the central desk marketing system that was in place until August 1 of this year.

There is a great opportunity for alternative malt barley markets in China. They were identified in the Western Barley Growers study that we completed last spring. Certainly, there is also potential for greater market access to feed markets. That was shown about three years ago when we had a temporary open market for feed barley and the industry sold over 800 tonnes of feed barley overseas. That potential is always there, and it's a market we have failed to access efficiently.

● (1015)

Mr. Brian Storseth: How important to your organization, your producers, is the trans-Pacific partnership and Canada's role in it?

Mr. Brian Otto: It's very important. Any new trade agreements that will enhance the agriculture industry in Canada are very important. Certainly, that is a growing market and it's one that we have to participate in.

The Chair: Mr. Valeriote.

Mr. Frank Valeriote: Thank you, Mr. Istead and Mr. Otto, for appearing before the committee this morning.

It has been a couple of years since the rail companies presented before this committee. We heard many farmers express concerns about damaged cars, unpredictable pickup times, the lack of a service agreement, and the absence of a mechanism for dispute resolution. These issues are still plaguing producers, particularly out west.

I know that no agreement has been reached on a service agreement template or a mechanism for dispute resolution. I understand that the government is to be coming forward with some form of legislation to deal with these issues. The CN CEO said that legislation could derail service.

Do the concerns that I recited earlier and that were expressed to us by the farming industry several years ago remain concerns to farmers and producers? What are your expectations if legislation is brought forward to deal with the issue?

Mr. Brian Otto: There has been some concern about rail service and timely arrival and the shipment of grain on railcars. It still is a concern today. However, under the new marketing system that came into place on August 1, we have had very good rail movement. We have moved more grain this year than we have in the last 10 years. We have shipped more grain into export position. That grain is already in the customers' hands.

Yes, we have to watch the rail service, but I truly believe that the marketing system we have in place now is operating more efficiently and doing a better job than the old system of getting grain to export markets and to customers. I firmly believe that a truly competitive and commercial market system will go a long way towards resolving some of the issues we've been concerned about in the past.

Mr. Frank Valeriote: Are you saying that we have no need for a template rail service agreement or a dispute resolution process? Are you satisfied with the way things are?

Mr. Brian Otto: No, I still think that, in the voice of caution, we always have to have that overseer of watching how grain is transported. We have to understand that, yes, we do have what I call a monopoly system in place for rail transportation in western Canada. Certainly, somebody to oversee and watch what's happening, and make sure that it runs as smoothly as it can is still needed.

Mr. Frank Valeriote: I understood, as many did on this committee, that with the demise of the Wheat Board we'd see a rush, a huge growth in processing in value-added industry out west. I remember the Alliance Grain Traders saying that they were going to open a pasta plant, and then that didn't happen. Can you give us evidence right now of value-added industry that has now grown because the Canadian Wheat Board in its former iteration no longer exists?

● (1020)

Mr. Rick Istead: I can't give real life examples currently because I think it's still early days yet. From what I understand, Alliance Grain's plans are still to go ahead. They've just been delayed due to other business reasons. I expect that we will see, as the marketplace sorts itself out in terms of what the customers actually want, some further interest in developing value-added processing facilities across western Canada, but there's nothing current.

Mr. Brian Otto: I think you'll find—

Mr. Frank Valeriote: Can I ask one quick question?

Sorry, go ahead, Mr. Otto.

Mr. Brian Otto: I think on the barley industry side you can look at Rahr Malting and the expansion they've done at their plant as an indication of the positive atmosphere in the malt industry. They are completing three huge expansions of barley storage there so that they can keep more barley on-site for processing. That's definitely occurred since moving to a more commercial marketing atmosphere.

Mr. Frank Valeriote: Thank you.

The Chair: Mr. Hoback, go ahead.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Mr. Chair.

Welcome, gentlemen. It's great to see you guys. I've always enjoyed working with you, Brian. Rick, it's nice to meet you.

Both you guys have been farming for quite a few years. I'm hearing some great prices off the combine where you're paid in full over $9 a bushel for wheat. How many times has that happened in your careers before?

Mr. Rick Istead: First of all, just to clarify, I'm not a farmer. I grew up on a small farm in eastern Ontario, moved west in 1980, have been involved in the agricultural corporate side of things for 34 years, and took early retirement, but all during my career I worked with some great farmers. I think Brian is the best one to answer that question.

Mr. Brian Otto: Randy, I can tell you right now that the atmosphere out in the farming community is so positive and so energetic. It's just something that I've waited my whole life to see. Being able to haul your grain into the elevator or wherever you're delivering it, and see exactly what you're going to get paid for it goes a long way to helping farmers manage their cashflow and make good business decisions on their farm. You can talk to farmers, and I'll tell you a little story that I heard this fall.

This was a farm family that supported the Canadian Wheat Board. They had signed a contract with the Canadian Wheat Board for new crop for durum. They had locked in a price, and this summer there was a hail storm, so they phoned the Wheat Board and said they didn't know if they were going to be able to deliver it.

Mr. Randy Hoback: I'm sorry, I only have five minutes. I would like to listen to the story, but there are a few other things that I want to get to before.

Mr. Brian Otto: Anyway, the gist of the story is, they got out of the contract, but they delivered what they grew to the elevator which offered him a premium over the daily broadcast price because it was so good. They sold it to the elevator and never did deliver it to the Canadian Wheat Board. I'm waiting to talk to this farmer and ask him how this new commercial system is working for him.

Mr. Randy Hoback: It's money in his pockets. I know. I come from a riding in Saskatchewan.

Mr. Brian Otto: It's money in his pocket, and that's what farmers are seeing.

Mr. Randy Hoback: Yes, that's what I'm hearing too. I'm in the riding of Prince Albert, which is as far away from the American border outside of northern Alberta. We're talking to farmers now who've delivered all their wheat off the combine and have held back their canola for marketing reasons, which is a total reversal from other years when they had to dump canola at a high basis. It's interesting how the market takes care of itself, and the benefactor in this case is definitely the farmer, no question about that.

One of the concerns I have looking forward—and this is looking to the sector—is what other structural changes are needed to make the system more efficient so we can start delivering grain to the port on time and meet those commitments, so that we're delivering the product in a fashion that the market wants. I'm talking more about wheat in this case, Mr. Otto, but even in barley, looking at the grading system and what we're doing there, what do you think we need to be doing now as we move forward?

I'll start with you, Rick.

● (1025)

Mr. Rick Istead: I think the marketplace will dictate, determine or specify what we need to grow. As you know we currently grow nine different classes of wheat in western Canada. I think in many ways that provides us with a lot of strength because we have a lot of different opportunities for those nine different classes. Do we need all the grades and all the protein spreads? Do we need the confusion in the marketplace whereby different grain handlers have different points of reference for what they're quoting in terms of pricing? I don't think so. I think we're going to see some rationalization and tightening up. The customers in the end will dictate what they want. I foresee a lot more contractual arrangements being made in the future as well.

Mr. Randy Hoback: Brian.

Mr. Brian Otto: Randy, when it comes to getting grain into position at the ports, I think we're witnessing that already. Grain companies today are accepting delivery of grain only when it's shipped out to their ports and has a place to be exported at that point. I know we're not seeing a lot of grain in storage. If you go with the statistics right now, as I said earlier, we've shipped more grain to this point in the year than we have in the last 10 yeas. If you look at what's in storage you'll find that grain isn't there. What we're witnessing right now is that grain companies are able to manage their facilities a lot more efficiently and bring in the grain and ship it to their customers without having to keep it in storage. That's just the way a good commercial system works. Elevator companies don't make money storing grain, they make money moving grain.

The Chair: Thank you.

Mr. Atamanenko.

Mr. Alex Atamanenko: Thank you to both of you for being here.

Any time one changes a system, time will tell. So far apparently, according to both of you, it appears things are working well. I'm glad for farmers and hope that continues. Hopefully it will also work well when the markets aren't in such good shape.

Both of your organizations have recently been formed as a result of the loss of the single desk of the Canadian Wheat Board. Is that correct?

Mr. Rick Istead: The Alberta Wheat Commission started four years ago with a resolution that was tabled at an AGM asking the board to investigate producer interest in creating an all-wheat commission. At the time there were two producer commissions in the province, one representing winter wheat and the other representing soft wheat. Those two combined accounted for less than 5% of the total acreage and producers, so the question was asked: Why not all wheat? That's where it started. It had nothing to do with the change in the Canadian Wheat Board, it was a separate initiative that coincidentally happened on the same date.

Mr. Alex Atamanenko: Okay, thank you.

I'm going to talk about GMOs, which is probably not a surprise to anybody here. In the past, in the nineties when the attempt was made to introduce GMO wheat, there was quite a push back by producers, and I guess the Canadian Wheat Board and other organizations played a role in this. It's possible in the future that this push will come again from the major biotech organizations.

Do you feel there is enough strength to withstand that? For example, if our markets won't allow that, do you feel there should be a real look at the markets that farmers currently enjoy in countries that do not allow GM wheat? Do you think there will be unity among farmers from different organizations to say if they're going to do that, they've got to make sure they've got markets, or do you think there will be an introduction of this kind of wheat and then we'll have to take it from there? What's your take on that?

Mr. Rick Istead: I believe GM wheat will come eventually. I'm not sure when exactly that will be; some predict within the next 10 years. We know there are developments currently under way.

It will be done in a coordinated fashion in concert with a lot of the companies in the major wheat-producing areas in the world. For sure, it needs to continue to be science based. In terms of technology, as we develop it, we'll need to do a much better job of communicating and educating the value of the technology and why it's necessary, and not be afraid of addressing our critics. I think the science will tell us today that GM crops are certainly no different from crops that have been naturally bred. GMO is a tool, and if we're being challenged to feed that ever-increasing hungry world of ours, we're going to need that and other tools to put in the hands of producers and others to help us with that challenge.

● (1030)

Mr. Alex Atamanenko: If the wheat industry is successful and GMO crops have not been shown to increase yield, why would we need to even think about introducing GM wheat when we have good markets now in countries that enjoy the quality of our product, such as Japan, which does not tolerate genetically modified organisms?

Mr. Rick Istead: We're not, to my knowledge, building any more area to produce crops. For wheat, for example, as I mentioned in my brief, it's expected by the year 2050 we're more or less going to have to move from about 660 million tonnes to 880 million tonnes to feed the nine billion people on earth. We're going to have to provide a lot of tools, and I think GMOs are one of those tools to help us reach that.

To respond to your question about yield response, there was some recent research at a very early stage, GMO work in Australia, that indicated a 30% increase in yield from the standard variety.

Mr. Alex Atamanenko: That's interesting—

The Chair: Thank you.

Mr. Rick Istead: I'd also like to—

The Chair: I have to stop you there, I'm sorry.

Mr. Zimmer.

Mr. Bob Zimmer (Prince George—Peace River, CPC): Thanks for explaining that, too, about the 30% yield increase with GMOs. The fact is it does allow us to produce more. Thanks for clarifying that.

I'm from the Peace region in northern B.C. We actually have grains and oilseeds in British Columbia. A lot of people don't know that, but you, I'm sure, do. I wanted to ask you something in another vein. We've already tried to improve the system with changes to the Wheat Board, and we've been hearing great things about that. I've been hearing great things in our riding as well, but we still want to make it a better system. What are some recommendations from your groups regarding the reduction of red tape for the farmers, and I guess even at the corporate level?

Mr. Rick Istead: In terms of reduction in red tape, I think any time we can let the market sort things out, versus regulating it, is always a good thing. I would like to see an environment that actually encourages investment in innovation here, particularly with our crops and in particular with wheat.

If we do a quick comparison between Australia and Canada, Australia on average invests about $80 million per year in wheat research and we're currently investing less than $20 million. I think there are tremendous opportunities there. I think one way would be in providing an environment that encourages investment from what I call the P3, private, public, and producers. Let's all share on this.

Mr. Bob Zimmer: Brian, please.

Mr. Brian Otto: I echo what Rick has said. Allow the commercial marketplace to operate as it should, with as little government regulation as possible. It's very important that this be allowed to occur.

On the barley side, in our study that the Western Barley Growers just completed, we identified some areas that we thought could be encouraged. One is that we have to encourage an accurate market and price discovery mechanism. We have to track the movement of barley from farmer to whatever end user who purchases a product, so we have some idea about the supply: what is grown, what's being used, what's left in the system. It's really hard for price discovery if you can't track the movement of the barley as it moves through the value chain. That's very important.

Right now one of the difficulties we see in the barley industry is the lack of a good price discovery mechanism and a risk management mechanism that the industry can use. Certainly the Barley Council of Canada will be working with the industry to try to work that out.

I think the encouragement of private-public research is very important. There are private companies that are willing to invest in research on wheat and barley in western Canada. If we can find a way to encourage a partnership between the publicly funded and the privately funded research it will work best for Canadian agriculture. Certainly I would encourage the government to encourage that partnership.

● (1035)

Mr. Bob Zimmer: Thanks.

Mr. Brian Otto: Certainly as....

I'm sorry. Go ahead.

Mr. Bob Zimmer: Thanks for your response. My time is limited as well.

Some members already asked you some questions about the future for domestic and export markets for your crops. I would like to ask another question. What are your thoughts about the potential of the biofuels industry, and how are you viewing that?

We'll start with Rick and then go to Brian.

Mr. Rick Istead: I think we're not yet seeing the potential for the biofuels industry. When I look at wheat, I think we have to look at it in terms of what we can get from that crop. Of course, the obvious ones are things like milling wheat for breads, cookies, cakes, and pastas.

We need to look at how we can develop the markets to increase the accessibility for our commodity and the end use functionalities. Things like biofuels are another opportunity where a certain percentage of perhaps our lower quality wheats, which we don't have a market for, could automatically be allocated.

The Chair: Thank you.

Mr. Atamanenko.

Mr. Alex Atamanenko: I have a couple of comments. You mentioned the experiment in Australia. It's my understanding that it's in a very experimental stage, this 30% increase. They've got to work on that. According to the research I've done, there have been no major increases in yield through GM; it's all been through good conventional breeding.

The other fact is that if we look, for example, at GM corn, I just read there's a possibility they want to introduce it into Mexico, which with the cross-pollination would basically devastate the domestic industry. We have to be careful before we send genetically modified crops to other countries. Feeding the world, according to some scientists and others, is not about our sending a lot more crops; it's about helping them to develop their own crops.

I just wanted to put that on the record before I move on to my colleague, Madame Raynault.

[*Translation*]

Ms. Francine Raynault: Thank you.

Earlier, my colleague said that Japan did not want any products containing GMOs. So how will you convince them to buy our wheat? That question is for you, Mr. Istead.

[*English*]

Mr. Rick Istead: As I mentioned earlier, we have to be able to demonstrate to the customer, the consumer, the benefits or value that the GM technology brings to them and to the market. Also, I think we need to implement an education program that not only demonstrates the value, but really deals with the risk and benefit of GM wheat crops.

We have had challenges with trade with Japan in the past, as we have had with numerous countries because of the BSE crisis and everything. I think moving forward takes dialogue, conversation, giving our customers confidence that what we are delivering is a value product that meets their specifications and, by the way, is safe to use.

Did I answer your question?

● (1040)

[*Translation*]

Ms. Francine Raynault: For the benefit of those of us around the table and those watching today's meeting, could you, once again, explain the advantages of GMO products? You are aware of the aversion many people have to GMOs. What are the benefits?

[*English*]

Mr. Rick Istead: Most of the advantages for GM products have been designed to help improve productivity at the farm level, so a lot of the technology to date that has been brought forward, let's call it the biotechnology tools, has been to improve things like weed control, disease control, insect control, but we are now seeing advances being made through biotechnology in improved water use efficiency. This means, perhaps, crops can grow better under drought-type conditions. That would have an incredible place for growing crops in sub-Saharan Africa, for example. We are seeing biotechnology looking at improving nitrogen or fertilizer use efficiencies. In other words, the plant takes up less fertilizer from the soil, yet produces more grain, more crop, that sort of thing.

I believe we are going to see some biotechnologies that will have some health benefits attached to them. It's simply a matter of time. Biotechnology is advancing in the pharmaceutical area and I see opportunities for it in crop and animal production as well.

Unfortunately, there's a significant portion of the population who are not in favour of GMOs and biotechnology. I lived in Europe when that issue was really a problem there. I think we're beginning to see signs where Europeans are starting to have a bit more tolerance for it. We're not out of the woods yet, but I think eventually people will start to see the value of it. What we need to convince them of is that long term there is no risk associated with the technology.

The Chair: Thank you.

With that, I'll thank our guests for being here today. We appreciate your time.

Mr. Rick Istead: Thank you.

The Chair: I'm sure you'll see some of your input in our final reports. Thank you.

Mr. Bob Zimmer: Thank you very much.

The Chair: To the committee, for your information, we'll continue with this study on Thursday, and next week on Tuesday. We will have the minister here at 8:30 a.m. on Thursday, November 29, not 8:45 a.m. If you have any other suggested witnesses on this particular topic, forward them to the clerk. We do have a couple of declines so we could add a couple of names.

The meeting is adjourned.

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