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

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**EVIDENCE**

**Tuesday, November 5, 2013**

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**Chair**

**Mr. Bev Shipley**



## Standing Committee on Agriculture and Agri-Food

Tuesday, November 5, 2013

• (1530)

[English]

**The Chair (Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC)):** I'd like to call to order meeting three of the Standing Committee on Agriculture and Agri-Food.

According to our agenda, we have three witnesses today. They are now in front of us. Their appearance will take us right through to about 5:10 p.m. Then we will have some committee business before we wrap things up for the day.

I want to welcome our first group of witnesses as we do a study on the Canada-EU trade agreement, CETA.

From the Canadian Meat Council, we have James Laws, executive director; from the Canadian Cattlemen's Association, we have the director of government and international relations, John Masswohl; and from the Canadian Agri-Food Trade Alliance, we have the executive director, Kathleen Sullivan.

I welcome all of you to the committee. The program has been that you have ten minutes. Then there will be a round of questions from the committee members, at five minutes each.

Mr. Laws, I'd ask if you would be interested in starting. Or if you've made other arrangements....

What gentlemen in agriculture, who will always let a lady go first.

Kathleen.

**Ms. Kathleen Sullivan (Executive Director, Canadian Agri-Food Trade Alliance):** Thank you very much, and good afternoon.

I appreciate the opportunity to speak to you today about the impact of the Canada-EU free trade agreement on Canada's agri-food sector.

CAFTA, as many of you know, is a coalition of national and regional producer groups and industry associations that support an open and transparent international trading environment for our agri-food products. Collectively, CAFTA members, which include the Canadian Meat Council and the Canadian Cattlemen's Association, export about 80% of Canada's annual agri-food exports.

On October 18 of this year Prime Minister Harper and European Commission president Barroso announced that they had reached, after five years, an agreement in principle on the CETA. This is welcome news to Canada's agri-food exporters.

The Canada-EU CETA, when implemented, will be Canada's most significant free trade initiative since the NAFTA. The CETA is the

broadest trade negotiation Canada has ever undertaken. It covers a significant range of issues, including tariffs, non-tariff barriers, services and investment, financial services, government procurement, and much more. As well, for the first time in the history of Canada's trade deals, the CETA covers issues that fall within the jurisdiction of provincial governments, leading to Canada's 13 provinces and territories having played a significant and important role during the negotiation process.

The CETA offers tremendous potential for Canadian agriculture producers and food processors. Today Canada ships just \$2.4 billion in agriculture and food products to the EU's 28 member states. While \$2.4 billion may seem like a big number, given Canada's expertise and standing in agriculture and food production and given the EU's standing, with 500 million people, as one of the largest consumer markets in the world, Canada's exports really should be much higher.

We believe the CETA, when completely implemented, could result in \$1.5 billion in new Canadian agri-food exports to the EU. This will include \$600 million in new beef exports, \$400 million in new pork exports, \$100 million in grains and oilseeds, \$100 million in sugar-containing products, and a further \$300 million in processed foods, fruits and vegetables, and biofuels products.

When it is implemented the CETA will eliminate immediately tariffs on almost 94% of Canada's agri-food exports to the EU, and over time will eliminate tariffs on virtually all products except beef and pork. For some grain products where tariffs are not immediately eliminated, they will be phased out over a period of about seven years, and in the case of beef and pork, which are particularly sensitive to the EU, Canada will be granted duty-free import quotas that provide Canada with preferential access over its competitors.

Contributing to the CETA's value, the negotiations have gone beyond tariffs, taking on a wide range of non-tariff issues critical to Canada's agriculture and food exporters. The CETA has included discussion in areas such as technical barriers to trade, sanitary and phytosanitary issues, regulatory cooperation, and export subsidies. These issues can be the most significant barriers facing agriculture and food exporters today, and until now have significantly impacted exports of Canadian agri-food products into the European market.

The CETA has established mechanisms that will promote cooperation and discussion on regulatory issues and non-tariff barriers that impede trade. Through the CETA, Canada and the EU have also committed to work together to advance a number of non-tariff issues, including approval of meat processing facilities and timely approval of biotech traits. These and other issues still need to be more fully resolved before the CETA is implemented, but we are confident that the Canadian government is committed to doing that.

CAFTA and its members have worked very hard to encourage the federal and provincial governments to negotiate a trade deal that benefits Canada's agri-food sectors. We believe the CETA is that deal. The CETA secures real and substantial access to one of the world's few billion-dollar export markets, and it does so ahead of our major competitors.

Through the CETA, Canada has confirmed its support for farmers and for food processors, and Canada has let the world know that we are serious about trade.

There are many details to be sorted out before the CETA is signed, and CAFTA will continue to support the federal and provincial governments as they work on these and bring this deal to a close.

Thank you very much.

• (1535)

**The Chair:** Thank you very much, Ms. Sullivan.

I would ask Mr. Masswohl to present next.

**Mr. John Masswohl (Director, Government and International Relations, Canadian Cattlemen's Association):** Thank you, Mr. Chairman, for the opportunity to appear here before you again. We've waited a long time to be able to talk with you about a successful Canada-Europe trade agreement. I can't tell you how pleased we are to be here today talking about having a successful agreement. We're very much supportive of it.

Of course, the Canadian Cattlemen's Association hasn't only been waiting passively for the CETA to be achieved. We have been actively engaged throughout the negotiations. We have engaged closely with the Canadian negotiators to provide advice and feedback during the negotiations. We have also met frequently with the EU negotiators and with representatives of the member states. We've also met with members of the European Parliament. We've made those efforts both here in Canada and in Brussels.

Last, but also very important, the Canadian Cattlemen's Association has also engaged with cattle producer groups in Europe. We've travelled to France, Spain, England, and Ireland, some of the main cattle-producing countries in Europe, to reach out to our counterparts in those countries, establish relationships with them, and engage in dialogue.

We feel that this has really been very helpful in overcoming some sensitivities that might have otherwise prevented us from reaching a successful conclusion for the beef sector. We are going to continue to work hard to build on these relationships as we move forward now into the implementation phase of the CETA.

But really what did we get in the agreement? Of course, I assume you all have the document that was tabled in Parliament, and at the

bottom of page 9 is the summary of what was achieved in the beef agreement. As far as we're concerned, that does provide an accurate account of what our understanding of the agreement is.

With respect to beef products, there are four quotas. First of all, there is 35,000 tonnes carcass weight that will be duty-free fresh beef. The second is 15,000 tonnes carcass weight duty-free frozen beef. Those first two are new quotas that will be for any grade of beef, including veal, and available for Canada only.

The third is the existing Hilton quota that is for high grading beef, and that currently has a 20% rate of duty that Canada shares with the United States. On day one of the CETA, when it's implemented, the duty rate for Canada will drop to 0%, while U.S. beef will continue to pay the 20% duty. So that quota, the Hilton quota, is 11,500 tonnes product weight or 14,950 tonnes carcass weight. I'm going to leave it to one of you to ask me what the difference between carcass and product weight is.

The fourth is also an existing quota that was provided a few years ago as compensation for the hormone dispute. It currently provides 48,200 tonnes product weight of duty-free access for high-quality beef. That quota is available on a most-favoured nation basis, MFN, meaning that it's shared amongst several countries. During the CETA negotiations, Canada agreed to take its 3,200 tonnes out of this MFN quota and in return we secured a higher quantity in the new quota just for Canada. As a result, the current 48,200 MFN quantity will drop to 45,000 tonnes when the CETA is implemented. That's always the trickiest one that I explain to folks.

Also, there are several other products, edible offals, tallow, rendered products, processed beef, hides, and skins that will all gain unlimited duty-free access into the EU under the CETA.

As I said earlier, we were closely consulted on every one of these decisions during the negotiations and we are very pleased with the outcome and strongly support this agreement going forward.

We estimate that fresh beef exports to the EU will be worth approximately \$11 per kilo and the frozen approximately \$6 per kilo. On that basis we bring the potential value of the CETA to over \$600 million for the beef sector.

On previous appearances at this committee, I stressed the importance of dealing with both the tariffs and the technical access barriers.

On the cattle production side, we know that the cattle have to be raised according to the EU protocols. That means no growth-enhancing products, no hormone implants, no beta-agonists. Despite those products being safe and approved for use in Canada, the EU simply refuses to allow them. Fortunately, we feel that the value of the EU beef market is high enough that many Canadian producers will elect to incur the additional cost of raising cattle without those products.

•(1540)

We always said we would be pragmatic about this issue and that if the access was worth our while we would accept that condition. We feel that we received a result that makes it worthwhile. We estimate that Canada would need to produce approximately 500,000 head of cattle annually to meet the access under the EU protocol. Clearly, we don't need every producer to make the decision to raise cattle under the EU protocol, but we feel that enough will.

On the processing side, Jim Laws is going to speak in more detail about the technical issues for the processing sector. I'm going to agree with him in advance that it's vitally important that we complete the work to ensure the beef slaughter facilities and processing facilities across Canada are approved to export to the EU. This is the key to making this agreement work for us. Currently we have only two very small facilities approved to export to the EU, and they're both in Alberta. If you're a cattle producer in Nova Scotia or Ontario and you're already producing cattle in a manner that would be acceptable to the EU, you still need EU-approved facilities in geographic proximity to you in order to access the EU with that beef. By the same token, if you're a large operator in Alberta or Saskatchewan, you're going to need those large processing facilities in High River and Brooks to be able to compete for those EU-eligible animals.

We understand that a one-year deadline was established to resolve those outstanding technical issues. Once those plant approvals are achieved, we can start making better use of the quotas that already exist, the pre-existing quotas that have been underutilized.

This is the natural point to turn it over to Jim.

I'll look forward to your questions afterwards.

**The Chair:** Thank you, Mr. Masswohl.

I turn it over now to Mr. Law.

**Mr. James Laws (Executive Director, Canadian Meat Council):** Good afternoon, everyone.

I'm the executive director of the Canadian Meat Council, based here in Ottawa. Thank you for inviting me here to speak about your study on the Canada-EU Comprehensive Economic and Trade Agreement and the effects it will have on Canadian agriculture.

Canada's meat processing industry adds value to the live animals born and raised on Canadian farms, providing a critical market outlet and supporting the viability of thousands of livestock farmers. With annual sales of \$24 billion, beef exports of \$1.2 billion, pork exports of \$3.2 billion, horsemeat exports of \$90 million, bison exports of \$5.7 million and 68,500 jobs, the Canadian meat industry is the largest component of this country's food processing sector. We believe that when implemented the CETA will permit a major increase in Canadian meat exports to the European Union.

The 28-country European Union, with a population of 500 million people, is the world's largest import market for agricultural commodities and food. However, a number of consumer-oriented products, including meat, face significant tariff and non-tariff barriers into the EU. We do recognize and greatly appreciate the steadfast and unwavering effort that was invested by Canada's negotiators in their endeavour to ensure a commercially viable

outcome for Canada's meat industry. We would ask that the Canadian and European governments move forward quickly and simultaneously on both the ratification of the agreement and the prerequisite resolution of the outstanding technical barriers to trade.

When fully implemented, the agreement provides for duty-free access of 81,000 tonnes of Canadian pork, 65,000 tonnes of Canadian beef and veal, 3,000 tonnes of Canadian bison, and unlimited duty-free access of Canadian horsemeat and Canadian prepared meats into the European Union. In return, the European Union will retain duty-free unlimited access to the Canadian market for pork, they will obtain duty-free unlimited access for beef into Canada, and receive reciprocal unlimited duty-free access for prepared red meat products covered under chapters 16 and 19 of the Customs Tariff — Schedule. In addition to the agreement on import quotas and tariffs, the CETA outcomes include a critically vital commitment to resolve technical barriers.

While our initial hope for completely open, duty-free, and unlimited trade in meat products between Canada and the EU was not achieved, the CETA does represent a very substantive, valuable, and most welcome movement in that direction. Compared to an average value of only \$54 million of meat exports to the EU during the past three years, the results of the CETA negotiations will offer export opportunities, with a potential annual sales value of up to \$1 billion for Canadian processors of meat.

Although we have not yet seen the text of the agreement, we understand that it changes the nature of the currently protected trademarked names. Three companies currently own trademarks for meats in Canada: Parma design with the crown, San Daniele, and Szegedi Salami. These companies may lose the exclusive right to use their trademarks and would have to coexist with European meat. We strongly urge the government to address this issue in the context of the final technical discussions of the agreement.

Canadian manufacturers of prepared meats are concerned with the concessions on geographical indications given to the EU and they're concerned that there may have been no reciprocity in the generic and trademarked geographical indications. We understand, for instance, that Canadian negotiators rejected protection of the Czech term for Budweiser beer because of the conflict with the existing trademark.

It is important for the Canadian meat industry to be informed of the specific wording related to geographical indications before the agreement is finalized. We particularly want to ensure that European-origin products cannot be marketed as superior to existing Canadian products solely by virtue of their European origin. EU exporters should be restricted from predatory marketing that would undermine consumer confidence in Canadian products that for generations have used common descriptors, whether generic or trademarked.

The federal government has committed to monitor impacts of the CETA on Canada's dairy industry and, if needed, provide compensation should a negative impact be observed.

● (1545)

These meat companies may lose their trademarks for products estimated to have an annual retail sales value of over \$25 million. However, of greatest importance to us as meat processors is the so-called Exchange of Letters between Canada and the European Union concerning meat issues. In that document, Canada and the European Union share a commitment to the determination of equivalence of their respective sanitary measures and stress the importance of finalizing negotiations to facilitate trade in meat and meat products. Both sides agree to review progress made after one year. For example, the European Food Safety Authority published its opinion in July 2011 that it was safe to use 2% to 5% lactic acid as a beef carcass rinse at temperatures of up to 55 degrees Celsius. It took the European Commission until February 2013 to approve its use. We in North America have been using these lactic acid rinses on beef carcasses, now to control E. coli O157:H7, for many years. Beef processing facilities can't risk turning off their food safety interventions.

Another issue, yet unresolved, is the use of recycled hot water. As an example, the European Food Safety Authority published its opinion three years ago that recycled hot water is, indeed, a suitable decontamination technique under certain conditions. Many meat processing facilities in Canada do recycle and filter their water for reuse for good environmental and energy conserving reasons. We hope that issue will soon be also resolved and approved in Europe.

Finally, only establishments listed by the EU may export edible meat and meat products to the European Union. The product must be kept at all times in an EU-approved establishment in order to maintain its eligibility to be exported to the European Union. And there are several conditions that the EU places on meat establishments that are different from Canada. For instance, wooden pallets may only be used in areas of the establishment where products are fully packaged. The use of wooden pallets in rooms where exposed meat is present must be phased out. Exposed meat must be stored in a separate room from packaged meat, unless stored at different times. And for pork, for instance, skeletal meat must be tested for Trichinella in a certified laboratory, adding great expense to a virtually non-existent problem here in Canada.

That's why we recommended to the House of Commons Standing Committee on Finance, in their pre-budget consultations for 2013, that Canada should create a new five-year, \$10-million CETA meat program to help Canada's meat-processing industry comply with the European Union's meat import requirements, which are onerous and prescriptive. A CETA meat program to help Canada's meat-processing industry comply with the European Union's third-country meat directives could be funded through Agriculture Canada's Growing Forward 2 program.

That, indeed, would really help us to be ready to grasp this incredible opportunity that certainly has been described as a once-in-a-lifetime opportunity.

Thank you very much.

● (1550)

**The Chair:** Thank you, Mr. Laws.

I would appreciate each of you being time-conscious.

We will start now with our rounds of five minutes each, beginning with the New Democratic Party, Mr. Allen.

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

And thank you to our witnesses today.

Perhaps I could start with Ms. Sullivan. You talked about the potential of the EU trade agreement, the CETA, being about \$1.5 billion, in general. According to Statistics Canada, we have a net trade imbalance with them to the tune of minus 1.4, so if they don't send us one other product, we actually just catch up. In a net trade perspective, if they send us anything additional, how much potential have we opened up for them? We're in a deficit now, we're in a trade balance in agri-food products with the EU, and we're only going to catch up based on your numbers, then where do we see this? It's a benefit clearly, there's no disputing that, but how do we actually balance that trade balance? How do we make a trade balance out of this? How do we take it higher?

**Ms. Kathleen Sullivan:** I think that's the nature of trade. The European economy is clearly much larger than the Canadian economy. If you look at the benefits on a GDP basis, the studies have shown that Canada is actually going to fare better than Europe will in terms of reciprocal trade.

Ultimately, from a Canadian perspective and an agrifood perspective, we have to open up markets around the world. We have a real expertise in producing agricultural products and in producing food products and doing food processing.

In terms of the European Union, we have a real opportunity here to increase our shipments of beef and pork. That really helps to adjust an imbalance that currently exists. The Europeans now have full access to the Canadian market for pork. Our ability to start shipping 81,000 tonnes to them really starts to address that imbalance. Certainly from a beef standpoint—and John will probably want to talk to this—just given the situation with the European industry and the difficulties they have shipping to North America, I think we have a good chance of coming out ahead of them in this case.

There are also other opportunities. The Europeans right now, although they are large producers of grain, have, in fact, a grain deficit when it comes to feedstock both for livestock and for their biofuels industry. We really have an opportunity there to start shipping those products to them in far greater numbers than they ship to us, and that is the nature of trade. You specialize in the products you're particularly good at and particularly efficient at; you ship those to other countries, and they, in turn, ship products to you for which they have economies of scale or better efficiencies. I think that is what we're going to see as a result of the CETA.

• (1555)

**Mr. Malcolm Allen:** I don't disagree that when you bargain for something, you get some and you lose some, but you obviously try to get to a balance. I don't see the balance, to be honest, at this point in net trade figures, but I hear what you're saying about the size piece.

Let me move on.

It was interesting to hear Mr. Masswohl and Mr. Laws talking about one side, because I think there's a lot of meat around here. We don't actually export in the beef sector what we could based on the allowable amount we have now. I think we all agree on that, and there are a number of reasons. One is, obviously, whether we should do hormone-free beef. But let me sort of hone in on this one piece.

Mr. Masswohl, you talked about how we didn't convince the Europeans that what we do presently in the cattle sector is okay, in the sense that it's safe, and it's a good practice, because we consume it here in this country. We believe that to be true, but we didn't win that argument. Mr. Laws has raised some issues—and I'll let either of you decide who wants to answer this—about how we fix some of the issues that are outstanding around the sanitary—because they're not fixed yet; they're not decided upon—and some of the other issues about whether, indeed, your industry, Mr. Laws, can actually meet the challenges, because you've asked for government assistance.

We have an opening. Is somebody going to run through this opening or is it just going to be an opening?

**Mr. John Masswohl:** Absolutely. I've been taking a lot of calls from cattle producers with questions over these last few weeks. They want to know if we will produce these cattle. As I talk about the opportunities and what's there and we talk about the cost and how it has to be produced without growth enhancers, a lot of them say, "You know what? I think this can pencil out". We don't need everybody to make that decision. We need enough people to do it, and I think they will.

With regard to us not getting rid of that restriction or that prohibition, the answer to that really is that we decided early on that we'd been having that battle with Europe for close to 20 years and we'd gone to the WTO and gotten a decision. We had retaliation in place for a number of years and finally they decided they would compensate us. So we settled that argument. We decided already going into this negotiation that we weren't going to continue pressing on that any more. We decided up front that we could live with that rule and get everything else set up to make it worthwhile, and we think that's what we've achieved.

**The Chair:** Thank you, Mr. Allen.

Mr. Payne, go ahead for five minutes, please.

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

Thank you, witnesses, for coming.

I've talked to a number of ranchers and some pork producers and I haven't seen that big a smile on their faces in a long time, so I think this is a really positive agreement. Certainly it took some time and—you know what?—anything good takes some time. My feeling is that we're way ahead of the U.S., and I'm just wondering if one of you or all of you could sort of say what being way ahead of the U.S. means for Canada and how long you think it would take them to get an agreement with the EU.

**Mr. James Laws:** I will just agree with you that if we look at the situation right now with Korea, the Americans have a free trade agreement with Korea. We were sending a lot of meat to Korea; now we're not. It has virtually dropped to nothing because of the preferential tariff access they have—better tariff rates. That's a problem for us.

But I think it's important to realize that what this agreement does for beef as well....

I want to expand on the question Mr. Allen asked. There are 500,000 culled beef cows every year in Canada. Those animals will all be eligible. Our current access to Europe is very specific. It prescribes how many days the beef animals must be on grain, for instance; it's a very restrictive one. This, as far as we know, covers all beef—all those culled beef cattle, all culled dairy cattle, all veal calves. So this really does offer quite an opportunity that we currently do not have into Europe, under the access of the so-called high-quality, grain-fed animals.

• (1600)

**Mr. LaVar Payne:** John or Kathleen, do you want to make some comments?

**Mr. John Masswohl:** I was going to mention Korea as well. In other scenarios where we have gotten in first—I can think of the time after BSE, with Hong Kong and China—we have gotten in ahead of the Americans and have done well in those markets. Getting in first is a big advantage.

To your other point, about the smiles on people's faces, it's fair to say, if I go out on a limb, that we have a few skeptics in our sector about things—guys who are hard to convince. They've asked a lot of questions about this, and many of those who have looked at it have said that this is a really great deal. It's like that old commercial: if Mikey likes it, it must be a pretty good deal.

**Mr. LaVar Payne:** Speaking to that comment, I would add that there were many skeptics about the Wheat Board issue. I've talked to many farmers in my riding who are absolutely delighted that they can now sell their product everywhere.

I noticed that you were supportive, John, as you spoke in your comments, and you have read that the removal of long-standing barriers, such as the high tariffs, finally enables producers to benefit from the high values that you're getting.

Do you have anything else you want to add, by which you can tell us in detail how this works for the cattlemen?

**Mr. John Masswohl:** I guess the main thing that we still need to find out is when: we're all still trying to anticipate when this agreement will be implemented. Will it be in 2016? Maybe 2015 is a little too soon. We know that the European Parliament is going to have its elections in 2014; that is a challenge.

We look at it in terms that most calves in Canada are born in February and March, so that as producers go through the winter, they are going to wonder whether to start documenting those cattle that are born late this winter or early next spring. That's for individual producers to decide. Hopefully, by the time we get there we may know a little bit more about what implementation date we're shooting for. That would be useful to know.

Another thing that also still has to be negotiated is the phase-ins. We understand that the new quota, the 35,000 tonnes, will be phased in over a number of years, but we don't yet know how many years. Certainly, we would encourage that it be as quickly as possible. On the other hand, we have the existing 45,000 tonnes in place, so perhaps we can manage the phase-in period with the existing quotas.

**Mr. LaVar Payne:** John, you talked about the plants in Brooks. I'm wondering what your thoughts are around what this means for those kinds of facilities here in Canada being able to ship to the EU.

**Mr. John Masswohl:** This is related a bit more to Jim's sector, but from the cattle producers' perspective, you want to have a packing plant as close to your operation as possible so that your shipping distances are reasonable.

With the lower cattle numbers we've had in Canada these last few years, we have been concerned about overcapacity in both the packing sector and the cattle feeding sector. Anything we can do to have more market signals to cattle producers to increase the number of cattle they produce is going to help maintain the infrastructure that we have.

**Mr. LaVar Payne:** Jim, do you want to make any comments on that?

**The Chair:** Go quickly, please.

**Mr. James Laws:** I think it boils down to their knowing that there's a big enough potential for them to run through animals that are dedicated to that specific market. If this had not been as big a deal as it is, then there would not be the interest there is. It is critical to make sure....

But as I mentioned before, we're pleased that Canada has a veterinarian over in Brussels now. She has been there for a couple of months. She'll be working very hard to make sure that things move forward at the Canada-EU discussions to resolve these technical issues, because our members at the same time don't want to risk any E. coli events, and it's important to maintain the interventions that we use to kill off that organism.

Definitely, people are—

• (1605)

**The Chair:** We're going to move on now.

Mr. Eyking, you can maybe expand on that.

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

Thank you, witnesses, for coming.

It's great to see your enthusiastic and optimistic view of what's going to be taking place here. The reality is that the beef industry has been dropping in the last five or six years. I think the numbers are down 20%. What's happening in the U.S. lately, with the whole thing around COOL, is not very good news. We've got a couple of years to fill this hole, but we've still got a lot of live cattle that are going to need a home.

I've got two questions for you first, John, and then two for you, James.

You mentioned those four quota numbers: one was for fresh, one was for frozen, and one was for high-grade. I think the fourth one was 40,000 tonnes. What kind of beef was that?

**Mr. John Masswohl:** That would be high quality as well.

**Hon. Mark Eyking:** What's the difference between the third one and the fourth one? What's high grade and what's high quality?

**Mr. John Masswohl:** The third one is available only for Canada and the U.S. and currently has a 20% duty. The fourth one, which is 48,200 tonnes, is basically the same quality specification, but it's open to any country that can meet that quality specification, and it's duty-free already.

**Hon. Mark Eyking:** I've been on trade committees and foreign affairs committees, so I know that when you go to Europe, the farmers can be pretty feisty over there. They don't really like other products coming in on their plate. I'm curious, John, about your conversations with the beef producers in France or Ireland or wherever. How welcoming are they going to be, in letting T-bone steaks be on the plates of people in Paris? I've seen them dumping stuff, and they can get pretty wild.

I'm curious, John, about their welcoming our Canadian beef.

**Mr. John Masswohl:** I think you've hit on the reason.

We felt it was necessary to go and see them because they have been, let's say, feisty. They have made noise about the potential Europe–Mercosur agreement. They're very concerned about Brazil, a low-cost producer, shipping a lot of product into Europe. We wanted to go over and make sure they understood that we were not Brazil, so that they understood how many cattle we had.

We went to France for the first time and they thought we had 36 million head of cattle. They realized they must have confused the human population with the cattle population. Once they realized how many cattle we have, and we talked to them about our prices, our cost of production, they were fairly comfortable.

They showed us studies they've used in their arguments against Brazil, about their various costs of production and the cost of production in Brazil. If you're talking about us, you'd throw in a few other factors like; what does it do to our cost of production when it's minus 25 degrees five or six months of the year, what does that do to our waterlines, to our infrastructure? There are other things we have to contend with. Also, take into account that if we're going to do the growth promoting hormone-free production for most cattle, it means two winters instead of one. They started to do the math. For the most part, they said some obligatory things to their ministers; that they didn't want to see more product, but I don't think they put up the same opposition that they could have and were capable of.

**Hon. Mark Eyking:** That takes me to Mr. Laws.

Let's assume they agree that the GMOs are not going to be a problem and that our animal husbandry and our antibiotics are up to where they expect it, and let's assume that, on the farm side, we've got it all figured out and the Europeans are happy.

Now, let's go to the processing side, because right now all these cattle going to the United States are live cattle. Let's hope that in an ideal world, the cattle that are not shipped to the United States will be going to Europe. They all have to be done up in boxes, pre-cut, and the whole thing. You talked about this CETA meat program that you're looking at. Can you give me more details on that program? What do you really want? The Europeans are going to come over and inspect the plant, so maybe they're going to expect something totally different from what we're doing now.

Can you talk to me a bit about what they expect from this government, to step up to the plate with money to help you guys?

**Mr. James Laws:** We think it would be a really good idea to set that program in place to take advantage of this agreement, but also to provide an incentive for these facilities to do that very thing. In some way, some of them will need that incentive to do it. It depends on the facility. Some will be ready to meet the requirements with very few changes; others will require more changes.

We think it would be a good idea, as well, to get a specialist from the Canadian Food Inspection Agency to go around to help the facilities know exactly what they need to do to comply with the EU requirements. That would be a good thing.

We heard recently that the Rancher's Beef facility north of Calgary that was closed is going to reopen under new ownership, Harmony Beef. They've announced publicly that they plan to target that market, I believe with a capacity of 800 animals per day going through the facility.

There are other smaller facilities in Canada, in Toronto and Quebec. The two major veal producers in Quebec could ship product as well under this agreement.

So it's perhaps having a cost-shared program, as is normally the case, to help them get ready. There might be some capital aspect to it. There might be a systems aspect to it.

•(1610)

**Hon. Mark Eyking:** If I may—

**The Chair:** Thank you. Your time is up.

Mr. Zimmer, please.

**Mr. Bob Zimmer (Prince George—Peace River, CPC):** Thank you for coming back to committee. We've seen you before, but thanks for coming back. It's been a good week for us—a good month—with what we've announced.

Kathleen, I have a question on what you referred to in your numbers. I want you to dig down in the numbers, but I want you to restate the significance of how big this really is for us. You referred to \$1.5 billion. Could you categorize that and maybe speak to those numbers a bit?

**Ms. Kathleen Sullivan:** I'll go through again where we think the gains are going to be, and maybe put it in context for you compared to some of our other export markets. The way we derived the number was that each of the major sectors that CAFTA represents took a look at what was in the deal for them. They did their own fairly substantive and in-depth analysis of what that would mean.

For beef, we're expecting this to be \$600 million in additional beef exports. It will be \$400 million in additional pork. It will be \$100 million in sugar-containing products, for example, chocolates, confectionery products, baked goods. It will be \$100 million in additional exports of grains and oilseeds, so grains and canola. And we're estimating it will be about \$300 million for other further processed products, fruits and vegetables, and a variety of other things.

To give you some context, in my testimony I said this is one of the few billion-dollar markets in the world. Canada exports about \$42 billion in agriculture and food products per year. Less than half of that actually goes to the United States. About one half goes down to the States, which is fairly low for any industry that you might look at.

Of all of the other markets that we ship to, our next biggest is only about \$5 billion. That would be China right now, largely because we're shipping so much canola there. With these additional exports to the EU, that would now become a \$4-billion market for us. That makes it our third, and depending on how shipments go to China in any given year, possibly our second-biggest export market. This is really substantial.

In Korea, we were exporting about \$1 billion a year, and we lost almost all of that when the U.S. deal came in. This more than makes up for the exports that we used to send to Korea. It may be a different basket of goods, but it certainly is going to catapult the EU into a really high status in terms of our export importance.

**Mr. Bob Zimmer:** Thank you, Kathleen.

You were very specific in your numbers, but, John and James, how does this relate...? I have cattle producers in my riding, and they want to know the numbers sometimes. How is it specifically going to affect some of those folks?

James, you referred to one of the facilities in Calgary that's going to be reopened. What impact on the ground is this thing going to have for farmers? How many more heads of cattle are going to go through? Could you give us some numbers there as well?

**Mr. John Masswohl:** In coming up with what it was going to take to fill that quota, we figured about half a million head of cattle would have to be produced according to the EU protocol.

How we came up with that is that we asked some of the companies that are already shipping to Europe—well, the one company—as well as some of the companies that are anticipating shipping to Europe. They figure about 100 kilograms per animal makes sense to go to Europe. One of the things we always talk about is that you have to be able to send each piece of the animal to the market that's going to pay the most for it. For Europe, that's about 100 kilograms out of the animal.

I mentioned that we figured about \$11 per kilogram for Europe. Our next best market right now in terms of value is Japan, where we're getting about \$6 per kilogram. Just to do a very simple calculation, that's an extra \$500 a head on that. Of course, there is an additional cost to raise those animals, but we think that's about a 20% additional cost, so already you have taken care of that. Then of course, you're still going to market the rest of that animal to the places where you'll get more money for it. There is a good market within Canada for that hormone-free product. It's a niche market in Canada, but it's a high-value market. We're seeing other countries that are putting some trade restrictions on those products as well. That seems to be the trade restriction that's building.

So I think we're positioned to be able to market all those pieces fairly well.

• (1615)

**Mr. Bob Zimmer:** Do you have anything to add, James?

**Mr. James Laws:** Just to add that we shouldn't forget the pork side. There's a lot of pork produced in Canada, and the Europeans value the hams a lot more than we do or could get in other markets. That's a premium market for ham. That will help boost the overall prices that packers can pay to farmers, and that helps everybody.

Selling the product to the highest market is great. Even if you don't always sell to a certain market, the more markets that are open raise demand and that really does help to raise prices.

**Mr. Bob Zimmer:** I think, James, what you just—

**The Chair:** Your time's up. Maybe we'll come back.

Mr. Atamanenko, please, for five minutes.

**Mr. Alex Atamanenko (British Columbia Southern Interior, NDP):** I see our chair is right on that clock.

Thanks again for coming, folks.

Kathleen, you probably can guess the question I'm going to ask, but I think it's an important one. It deals with GMOs.

There's a different attitude toward GMOs in Europe than in Canada. Many countries don't tolerate these crops or products, yet we're talking about \$100 million in grain and oilseeds, and \$100 million in sugar...potential exports.

How are we going to get around that? Is our canola sector going to be able to get into the market even when we know Europe does not tolerate GMO canola, or is it possible to get a market in the processing for biofuels?

Can you explain that a little bit?

**Ms. Kathleen Sullivan:** Just to clarify, the EU does in fact approve GMO traits, biotech traits. There are a number of concerns that Canada and other countries have with respect to trying to export to the EU. One has to do with their approval process. On paper they do approve or welcome biotech traits, but it's a very long approval process and it doesn't always follow the script, if you will.

One of the things the Canadian government worked on quite closely with the European Commission was to gain commitments that both the commission and Canada would work together to try to ensure that the approval processes for biotech trades were efficient and really honour the processes that both governments have in place.

In terms of what happens when you can get the product into the market, we have a number of challenges. One is that EU consumers just seem to be uninterested in consuming products that are derived from biotech products. We buy canola oil at the grocery store that comes from Canadian canola. Most likely it is made from or blended with product that was genetically modified. We don't see the consumer market in Europe as a viable commercial market for our products.

There is, though, quite a bit of opportunity to export canola oil to the EU for their biofuels industry. Under the CETA right now there's a 3% tariff on oils, canola oil, and that will go to zero right away, so that's where we see probably about \$90 million in potential.

There are also concerns with a low-level presence, as you know. Because grains and oilseed products are shipped in bulk around the world, even though containers are cleaned, if you have a very small—like one in 10,000—particle of a biotech product mixed in with, let's say, a corn shipment, it becomes a problem. Again, the European Commission has agreed to work with Canada to try to find ways to alleviate the tensions around low-level presence.

**Mr. Alex Atamanenko:** We saw that with flax a few years ago.

**Ms. Kathleen Sullivan:** Absolutely, and it can shut markets down, as you know.

**Mr. Alex Atamanenko:** I have a few minutes, I guess, Chair.

• (1620)

**The Chair:** You have two minutes.

**Mr. Alex Atamanenko:** Jim, you talked about the amount in tonnes we were going to be able to ship over to Europe, and I think you mentioned that the Europeans will have unlimited access to Canada for beef and pork. Did I hear that right? Are they currently exporting, and will they be able to export as much as they want to Canada?

**Mr. James Laws:** The whole world currently has access to Canada for pork; we have 0% tariff on pork for everybody. That's the situation we have going into the negotiation already, with unlimited access. Several of our members would say that wasn't fair, and I agreed that it wasn't fair but that's the way it is and that's what we have to work with. Of course, in return we wanted as large... Europeans consume a lot of pork, so even though some people would say we have a large access, which we do, it still represents a very small percentage of their overall consumption.

**Mr. Alex Atamanenko:** Practically speaking, they don't export a lot of beef and pork outside of Europe. Is that correct for European farmers?

**Mr. James Laws:** Well, the Danish are world leaders in the export of pork around the world. They're a major competitor of ours in Japan. Kathleen would be mad if I didn't show you. You have probably all seen these products in stores across Canada. They're very good; they're delicious. They're a product of Germany. These products, frozen pizzas, are coming in and they have a lot of meat on them. They're coming into Canada, and they do make some very high quality processed meat products as well. When the deal comes into effect, they will also have 0% access into Canada, as we will there.

**The Chair:** You have 10 seconds, Mr. Atamanenko.

**Mr. Alex Atamanenko:** Thank you.

**The Chair:** Thank you, Mr. Atamanenko. I suspect we may hear more about pizzas on another day.

Mr. Harris.

**Mr. Richard Harris (Cariboo—Prince George, CPC):** Thank you, Mr. Chair. I'm a newcomer to the committee so I'm playing catch-up with my friends.

I like everything there is to eat about agricultural products, particularly beef and pork. I have some good colleagues here who will teach me about them. I only have a couple of questions.

I see the numbers from Ms. Sullivan of \$600 million in beef that we will be exporting. Does that represent the 65,000 tonnes that you mentioned, Mr. Masswohl?

**Mr. John Masswohl:** Yes.

**Mr. Richard Harris:** If we're going to have access to their market and be able to ship 65,000 tonnes of beef into EU countries and they will have access then to our market for the same products with no tariffs, how much beef can we expect will be coming our way from the EU countries once this agreement is signed? Is it close to what we'll be shipping to them? Is it less, or more?

**Mr. John Masswohl:** We expect it will be fairly minimal. Their production is very expensive, and as long as it is not subsidized trade, which would remain illegal and there are tools to deal with that—whether it is subsidized beef or subsidized cheese or

subsidized aircraft or subsidized anything, there are mechanisms to deal with that—we would expect it to be fairly minimal.

**Mr. Richard Harris:** As Mr. Laws pointed out, there is unlimited pork, zero tariffs on pork coming in. How much pork is being shipped into Canada now?

**Mr. James Laws:** I don't have that figure off the top of my head. I have it in my statistics, but it's interesting because when we had a dispute with Europeans, the beef hormone dispute, Canada went to the World Trade Organization and won the dispute, won the right to put on retaliatory tariffs, and one of the items on there was pork; there was a 100% retaliatory tariff on pork. We finally then decided that we weren't going to win that argument so we negotiated access in exchange for removing that. Our pork sector was concerned about what would happen when those retaliatory tariffs came off, but there was not a flood of Danish product into Canada, so that was a relief.

**Mr. Richard Harris:** Okay, I'm simply trying to get some idea of these numbers. We're going to be able to ship \$400 million in pork exports over there.

**Mr. James Laws:** That's 81,000 tonnes.

**Mr. Richard Harris:** So 81,000 tonnes: would they be shipping that much into Canada at the present time?

• (1625)

**Mr. James Laws:** No, not by any means. It would be quite a bit less than that, for sure.

**Mr. Richard Harris:** Could we anticipate...? Or actually, there's zero tariff on pork for them anyway, sending it here.

**Mr. James Laws:** Absolutely. So nothing would change in that regard.

**Mr. Richard Harris:** Okay.

With regard to growth hormones that are used in the North American market, that appears to be an issue with the EU countries. They don't want us to ship any cows that have the growth hormones in them. That will result, I guess, in extra costs for the producers.

**Mr. James Laws:** Yes.

**Mr. Richard Harris:** That quantity of 65,000 tonnes—is it worth it for our producers to produce beef that doesn't have the hormones, for shipping that quantity?

**Mr. John Masswohl:** Yes, certainly. We believe it is.

You know, we leave it to individual cattle producers to make that decision as to whether they think, for their operations, it would make sense. Different producers have different cost structures, or are different sizes, that sort of thing.

We figure we need about 500,000 head of cattle produced each year under the EU protocol—so without the growth promotants—which means that obviously we don't need every producer to decide to do it. We think enough of them will so that the cattle will be there.

**Mr. James Laws:** Perhaps to add to that, I would reiterate that I've been told that there are about 500,000 cull beef cows that are not given growth promotants. There are cull dairy cattle, and there are veal animals as well that are never given growth promotants.

So the supply is there. It would be an incredible opportunity for us to take advantage of it. In fact it is quite an opportunity for Canada's dairy industry to get more revenue from some of those cull dairy cattle as well.

**The Chair:** Thank you, Mr. Harris.

We'll go to Madame Raynault.

[*Translation*]

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

I would like to thank you for being here at our first meeting where we are hearing from witnesses.

Agriculture is quite diversified in my riding. I'm sure that this free-trade agreement will help agricultural producers and the agri-food industry export their products to Europe. However, until we have all the details on the agreement, I can't say who will benefit from it. Here at home, some businesses will benefit while others will have to adjust. I hope we don't lose any small businesses. Agriculture in the Joliette riding is quite diversified. You can find everything there.

Which businesses do you think will be the big winners and which ones will lose out?

[*English*]

**Ms. Kathleen Sullivan:** I can start, and then perhaps James would like to say something. I think particularly in Quebec pork will be a big winner. In terms of the parts that we'll win, if you will, in the agreement, it will be fairly broad-based. I think from a Quebec perspective in particular, some of the perhaps less high-profile industries, certainly maple syrup...and apple production we expect to do well.

In Quebec the hog industry, the pork industry, will probably do quite well. Right now I think 40% of pork exports out of Canada come from Quebec. Since pork is one of the products that will do particularly well in this agreement, we would certainly expect Quebec to be a beneficiary.

A lot of the gain from the agreement, though, will come from processed foods. When you look at food processing in Canada, although it does take place across the country, about 60% of it is shared between Ontario and Quebec. If you think about where those products are being made and their proximity to the EU, I would certainly expect Quebec to have more than its share of gains from the CETA.

There are also nice ripple effects as well. When you think about shipments that are going to Quebec, a lot will come out of the ports. Atlantic Canada and Quebec are very well situated when you think about investment in port infrastructure and the shipments that will come out of those areas.

Another really interesting angle for Quebec is sugar. You have a Lantic sugar refinery in Montreal. I'll be honest with you, the government's ability to gain access into the EU for sugar-containing products really is historic. We never thought we would be able to secure that in this deal. It's a huge accomplishment for that industry, and will be quite beneficial for the sugar refinery in Montreal.

• (1630)

**Mr. John Masswohl:** I would say for Quebec, on the beef side of things, the main detail we still need to know is when. When will the agreement be implemented? That is important because it will take about two years to get cattle ready. So producers want to know what year they start. In Quebec, dairy cows outnumber beef cows, which is a little unusual.

In Quebec, veal is very important. We made sure that in the new quotas veal is eligible. In the existing quotas that have to meet the high quality, veal just can't get to that level of marbling. It doesn't qualify in the existing quota, so that is a brand-new opportunity. The reason this is so important is that if you're a Holstein bull or a dairy bull, the only reason you exist is to become veal.

Veal becomes meat at a younger age, so Quebec producers could perhaps be a little more nimble in responding to that opportunity.

[*Translation*]

**Mr. James Laws:** I would add that the pork producers of Quebec are very important. There are a lot of them: ATRAHAN Transformation, Aliments Lucyporc, Agromex and Aliments Asta. Quebec is home to a lot of production and a lot of diverse factories, which is very important because ham is much more valued in Europe. So that will boost prices.

As John said, there's also Viandes Laroche, Montpak International and Ecolait. A lot of companies are moving into veal processing and will no doubt profit from that. This agreement will be very beneficial to the dairy industry. Absolutely.

[*English*]

**The Chair:** Thank you.

Mr. Preston.

**Mr. Joe Preston (Elgin—Middlesex—London, CPC):** Thank you, Mr. Chair.

We have a bit of a saying in my business: as long as our competitor has one more customer, we have room for growth. This all of a sudden gave Canada 500 million new customers. That's a heck of a lot of growth for our producers. I think it's significant for us to be here talking about it. As for which groups will be winners, there's a strong list here.

As one of my colleagues said, there have been a lot of smiles back home. I come from a very diverse agricultural riding. Just about everything is grown there, and everybody is excited about the quality of the products they grow.

Do you still have that box? The new Dr. Oetker's plant being built in my riding will also be using all of these Canadian products. They made the same commitment to Canadian farmers—that they'll be using all of those Canadian products.

**Mr. Bob Zimmer:** The only problem is that it's empty.

**Mr. Joe Preston:** Well, that box is empty, but I plan the ones at my house not to be. I'm also in the restaurant business, selling pizza. But Dr. Oetker's is a welcome addition to what we're doing down there.

That leads me to one question, and it may be for all of you. We have great estimates here, \$600 million in new beef exports, pork exports. Our market is already opened and it's not being exploited by the other side. But we can really exploit theirs in that money, in the millions of dollars that we can send. How many new processing jobs are we talking about here? We have a lot of agricultural products that we're going to sell to Europe, but almost all of them are going to have to go in a box and have something done to them before they go. Could somebody estimate what the jobs are in the CETA agreement? For an area that's had some people out of work, this sounds like a fantastic thing. Does anyone want to start that?

**Mr. James Laws:** I'll start it. It's tricky to estimate. One of the concerns we hear in our sector is that the meat processors are having trouble finding enough labour.

**Mr. Joe Preston:** I have a place they can come.

**Mr. James Laws:** If they could find more labour, they could do more value-added activity. That's something of a challenge. But we are hopeful. We haven't seen the details of the agreement, but there's probably a labour mobility section that we're going to be looking at very closely, because a lot of Canadian meat processing equipment actually comes from Europe. Some of our processors have a challenge in getting technicians over from Europe to repair things quickly. We hope that this will help solve that problem, and it might even solve some Canadian labour shortages as well.

• (1635)

**Mr. Joe Preston:** Right. No estimate there yet, though?

Ms. Sullivan.

**Ms. Kathleen Sullivan:** We don't have an estimate yet, but you're right, we need to start pulling those numbers together. It's still fairly early days.

I think that's one thing overall. This is the largest trade agreement we've signed as a country in a long time. We need to start putting in place the tools that will help us going forward to start to estimate these things. Hopefully, there will be a lot more reasons for us to need those tools in the future.

I think we're seeing a signal that everybody's getting very, very serious about these significant trade deals and we need to do some math on our end to figure that out.

**Mr. Joe Preston:** Even the producers I've had a chance to speak to last week and on the weekend are talking about gearing up.

John, you mentioned how long it will take beef farmers to really decide how they're going to get to the next piece. But if they're deciding to expand or change the way they grow, we also find employment in each of those things. It is critical that we get to those numbers too.

**Mr. John Masswohl:** I think you've hit on an important point here about how things evolve over time and the 500 million customers. As good an agreement this is for today, it will be an even better agreement for the future.

If you look at Europe 20 years ago, they were a net beef exporter, right? Where do they put those people? For those of you who have ridings around large cities, you see that the cities are expanding out into the farmland. Well they're not making more land in Europe

either. You know, 25 years from now they'll have 600 million people and less farmland. They're already a net beef importer. They consume 8 million tonnes of beef per year. That consumption number is going to grow and import is going to be where it comes from.

We really see that this poises us to be that agriculture superpower to provide and supply that food well into the future.

**Mr. Joe Preston:** Absolutely. As I've stated, I hope it makes us that processing superpower, too. That's the answer to this.

Our producers are fantastic at growing things. I'll hold them up against anybody. But if we can also do a couple of things to each of those products before we send them off to someone else, this is more than a win for us. We won't be able to wipe the smiles off agricultural producers' faces for a couple of years on this one. But also, their kids, my kids, and other people in urban Canada will have jobs because of what we've done for our farmers.

**The Chair:** That's sort of the ending statement.

Thank you, Mr. Preston.

We'll go to Mr. Allen.

**Mr. Malcolm Allen:** I hate to disagree with my friend, Mr. Masswohl, since he's from my home district, but the reality of Germany is its reproductive piece is 1.4 children per mother. Germany will actually shrink in the next 25 years according to a just-retired member of the Bundestag. It's actually not going to grow, and they say 500 million may not become 600 million without immigration.

They're actually older than we are on this continent. As much as 500 million is a great market, John, it may not grow to 600 million without immigration, and they have some difficulties with immigration, much more so than us.

Anyway, that's an aside. I want to talk to Kathleen about GIs because the word I heard on GIs going back to a number of different folks I talked to—and it wasn't you, it was actually the EU ambassador. This thing got stuck somewhere because his estimates to me were that at some point he thought we'd be down in the low 50, 60. I've heard a number that's 140-some-odd GIs. Sorry for the acronym, those are geographical indications.

Is that the number? Is it stuck at that? That poses difficulties: Mr. Laws has articulated a couple of their processors that it may pose a potential difficulty for. We don't know yet for sure until the text comes. It may not. It will undoubtedly, according to the technical document, pose difficulties for folks in the future who are new, who will not be able use...and the ones that have been thrown out so far are Parmesan, Parma Ham.

But if there are 140-some-odd, that's a big impact for folks as they develop the new businesses that Mr. Preston's talking about.

If they're competing against the GI, which, quite frankly, is a non-tariff barrier.... We don't really have GIs in this country. We've never had that culture. I know Europeans do, and they love them to death. But I watched the champagne industry in Niagara disappear. There is no such thing as Canadian champagne. It's gone. You can buy brut, but you can't buy champagne. It's the same thing, by the way, for those who like champagne, buy Canadian brut. It's extremely good. But the problem is it's not champagne, you can't call it that, right? Lost it.

Do you have any sense of what the numbers are?

• (1640)

**Ms. Kathleen Sullivan:** Yes. I'm just taking a look at the technical document the government put out last week, and they're suggesting 179 names. That is actually consistent with initial lists that I had seen of the names that came over.

We haven't seen the final shakeout, if you will, for the names. The one thing I will say is that our understanding of about 80% of those names is that they're fairly obscure. They're either in indigenous languages for European countries, or they're for products that would never be made here. One almost got the sense that it was a symbolic request.

I would suggest that the number of products where there is some sort of commercial competition in Canada is much smaller than that 179. Now, that doesn't mitigate the importance—

**Mr. Malcolm Allen:** No; that's fair enough.

I notice that Mr. Chair is going to bang the gavel. Now—

**Ms. Kathleen Sullivan:** Yes. We'll have to take a look at the final list.

**Mr. Malcolm Allen:** Yes, and I think a lot of us are waiting for the final text. I think that's what we keep saying as a party: let's look at the final text.

Mr. Laws, because you actually held up... and I'm happy Mr. Preston is going to get a process for making those pizzas. I think you articulated that—correct me if I'm wrong—where you see the potential for the importation of meat product is on that processed product, and how the door is open to those European processors, to send meat in through the process, then, rather than...as you've very well articulated.

By the way, if you want to know where European pork is, it's at Bâton Rouge. They only sell Dutch pork at Bâton Rouge, according to their CEO.

Do you see that as a major issue as to how that might be how we see red meat come into this country?

**Mr. James Laws:** Well, it's certainly going to be reciprocal, though, a tariff reduction on both sides. It'll be a trade, and maybe it will be a good thing when we see Canadian pork getting to Europe, because we can look at this and say that it may be Canadian pork coming back to Canada in a processed form.

But again, all trade is a good thing. It does help. I think there will be plenty of opportunities for Canadian processors to up their game. With 500 million Europeans, there's a huge opportunity for our own processing sector to process.

Even though there aren't any geographical indications in the deal yet, there still would, though, be an opportunity to market Canadian products, for the benefit of Canada, to 500 million Europeans. Also, there are a lot of Canadians who have a lot of European relatives, and hey, in the past, a lot of other exports of certain food products used to go to Europe, etc.

So yes, it's true that part of my message was yes, that product does come in, in that form, and this deal will help to rectify the current situation where we can't get any meat in. We will be able to get some meat in.

**The Chair:** Thank you, Mr. Allen.

Mr. Hoback, please, for five minutes.

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

I must say that this has been quite the week. The last two weeks have been quite the weeks, actually, with today's Honduras agreement. That's going to get us access of, what, \$6 million or \$7 million annually in meat products? Fast Eddy has been back at it again doing another trade deal, which is great.

**Voices:** Oh, oh!

**Mr. Randy Hoback:** Of course, the agriculture minister was down in Chicago this week with the agriculture ministers from the provinces, talking about COOL and trying to explain to the Americans again how much damage they're doing, not only to the Canadian industry but to their own industry, by their position on COOL and what's going forward there.

I'm just curious. With COOL and what's going on down there, and this agreement, some farmers are asking me if this will offset the damages of COOL. Is COOL going to create more capacity here in Canada for packing and cutting, and that cutting is going to get to other markets like Honduras and Europe.... What do you think of that? Is that a fair statement or not?

**Mr. John Masswohl:** It is curious that the negative impact of COOL—of \$640 million per year to the beef sector and about \$500 million to the pork sector—is roughly around the same numbers that we're talking about in the benefit from the CETA. There is potentially that. There's a bit of a time lag because, as we've talked about, we still don't know yet when the CETA will kick in, whereas with COOL we've been hitting it now.

This has been one of our messages in terms of diversification and why it's important to have trade and open up all these markets. Even the small ones are important to get, because if you do have a barrier in one market, at least you have other outlets.

Really, the impact of COOL has been on live cattle exports. For Europe, we're going to ship beef. We're not going to send live cattle. But if we have trouble getting that full value of those live cattle in the U.S. market, we keep them here in Canada, we process them, the job is here, the beef goes over, and the value is added. It should work out to the benefit....

•(1645)

**Mr. Randy Hoback:** In the last couple of years, I know that Minister Ritz has been all over the globe, selling tongue, livers, and kidneys, and all the fun stuff. Just out of curiosity, do you have any idea of how many trade deals, smaller or minor bilateral deals, we've done in the last two or three years, John? I know that you've been on a lot of those trips.

**Mr. John Masswohl:** There are the free trade agreements and then there are the market openings that have been very important in trying to get back all those markets that closed because of BSE. We've still got a few more things out there, but every time we get one more of those back—I don't have the number off the top of my head—but certainly we like to see them coming, it's that hit parade.

**Mr. Randy Hoback:** Can I get you to submit that number to the clerk if you have a chance? Because I think that would be something to show in our report that would be good for sure.

Talking to my farmers I guess one of the other things is the calf price coming off the grass for this fall compared to previous years, just the price you're getting per pound. You guys are smiling. They're making good money and that's before the CETA kicks in. I think they're looking at the CETA and they're saying this is going to be much better.

One thing I do remember is last week the pork producers had their meeting, I think, if I can quote. I can't remember who the MC was, his name escapes me, but he made the comment about how there's a light at the end of the tunnel and it's not a train. I think that's something I heard quite consistently across Saskatchewan. I'm hoping some hog barns will be opening again back in Saskatchewan. How do you see the pork sector taking advantage of this deal, James? Do you see that?

**Mr. James Laws:** Absolutely. We have some pork facilities in Quebec that were exporting to Europe already, but with the increased price of the Canadian dollar it just wasn't worth their while. When we see this deal kick in and the tariffs eliminated, they're saying that absolutely they'll be back in that market. Others are very keen. They're looking at it right now and want to know more information, when it will come into effect, and they want to be ready when that deal starts. As John mentioned previously, of course they are encouraging us to advocate for a phase-in that's as short as possible so we can take advantage of the full amount.

**Mr. Randy Hoback:** It's kind of curious; in the role of ParlAmericas, talking to a few of the ambassadors from Central and South America, they are very concerned what this deal may do to them because of the preferential market access. I'm sure the U.S. must be very concerned too. Any impact...or maybe give us some overview on how this positions Canada versus other countries.

**Mr. James Laws:** Again, it does give us an opportunity to get ahead of the Americans in this particular situation, even with the current challenges we have for the market into Russia. We are still supplying the Russian market—it's difficult at times—but the Americans are not. Again, with them having the advantage of Korea, we need to diversify away from the United States and get as many markets open as possible.

**Mr. Randy Hoback:** Kathleen, on the green side of things, oats \$119 a tonne, wheat up to \$190 a tonne, that's almost \$190 per acre

tariff on an acre of wheat that's been going into Europe. What are your guys saying as far as capacity to deliver the product to that market? What do we need to do for an infrastructure? I know you touched briefly on the Port of Montreal. Are we going to have to be looking at more rail infrastructure, more ports, more container loading? Do Churchill and Thunder Bay need to be expanded? Have you guys talked about that and the implications?

**Ms. Kathleen Sullivan:** We haven't specifically around this deal, but as you know transportation is a long-standing issue for producers and exporters in Canada when it comes to agri-food products. When we as an industry grow, it's a good thing, but we always have to get our products somewhere and we have to have the infrastructure in place. So whether it's rail infrastructure, a trucking infrastructure... particularly when it comes to the EU the ports are going to be very important. That's not just restricted to the EU, don't forget, and I know you don't, but we are negotiating a deal with Japan right now, we're negotiating the Trans-Pacific Partnership and in the case of those countries and regions the product is going to go out the other side of the country.

It is essential that we not only maintain the infrastructure we have but that we're always looking ahead. If Canada is going to be a trading nation, then it can't just be reliant on producers and processors, we've got to have the infrastructure for transportation within the country to get to the processors and we've got to have the infrastructure to get the product off our shores.

**The Chair:** Thank you, Mr. Hoback.

Mr. Lizon, please, you have five minutes.

**Mr. Wladyslaw Lizon (Mississauga East—Cooksville, CPC):** Thank you very much, Mr. Chair, and thank you to all our guests for coming.

I'm not a regular on the committee, I'm filling in for my colleague today. I do not represent a rural riding, I represent Mississauga East—Cooksville. The riding of Mississauga was full of farmland and farms maybe 20-some years ago. It's not now, it's an urban riding.

I would like to continue along the same line, planning for rural challenges. Before I do that, first I will ask a question, I don't want to disappoint Mr. Masswohl.

Maybe you could explain the basics to us, how the product weight and the carcass weight work.

•(1650)

**Mr. John Masswohl:** I was wondering if we'd get there. You've just used up all your time.

**Some hon. members:** Oh, oh!

**Mr. John Masswohl:** Basically, what it comes down to is there are different ways of measuring the weight of the shipment. For product weight, if you ship a tonne, it counts as a tonne against the quota, but for the carcass weight, a conversion factor is applied. If you ship a tonne of boneless beef, the conversion factor is about 1.3. They count it as 1.3 tonnes even though you shipped one tonne. If it's bone-in, depending on what the percentage of the weight by bones is, it's a lower conversion factor.

Generally we do a 1.3 conversion.

**Mr. Wladyslaw Lizon:** Thank you very much.

Now with regard to planning and challenges, some have already mentioned the labour shortage. How will we address that? It's great when you open new markets and you have new opportunities, but do we have a plan for how to get people to work and how to expand production on the farms and at the processing plants?

Kathleen, you mentioned canola oil. Not too long ago I was making an inquiry on behalf of a European company that was looking for a supplier of canola or rapeseed oil for biofuel, and the answer I got was, "Sorry, we can't deliver. We are at capacity."

In what areas are we at capacity, and what are the challenges you see that we have to plan for?

**Ms. Kathleen Sullivan:** Maybe I'll address that first, and John and Jim probably want to talk about the labour issues.

One of the great things about this deal is that it seems as though trade deals move really slowly, but that does give us time to plan. We would expect that a deal concluded today will probably take two years to get through the legislatures, and that does give the industries time to start thinking about shipments to the EU and what kind of capacity they need. If you start to see deals closed in the Asian market as well, then you start to get the critical mass necessary for these plants to come on board.

I know in the canola-crushing industry there have been a lot of plant openings in the last few years, and I think they're still working to add more. I think the most important thing about the CETA is that industries have a chance now to start thinking about what kind of capacity they're going to need in two years and start putting in place the infrastructure they need to take advantage of this deal. It's not just that. You heard that John and his colleagues went over to Europe to visit countries. We also have to start going to Europe, because we want to sell products to those people. Having a trade deal is wonderful, but these are customers and we have to do all the customer service that you would do in any other industry. We have to travel to Europe and start to build the markets and the customer base over there as well.

I think the good thing about the CETA is there is time for these industries. They have a clear understanding of what's in the deal and they know it's worth their while to start building the infrastructure. They can start planning.

**Mr. John Masswohl:** Shortages of farm labour are a real problem across the country. There's a difference between seasonal workers and permanent workers. The Canadian Agricultural Human Resource Council has estimated that we're short about 50,000 full-time, year-round agricultural workers in Canada as well as a number of seasonal workers.

I know there are areas of the country that have chronic unemployment as well. The area I'm from, which is Malcolm Allen's riding—Thorold, Welland, that sort of thing—is one of those areas that traditionally have very high unemployment. But I just don't see 50,000 people leaving a place like Welland, and two of them going to one little place in Alberta, two of them going to another little place in Saskatchewan, and showing up every day and moving...so it's a problem. We have shortages and we have oversupply, but they're just not in the right places and they're not the people with the right skills

necessarily, because a lot of the unemployed people tend to be in the cities.

Agriculture work, I tell you, is not easy work. It's very difficult work, and I just don't see that we're getting those people.

So part of the answer for us is really having a strong foreign worker program. There has been a lot of talk in the last year about the temporary foreign worker program, which maybe is a misnomer because we don't have only temporary jobs. We have some permanent jobs, so we need to find ways to bring people in for these jobs, and also to create a pathway for them to become either permanent residents or citizens and fill those jobs permanently.

•(1655)

**The Chair:** Thank you very much, Mr. Lizon.

We actually have enough time to do four three-minute rounds, and we would do them as we did the first rounds. We'd start with the NDP, go to the Conservatives, give the Liberal another chance, and then go back to the Conservatives. That should take us to the time we should be adjourning.

Mr. Atamanenko, you have three minutes.

Oh, I'm sorry. Madame Raynault, go ahead for three minutes.

[*Translation*]

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

Ms. Sullivan, in your document, you say: "The CETA has established mechanisms to promote cooperation and discussion on regulatory issues and non-tariff barriers that impede trade."

Could you please tell me what those mechanisms are?

[*English*]

**Ms. Kathleen Sullivan:** There are a number of mechanisms that have been put in place for the CETA to address the non-tariff barriers, so in the text of the treaty itself, there will be language around the governments cooperating together. The two governments will in fact set up committees that will work together on a regular basis with an agenda of issues that they'll work through.

We also tried to use the negotiations themselves as leverage to solve problems that we're facing today. In that case, we received commitments from the European Commission to continue working on, for example, some of the issues that Jim raised earlier in his testimony around differences in how processing plants work on both sides. There are some of the things I refer to in the treatment of biotech traits. There are a number of mechanisms. What's really important, though, is that we actually see resolution of those issues before these deals are ratified. If we don't see those issues resolved, then really the value of the deal starts to evaporate.

**The Chair:** Okay, you have another minute.

[Translation]

**Ms. Francine Raynault:** Mr. Laws, you spoke before about compensating dairy farmers. You know that there are a lot of dairy farmers in Quebec. Will they be compensated if they suffer losses?

**Mr. James Laws:** We don't know the answer to that question. I mentioned it because it concerns compensation that the government could give to the dairy industry. Should there be complications or a negative impact for those three companies with trademarks that would be lost, they would also hope to receive compensation similar to what the dairy industry gets.

**Ms. Francine Raynault:** Thank you.

I'm finished, Mr. Chair.

[English]

**The Chair:** You have 20 seconds, so it requires a short answer.

Go ahead, please.

[Translation]

**Ms. Francine Raynault:** Ms. Sullivan, you spoke about some grain products. I don't have a lot of time, and neither will you to answer my question.

You said that customs tariffs will not be eliminated immediately for some grain products. Which ones?

[English]

**Ms. Kathleen Sullivan:** The tariffs on grains will all be phased out. None will go to zero on day one; they'll all be phased out over a period of seven years.

**The Chair:** Thank you, Madam Raynault.

I'll now move to Mr. Zimmer.

**Mr. Bob Zimmer:** Sir, again, thanks for answering our questions and reiterating why we have a CETA in the first place. We think it's a good thing for Canada and Canadians, and some of you have also mentioned that it's not just a good agreement for today. I think, John, you said it's a good deal for the future. I think that's an important point to make in terms of opportunity for Canadians and Canadian producers.

I was in the U.S. talking to the Americans about our COOL agreement. We made some proposals at some Canada-U.S. meetings, and they supported our position on COOL, that it's really not a functional document the way it is. Things need to be changed, for their benefit as well as ours.

Maybe I'll give it to John to speak to the reason that we need to diversify our market because we have that big neighbour to the south. We like them. I like to say we're brothers. We often don't get along, but they're still family, right? Why do we need to diversify our markets and not rely on the U.S. so heavily?

• (1700)

**Mr. John Masswohl:** We are very dependent on the U.S. for our exports. We export about half of what we produce in the beef sector, and about 80% of that goes to the United States. When you do put so many eggs in one basket, you're vulnerable if something goes wrong. So here we are in the COOL situation. It has cost us a lot of money. It has cost us, over the five years that it's been in, probably over \$3

billion. Ultimately, if we have other opportunities to send that product, it's going to mitigate that. We're never going to go away from the United States. It's sitting right there; it's the largest beef-consuming market in the world. Any other beef-producing country would just die to be in our place of having that close access, but it comes with that potential. If something goes wrong, you need to have those other opportunities.

I guess the last thing I would say, as I say fairly frequently, raising cattle is not like making other things. We're not an assembly operation; we raise the animal and then we sell it to the packers who disassemble it, and they have to sell each piece to the market that is willing to pay the most for it. Sometimes that market is the U.S. for certain pieces, but we think Europe is the highest-priced market for certain cuts. For other cuts, it's Japan or Russia or Egypt. You just have to have access to all those markets to get the most value.

**Mr. Bob Zimmer:** James, you spoke about pork. For those who weren't part of this committee in previous years as I was, pork has had a really tough go of it over the last few years. Can you explain—you have already—where pork was at, where potentially it can be with this agreement?

**Mr. James Laws:** Well, the pork producers had a very rough time in terms of pricing. The cost of feed ingredients went way up. It makes it very difficult. They have very high capital costs in their barns, etc. They can't just stop producing the animals, so that's very difficult for them. As John mentioned as well, there's a very huge effect on Canadian pork producers who are sending animals down to be finished in the United States. That made it very, very difficult for them. The more animals we can process in Canada to sell out, the better. Canada is a major world exporter of pork, and we're number two in the world, I believe. If we can get Europe as well under this access, there's no reason why we couldn't become a world leader and maybe—possibly—number one in exporting too. We have a lot of capacity to produce a lot of animals in this country.

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

I'll go to Mr. Eyking for three minutes, please.

**Hon. Mark Eyking:** I have three questions, one for each of you.

The first is for Kathleen. In the paper you sent, in the last paragraph you said, "9 out of every 10 farms in Canada depend on exports". I don't know where that number came from. I find it hard to believe, with so many small farmers, farmers' markets, and supply management in the local horticulture industry. When you look at the exporters, they are big farms. Where did that number come from?

**Ms. Kathleen Sullivan:** It's a study that the George Morris Centre did a number of years ago. They basically looked at farms that actually export products, so 50% of all of our products are exported, and then products that are actually priced on world markets. We have a lot of products that we sell domestically, but our farmers are still price takers, and the price is based on world markets. Even if we are growing our product domestically and selling it domestically, we still have to pay a lot of attention to what goes on around the world because it has a significant impact on us. It certainly excludes your supply management industries.

**Hon. Mark Eyking:** But it changes the makeup of the way you presented it.

John, is it possible that we could ship the cattle from out west and finish them off in the east coast—corn or whatever—and process them, if we needed more labour for processing and slaughtering, and then ship them to Europe? Is it possible to do that nowadays, to ship cattle on cars again? Or is it just not feasible?

**Mr. John Masswohl:** It's not happening right now, at least sending cattle out to your neck of the woods. But there are lots of young cattle that come from western Canada into Ontario, for example, because the infrastructure is there in Ontario for the feeding and for the processing. Part of the challenge in Atlantic Canada is that the infrastructure isn't there. But if we get that packing plant....

**Hon. Mark Eyking:** —or even in Ontario.

**Mr. John Masswohl:** —say Atlantic Beef in Charlottetown, P.E. I., if it's approved for export to Europe, I don't see why things like that couldn't occur.

• (1705)

**Hon. Mark Eyking:** Mr. Laws, my last question is for you. We've seen a Brazilian company buy a major killing plant lately in Alberta. Where is the processing industry going? Do you see big companies outside Canada buying our plants, or do you see companies outside Canada setting up plants? What do think is the makeup, and is there a problem with that foreign ownership of our killing plants?

**Mr. James Laws:** That's a good question. Certainly the beef side is different from the pork side in Canada. Almost all of the pork processing facilities in Canada are owned by Canadian processors but, having said that, JBS Canada certainly expressed a great interest in being ready and taking advantage of this Canada-EU deal, which really quite pleases us a lot. All of the other countries as well are looking at—

**Hon. Mark Eyking:** They are a Canadian company are they, JBS?

**Mr. James Laws:** JBS Canada. Their headquarters is in Brazil. But nevertheless they certainly are devoted to growing the business in Canada. They have Canadian management in that facility. We're glad that they came to Canada to do that. That's really good news.

**Hon. Mark Eyking:** It doesn't leave us vulnerable and it could help us expand with foreign ownership.

**Mr. James Laws:** Well, in that particular case as well, they did purchase Establishment 38, which we all know had a problem with an E. coli recall in that facility. It was really good news that they did come and bring their international expertise to that facility to make sure that the product coming out of that facility was top rate. That's what they are doing.

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

I'm going to go to Mr. Preston, but I have one question first.

You've talked about, in the beef part of it specifically, the need for 500,000 head. Out of that, I think, 100 kilograms of that animal would be used for an advantage of \$11 a kilogram. Is that the total amount of that animal that would likely be exported to the EU? If it is, we're likely left with another 300 kilograms, in terms of dressed weight and what have you. Are we in a position then to deal with that much extra market for the rest of the animal? I wonder if you could give us a bit of a highlight on it.

**Mr. John Masswohl:** Yes. Those animals and that extra weight would still be beef that was produced under that EU protocol, so produced without hormone implants, produced without any growth enhancers. Certainly, there is a market for that product in Canada, in the United States, and it's also a higher value niche market and perhaps that segment is growing. If the money is there it will grow.

We've seen in the last year countries like Russia and China also insisting that the product be produced without those technologies as well. We see that there are outlets for that product and, of course, it can still be sold in conventional markets as well.

**The Chair:** Thank you.

Mr. Preston, your time. Three minutes, please.

**Mr. Joe Preston:** We did talk about there being a phase-in on the grain side, but it's my understanding that sweet corn gets an exemption from that, that some 8,000 tonnes of sweet corn gets to go duty free as of the start of the agreement. First of all, will that cut into my supply and is there a market for 8,000 tonnes of sweet corn in Europe at the moment?

**Ms. Kathleen Sullivan:** Sweet corn has remained a bit of a mystery for us throughout the negotiations. The Europeans, particularly the French, I believe, are very sensitive to concerns about Canada flooding European shores with our sweet corn. My last understanding was there was no one in Canada actually exporting sweet corn to the EU, so I'm not sure there is—

**Mr. Joe Preston:** Whether there is that market or not.

**Ms. Kathleen Sullivan:** The one thing I will say about the grains, though, is that one of the really nice wins in this deal is that with low-grade and mid-grade common wheat we were able to actually get an immediate quota for those products. We have a quota of 38,000 tonnes and it goes immediately to 100,000 tonnes and that's worth about \$20 million right off the bat.

**Mr. Joe Preston:** Way to go. That's great.

**Ms. Kathleen Sullivan:** Way to go to our negotiators.

**Mr. Joe Preston:** The other piece is, and I'm not sure we've touched enough on it today.... We've touched on it a little bit, but it is that we're there before the U.S. This is a significant trade deal with a very large market and Canada is there before the United States. I know there was a little bit of bragging, if you will, on the U.S.-Korean deal and how they had finished there first. We saw a little bit of an effect of that on us. But how big an issue is this, that we're there before the U.S. is even—we think—doing very well at the table?

• (1710)

**Ms. Kathleen Sullivan:** It's huge, and we've been bragging ourselves to our American colleagues.

**Mr. Joe Preston:** I'll get a bunch on the phone too, if you'd like.

**Ms. Kathleen Sullivan:** It's not across the board, but in many respects we produce a lot of the same products as our American counterparts.

**Mr. Joe Preston:** Right.

**Ms. Kathleen Sullivan:** Where we are big exporters, they are big exporters. They truly are one of our biggest competitors, so if we can get into a 500-million person market ahead of them, then good on us.

I think what it also does is signal to the rest of the world that Canada is a significant player when it comes trade deals.

To an earlier question, I think the Americans and the Europeans will be difficult adversaries in negotiations; they certainly will hold their ground with each other.

**Mr. Joe Preston:** I'm guessing that will be the case.

**Mr. James Laws:** Mr. Chair, to add to that, I think it's very important to note that for Canadian farmers the deal is that it has to be Canadian animals used in the meat sent over. We can't sneak in U.S. meat and send it off. No, it will benefit Canadian farmers.

**Mr. Joe Preston:** Yes.

**The Chair:** I want to thank you, Mr. Preston.

I want to thank the witnesses for coming out and being very timely. We're right on time, so I thank you again.

We'll break for a few minutes while we reset the clock for an in camera session.

Thank you.

*[Proceedings continue in camera]*

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