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## Tuesday, December 10, 2013

## Chair

**Mr. Bev Shipley**

# Standing Committee on Agriculture and Agri-Food

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• (1530)

[*English*]

**The Chair (Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC)):** I'd like to call the meeting to order. Pursuant to Standing Order 108(2), our study is on the Canada-European Union comprehensive economic and trade agreement, better known as CETA, and its effect on the Canadian agriculture sector. This is meeting 11.

I want to welcome our witnesses.

From the Canadian Aquaculture Industry Alliance, we have Ruth Salmon, executive director.

From the Canadian Vintners Association, we have Dan Paszkowski, president and chief executive officer.

From Spirits Canada, we have Jan Westcott, president and CEO, along with C.J. Helie, executive vice-president.

I will start off with Ms. Salmon. You have eight minutes.

**Ms. Ruth Salmon (Executive Director, Canadian Aquaculture Industry Alliance):** Thank you very much for the invitation.

I'll start out with a bit of a description of what our association is. We're the national industry association that represents the interests of Canadian seafood farmers across Canada, feed companies and suppliers, as well as provincial finfish and shellfish aquaculture associations. Most of my comments this afternoon are going to be focused on farmed seafood, but I thought it would be helpful to give the committee an overview of the EU market for Canadian seafood to start out with.

The EU is the largest seafood import market in the world and it's a growing market. Canadian fish and seafood exports to the EU are currently about $400 million. These exports have attracted an average tariff of 11%, with some up to 25%, making access obviously quite difficult. With CETA, 96% of tariff lines will become duty free immediately and others will be duty free within seven years.

The new free trade agreement will open up large new opportunities for seafood, including farmed seafood.

Let's take a look at the current situation analysis for farmed seafood products exported to the EU. With limited potential to increase farmed seafood production right now in Canada, any new markets require diverting products from existing markets. When you add the high tariff rates to the supply limitation, you can see why the EU has not been a priority export market to date. However, we have had some limited opportunity with high-value niche products, such as live oysters, value-added mussels, caviar, and farmed sablefish. This is just a list of products that we currently export to the EU. I won't go over them because of time.

What are the near-term opportunities? When CETA is implemented those companies that are doing business in the EU now will be definitely looking to expand. While competition in seafood is very intense, the demand for seafood is growing, particularly in the EU. Canada has a reputation for consistent high-quality farmed seafood products, so that's a very good foundation. However, if the Canadian industry is allowed to grow, the EU will become a natural new market for high-end value-added farmed seafood products. This will also result in new jobs here in Canada, as value-added products require additional labour.

Let's look at the global trends and see where farmed seafood fits in. The global population, as we know, will exceed nine billion by 2030. We also know that land and freshwater resources are becoming scarce for increased food production. Aquaculture is the fastest growing food industry in the world, with an annual growth rate of 6% to 7% per year. With that growing population and the increasing awareness of health benefits of seafood, it gives us a very strong market demand for farmed seafood now and into the future.

I'll turn to the current situation for aquaculture in Canada today. We're valued at $2.1 billion. We employ 14,500 full-time workers, particularly in rural and coastal communities. We farm in every province as well as Yukon. We're one-third of the total value of Canada's fisheries production, and we export certainly the majority of what we produce.

Canada has the potential, however, to do so much more. Canadian aquaculture grew rapidly from the early 1980s to the end of the 1990s, but since that time, even considering pockets of growth in some areas of the country, overall industry growth has basically been stagnant, as you can see on the slide. Adding to that, despite our enormous competitive advantages, Canada's share of the world's farmed fish market has fallen by 40% during the past decade. Canada now only accounts for 0.2% of global aquaculture production. This stagnation has taken place while other producers in New Zealand, Norway, Scotland, and Chile have raced ahead. As a result, certainly Canada is missing an opportunity, and at a time when there is a such a huge demand for food globally, it's a missed opportunity for the world.

The natural question is why have we flatlined? The principal challenge confronting our sector is the complicated set of regulations that restrict growth and limit investment. Our industry is regulated by the Fisheries Act, which is a wildlife management act. It was never meant for an innovative food production sector like aquaculture. This is a piece of legislation that dates back to Confederation when commercial aquaculture in Canada didn't even exist.

● (1535)

In addition, rapid development of the sector in the 1980s and 1990s resulted in a myriad of federal, provincial, and local regulations, many of them implemented before commercial aquaculture was even a significant activity.

As a result of this patchwork approach, many of these policies and regulations are reactive and inefficient. Together they create an overarching policy framework that retards competitiveness, obscures certainty, and stalls growth.

I need to stress that the industry is not looking for less regulation, just more efficient regulation. Discussion about the need for a new regulatory and legislative framework is not new. Numerous reviews, reports, and studies have been done over the past 30 years that highlight the inappropriate legislative, regulatory, and policy environment that exists in Canada. Most recently, the Conference Board of Canada released a report on how to improve the economic viability of Canada's seafood industries. In that report they also recommended an aquaculture act.

This next slide is a result of discussions with our members, both finfish and shellfish, who are interested in investing and growing their aquaculture businesses in the short, medium, and longer term. Projected growth is based on the assumption that we will achieve improvements to the regulatory, legislative, and policy environment. This projected growth not only positively impacts employment and economic activity, as you can see, for rural and coastal communities, but also allows us to capitalize on trade agreements such as CETA.

In summary, our association certainly supports and applauds the federal government with respect to CETA. However, we require increased growth and competitiveness to take significant advantage of this market opportunity. Aquaculture in Canada offers tremendous opportunities. Working together we can renew a vibrant aquaculture industry in Canada and unlock the full range of economic, environmental, and public health benefits that flow from a growing farmed seafood sector. That work together will require regulatory reform, a national aquaculture act, and vision for growth.

Thank you.

● (1540)

**The Chair:** Thank you very much, Ms. Salmon, for your presentation.

Now I'll move to Mr. Paszkowski, from the Canadian Vintners Association, for seven or eight minutes, please.

Thank you.

**Mr. Dan Paszkowski (President and Chief Executive Officer, Canadian Vintners Association):** Thank you, Mr. Chair, for the opportunity to provide the Canadian wine industry's perspectives on CETA and discuss opportunities to take full advantage of this important agreement.

As the national voice of the Canadian wine industry, CVA membership accounts for more than 90% of domestic wine produced and sold across Canada. CVA members are engaged in the entire value chain, from grape growing and harvesting to wine production, retail, research, and tourism.

We produce two types of wine products, 100% Canadian wines, namely, product of Canada and VQA wines, as well as international Canadian blended wines, better known as ICB. Both wine categories are fundamental to the future success of Canadian wineries and grape growers.

Our industry is made up of 500 wineries and 1,600 grape growers, supporting the employment of 31,000 Canadians and contributing $1.2 billion in wages. Our national economic study released in March of this year confirmed that the Canadian wine industry contributes $6.8 billion to the national economy annually, broken out to $3.7 billion from our 100% Canadian wine business and $3.1 billion generated by our ICB wine business.

It may be surprising to learn that Canada is the third fastest growing wine market in the world, with consumption growing three times faster than the global average, and yet, with more and more Canadians choosing wine as their beverage of choice, Canadian wines represent a mere 30% domestic market share.

Wine is Europe's largest value-added agricultural export to Canada, and enjoys significant market access through provincial and territorial liquor board systems.

I'll give you a snapshot of EU wine sales: 190 million litres valued at just over $1 billion; 52% of total import value; 50% of import volume; and Italy, France, and Spain alone represent 91% of EU wine imports and three of the top five importing countries to Canada.

By comparison, roughly 50 Canadian wineries are presently involved in international business, with a primary focus in the U.S., Asia, and Europe. Total wine exports from Canada are valued at $41 million on 26 million litres of wine. Clearly we have a major wine trade imbalance with Europe, with exports of 403,000 litres valued at $2 million.

Unlike other agricultural sectors, Canada negotiated and signed a Canada-EU wine and spirits agreement in 2004, which will be incorporated into the new CETA. As a result, the majority of trade issues have already been negotiated, including mutual recognition of wine-making practices; protection of geographical indications; loss of common wine names, such as Chablis, champagne, port, and sherry, which we're going to lose in the next two weeks; wine certification; and an ice wine definition.

With most tariffs on EU wines entering Canada having been reduced or eliminated in 2008-09, the ratification of CETA will remove all remaining tariff lines ranging from 2¢ to 5¢ per litre, valued at approximately $4.5 million, according to federal officials. Removal of EU import tariffs on Canadian exports range from 19¢ to 45¢ per litre, providing a benefit of roughly $200,000.

CETA will also remove all import tariffs on viticulture and winery equipment entering Canada, such as tanks, harvesters, bottles, etc., thus reducing the cost of equipment imported from Europe.

Some liquor board cost-of-service differential calculations, primarily in Ontario, will have to be changed from an *ad valorem* to a flat fee schedule. This calculation is the difference between liquor board markups on domestic and imported wines, which only permit the recovery of higher costs of bringing wine to market. The Canadian wine industry remains hopeful that these changes will be revenue neutral and not result in any additional costs passed on to Canadian wineries.

CETA will also continue to permit private winery retail stores that exist in Ontario and British Columbia, but the number of stores will be capped at a maximum of 292 stores in Ontario and 60 stores in British Columbia.

Under CETA, export subsidies will no longer be permitted. Support for wine promotion will be permitted unless it can be proven that the level of support is causing a negative impact on domestic wine producers.

The Canadian wine industry supports CETA and free trade agreements in general. We believe that access to 500 million European consumers will enhance our export interests. In addition, anticipated domestic savings of $1,000 per Canadian resulting from CETA will support greater domestic buying power.

● (1545)

While CETA will provide greater export access for Canadian wines over time, the sheer size of EU wine sales in Canada, together with improved market access, tariff elimination, potential for lower cost of service, and attractive Canadian wine market will provide greater economic benefits to EU producers.

It is important to note that between 2000 and 2012, roughly 80% of wine sales growth in Canada came from imported wines. While wine exports are an important part of our future, we cannot ignore that CETA has the potential to further expand EU imports in a growing Canadian wine market.

To take full advantage of this agreement and build market share in both our premium and value priced categories, we require support of federal government policy to assist our sector become more competitive and increase our wine sales in both Canada and Europe.

We ask members of the committee to support the following recommendations.

First, after signing the CETA in principle, the EU announced renewal of its wine industry promotion program. Over the next five years, European wine producers will benefit from $38 million per year in European Commission support, matched by industry and/or member states, to promote wine sales at home and abroad. In support of Canadian wine industry growth, the federal government should enhance both domestic and export market promotion beyond the current $220,000 available through the Growing Forward 2 agri-marketing program.

European Union wines own a 50% market share in Canada, with 40% of wines sold below $10 per bottle. The federal government should level the playing field for Canadian grapes and expand the current excise duty exemption beyond 100% Canadian wines to include any Canadian grape content used in wines sold in Canada.

In Europe, wines labelled “product of France” must be made wholly from French grapes. In support of fairness, the federal government should amend the federal guide to food labelling and advertising, which currently permits a minimum 75% French grape content to use “product of France”, when “product of Canada” wines require 100% Canadian wine content.

Blended wines sold in Europe are labelled “blend of wines from different countries of the European Community”, or alternatively, “blend of wines from different countries outside the European Community”. In support of consistency with other food products sold in Canada, including the “made in Canada from imported and domestic ingredients”, we recommend that blended wines be designated “blended in Canada from imported and domestic wines”.

Finally, wines sold within the EU must adhere to an established list of regulated container shapes and sizes. In support of Canadian competitiveness, the federal government should maintain, rather than repeal, the existing container size regulations for wines sold in Canada.

In conclusion, we believe that CETA can provide economic benefits and, with some government support, we can take full advantage of this agreement and grow Canada's wine industry from a $6.8 billion to a $10 billion economic engine.

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

**The Chair:** Thank you very much for your presentation.

Now we'll move to Spirits Canada and Mr. Westcott for eight minutes.

**Mr. Jan Westcott (President and Chief Executive Officer, Spirits Canada):** Thank you, Mr. Chair. I'm Jan Westcott, and this is my colleague, C.J. Helie.

Before I address the topic on today's agenda, I'd like to extend our appreciation to the committee for its recommendation in its food supply chain report to address the discrimination against spirits under the federal Importation of Intoxicating Liquors Act, and the Excise Act. Thank you. The committee's support is greatly appreciated.

We're pleased to appear today in support of the Canada-European Union comprehensive economic and trade agreement, CETA.

Spirits Canada is the only national organization representing the interests of Canadian spirits manufacturers, exporters, and consumers. We are primary manufacturers. We source locally grown cereals such as barley, corn, rye, and wheat, and transform them into high value-added consumer products.

We are tied directly to the farming community. Many of our companies have decades-old relationships with local farming families to grow specific commodities to very exacting standards. Companies are seeking the best of the best in order to produce the highest quality spirits.

Spirits annually represent more than 65% of all Canadian beverage alcohol international exports, significantly more than beer, cider, and wine exports combined. The total export of spirits during calendar 2012 were worth over half a billion dollars, and fortunately, were 33% greater in value in 2012 than in 2008.

The industry is founded on our signature products of Canadian whisky and Canadian rye whisky, but we produce and market a full range of spirits products, including gin, rum, vodka, liqueurs, and ready-to-drink products. In fact, the value of Canadian liqueurs alone exported internationally is almost twice the value of all of the Canadian wine exports last year.

Many Canadian spirits manufacturers are investing heavily to expand their exports, and these expensive investments are showing concrete results. The industry's international exports for the first nine months of 2013 are 20% higher than last year. Canadian spirits manufacturers would be considered relatively small-scale operators compared to some of our competitors in the scotch and bourbon industries, and we're certainly restrained by lower profitability in our home market, but we tend to punch quite a bit above our weight class internationally.

Canadian spirits brands have a great reputation internationally for quality and authenticity. Our members have invested heavily in recent years in developing new brands, premium brand extensions, and new packaging, as well as enhancing our productivity.

Canadian spirits offer tremendous potential for growth both here at home and abroad, and CETA in particular offers another important step in the evolution of the bilateral alcohol trade between Canada and Europe.

CETA builds on the previous 2004 wine and spirits agreement, which Dan mentioned, and will provide further positive forward momentum. I'd like to highlight for members four key sector specific initiatives within CETA that will be beneficial to Canada.

First, spirits consumers in this country will benefit from the elimination of remaining import tariffs.

Second, most of the growth in the market these days is in the premium and super premium end of the business. People in fact are drinking less, but they're drinking better quality materials. These premium brands will benefit from the conversion of the liquor board service fees from the *ad valorem* that Dan mentioned, a basis that penalizes higher value products to a new flat rate volume-based price structure.

Third, Canadian spirit manufacturers now will also be able to source spirits in bulk from the European Union and bottle them here in Canada, providing greater flexibility and potential cost efficiencies to the Canadian business, as well as additional value-added activities here in Canada for certain companies.

Finally, CETA will ensure greater transparency and marketplace disciplines in regard to state trading enterprises engaged in various aspects of liquor importation distribution details, or as they're more commonly known, liquor boards.

Last year's spirits represented over 80% of all Canadian beverage alcohol imported by the 27-member state EU. Our principal current markets in Europe include France, Germany, Finland, Spain, Sweden, and the U.K. These six countries represent the majority of our sales. That said, there are great growth opportunities for us in many EU states, including the Czech Republic, Estonia, Hungary, Latvia, Lithuania, and Slovenia, as these eastern European consumers migrate, as we're seeing across the world, from vodka to brown spirits, particularly whiskies.

Some trade critics are concerned that free trade agreements encourage offshore production in lower cost countries. This concern does not apply to spirits. Under Canadian law, all Canadian whiskies must be mashed, fermented, distilled, and matured in Canada.

● (1550)

More importantly, fresh and pure Canadian water and Canadian-grown premium barley, corn, rye, and wheat are essential to creating the unique taste profiles of our loved iconic brands, brands that in a number of cases have been produced and sold continuously for over 150 years, such as Canadian Club and Wiser's, among others.

The growth in international exports of Canadian spirits translates directly into more jobs here in Canada on Canadian farms, in Canadian spirits facilities, and in hundreds of small and medium-size businesses that serve and support our production and maturation facilities.

We'd like to extend our appreciation to the Canadian government and ministers Ritz and Fast for their leadership through the negotiation, as well as to Canadian trade officials. The bilateral communications that took place between industry and Agriculture and Agri-Food trade officials were really excellent, and we felt very well informed throughout the various stages of the negotiations.

I'd also like to recall for committee members the Canadian spirits industry request for a modest reduction in the excise rate per litre of absolute alcohol in spirits excise duties. The impact of the 2006 excise rate changes has dramatically escalated the federal fiscal burden on spirits versus those of our direct competitors.

Such a modest decrease in our tax load is a critical precursor to the industry taking full advantage of new emerging trade opportunities that are being created through the government's trade agenda and for us to reach the full potential of the Canadian spirits industry.

Thank you very much for your time.

● (1555)

**The Chair:** Thank you to all of the witnesses for the great presentations.

Now we'll turn to our committee members.

We'll start off with Madame Raynault. You have five minutes, please.

[*Translation*]

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

My question is for the wine producers.

As you may know, tobacco was extensively grown on Quebec land for decades, especially in the Saint-Thomas area, in Joliette. Domaine Le Mernois was established by people who used to grow tobacco, but it is now a vineyard. It would not be easy for them to leave, because they invested heavily in the business. They make a red wine they named Terratabac—it is delicious and a very good port as well. They are still a small-scale winery. The Joliette-Lanaudière Christmas markets were held on the weekend, and I did some shopping, of course.

With free trade, more European products will be entering Canada. What problems will this cause to our young producers?

[*English*]

**Mr. Dan Paszkowski:** First of all, it's not unique that tobacco country has gone to wine. The same thing happened in southwestern Ontario. A significant amount of farmland has turned over to wine. One of the challenges in that regard is under the current Income Tax Act. If you shift from a Chardonnay to a Merlot, you can write off all of your costs to transfer, but if you're shifting from tobacco, cherries, or peaches into a different agricultural product, you're not allowed to write off any of your additional cost to move to a new, higher value-added viable product, which is a challenge internally.

In terms of the Canada-EU agreement, I don't see that there's going to be any significant impact in terms of competitiveness. We compete right now with some of the best in the world. The Europeans already have 50% of our market. Taking 2¢ to 5¢ off in tariff per litre won't amount to a significant amount. The fact that we are producing a high-quality international product such as you have identified is what it takes to survive.

What we do need is some type of support, like the Europeans provide to their industry, in terms of domestic promotion, to be able to promote our products within Canada. For the first time this year, Growing Forward 2 has provided that type of funding. That's something we have to take greater advantage of, and hopefully, more funding will be available to be able to compete with the products that will be entering into Canada.

There are great opportunities for this country. We only own 30% of our market. Any wine-producing market around the world owns 90%, 95%, or even 99% of its market. There are significant opportunities here. A little bit of support to be able to capture the domestic market would help us grow our competitiveness and enable us to launch into the export market. For those smaller companies, the 50 or so companies I mentioned already, the reduction in tariffs in Europe will definitely help them enter into that marketplace.

Thank you.

[*Translation*]

**Ms. Francine Raynault:** Do we export a significant volume of Canadian wine to Europe at this time?

How does this amount compare with the volume of European wine imports?

Are tariff barriers the only factor preventing us from breaking into the European market?

[*English*]

**Mr. Dan Paszkowski:** As I mentioned, there is a significant imbalance in trade. We're looking at 190 million litres valued at $1 billion entering into Canada, and we're exporting under 500,000 litres of wine to Europe, valued at about $2 million.

The challenge with wine in Europe is that they're superpowers in wine production. They're exporting all around the world because they produce more than they can consume. We look for niche markets within the European marketplace such as London in the U. K., and we're using our ice wine in certain parts of Europe to access those markets.

Our focus has not been traditionally on wine-producing countries. It's been on non-wine-producing countries within the European Union. We see opportunities there, but we also see great opportunities within Canada that we can't close our eyes to. As the third fastest growing wine market in the world, not only the Europeans but every wine-producing country around the world has its eyes on Canada as an attractive market. There are great opportunities domestically as well as internationally.

● (1600)

**The Chair:** Thank you very much, Madame Raynault.

Now we go to Mr. Lemieux.

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

Our wineries win wine competitions in Europe. When I look at countries that export to Canada, their presence in Canada changes over time. There was a time when a country might not have had much presence in our market, but it has more today, or the other way around. It is a shifting landscape.

Given CETA and what you have in place that might very well become a chapter of CETA, do you see our wine industry trying to exploit an opportunity in Europe, or do you see it focusing more on the market at home?

**Mr. Dan Paszkowski:** We have great opportunities at home, and it's very important that we take advantage of the domestic opportunities. If we don't, the Europeans will.

Exporting to Europe will happen. Those exports will grow, but the margins have to be there. If the margins are greater in Canada than they are in London, it makes more sense to sell your product in British Columbia or Ontario. That's going to be number one. Not all companies will be able to enter into the export market, because of the margin difference.

If you want to get an international reputation, as is very important for our industry, we have to export. We have to get access to different markets and get that type of exposure. We are winning international awards for the best Chardonnay in the world, the best Pinot Noir in the world, the best Shiraz in the world, but we have to let people know that. That will not only support our export industry; it's going to support our tourism industry. We have three million tourists coming through our wineries every year. That's a significant number of people, and not all of them are Canadian. That also will benefit exports over time as those tourists go back home and want to share that unique experience with their friends.

**Mr. Pierre Lemieux:** Thank you for that. That's a good answer. It looks in both directions at the same time, but looking to exploit Europe is perhaps more of an opportunity in the future.

There's a clause in CETA that neither Canada nor the EU will be allowed export subsidies. We've had groups here that have complained that the EU heavily subsidizes its agricultural sector. Do you see this as a game changer? Is it a commonly held perception in our wine industry that their wine industry is heavily subsidized? Would subsidized pricing cause this to be a game changer?

**Mr. Dan Paszkowski:** This is always mentioned by people within our industry. In our discussions with wine producers around the world, we hear that the European Union wine industry is heavily subsidized. Unfortunately, they're able to provide support to their producers in a way that is very difficult to challenge under international trade rules at the WTO. Their transparency is such that they can bury things deeper at the member state level, and therefore their industry gets significant support. It's difficult for anybody in the world to identify some of those programs as being non-compliant under international trade rules.

**Mr. Pierre Lemieux:** Right, but I think CETA would put in place a process, would it not? There might be a process lacking right now, for example. If there is a contravention against the use of export subsidies, and there's a process in place for complaints to be made and adjudicated, I would imagine that would be a good thing for our wine industry, particularly if our wine industry feels that their wine industry is subsidized.

● (1605)

**Mr. Dan Paszkowski:** Absolutely. As I mentioned, in November the EU government announced $38 million per year in terms of promotion of their wines, domestically and around the world. You match that and that's $74 million. If we can identify that those programs are having a detrimental impact on our industry, CETA will provide the ability to challenge that.

**Mr. Pierre Lemieux:** Let me ask a question, too, just to compare spirits to wine. Spirits seem to have a strong bottom line when it comes to exporting to the EU. I think it was half a billion dollars, or was that all exports maybe?

**Mr. Jan Westcott:** That's all exports.

**Mr. Pierre Lemieux:** That's all exports, okay. The wine was, I think, 26 million litres valued at $41 million. There's a huge difference here, yet they're both alcoholic beverages. Are there any lessons that one industry can learn from the other to help exploit markets abroad?

I'm not sure who might want to answer that.

**Mr. Jan Westcott:** I guess the spirits industry has been a global business for a long time. Spirits are one of the world's oldest traded commodities. In fact, most government revenue prior to the discovery of things like income tax and other forms of taxation was in fact in the form of customs duties on spirits moving across borders. There's a long history of trade in spirits internationally. A strong wine trade has existed for a long time in Europe, essentially between England and France. The traditions in spirits are quite different. Our products don't go bad. They can sustain great travel, as many of you will know on both sides of the table.

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

**Mr. Jan Westcott:** They can sustain travel and they hold their value. In fact, one of the reasons spirits were produced originally was that they held the farm community value in a product over long periods.

I think the critical thing we would say is that Canada is doing the right thing in opening up the opportunities in other markets. Where we have a weakness in this country is that you have to be able to fund the development of those markets no matter where they are, whether that's the United States, Europe, or the east. The industry has to have the dollars in its jeans to be able to do that.

We have the highest beverage alcohol taxes in the world, and on spirits, literally the highest. I don't argue with that, because we raise public revenues for lots of good things, but it does make it difficult for industry to go out and seize these opportunities as deals like CETA come forward and create that not perfect but more level playing field, so that when we go in there we know that our Canadian whiskies are getting treatment relatively equal to that given local spirits that may be produced.

**The Chair:** We'll move to Mr. Eyking, please, for five minutes.

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

Thank you to the witnesses for coming.

I'm from Cape Breton, and our aquaculture is moving along pretty well. We've had some hiccups, but because of our clean water and our temperatures, it's doing quite well.

We had one situation with an oyster farmer. You mentioned the regulations. They're trying to get oyster seed from the States, and it's just been brutal going through the regulations. You have not only provincial and federal but also different departments. Some of them go through a Canadian agriculture agency, and the others go through DFO. This family has been going through hell in the last couple of years trying to get these oyster seeds in because they're resistant to a certain disease. They just can't get it done.

It just doesn't seem as though the government is changing. It's as if, as you said, it's stuck in this rut with old regulations from way back. With an industry growing so fast, with so much potential, who has to take the lead on this? I guess the federal government has to take the lead, but should it be a different department? Should it get out of DFO and be in agriculture? If you had a magic wand, who would you call on the carpet and say, “Okay, listen guys, this is what we have to do because Norway, Chile, and everybody else is just passing us by”?

**Ms. Ruth Salmon:** You raise a really good example of exactly some of the issues we're dealing with, and that is the duplication even within federal departments. They're arguing and fighting about who should be doing what. I think you raise a really good example. I guess that's really why we've been advocating for our own national legislation that addresses some of the unique aspects of our industry. It is a farming industry. We're not fishing. The Fisheries Act is about conservation and protection, which is critical, but it doesn't guide a new industry, as you say.

I think that piece is the foundation piece. Whose responsibility is it? We've been less vocal about that simply because I think in the past there has been a debate about whether it should be Agriculture or DFO, and as a result it got into that kind of jurisdictional debate and never went anywhere.

We've been trying to elevate the discussion to the importance for Canada to take the opportunity for increasing the production of a healthy nutritious seafood that Canadians need, reducing imports of seafood, allowing expansions, all these positive benefits. We've been trying to elevate the discussion to that so that it's a win-win and less about the details of who's responsible.

I think some of our members have specific ideas about that, but from our perspective, we really just want to have a national vision, and it really is the federal government that needs to say, “We want a farmed seafood industry. We want to be competitive. It's a growing industry. We know we need to produce protein for the world. Let's get behind it.”

That's really what we're advocating for, a national vision, and from that, regulatory reform and a national aquaculture act. It may be less important who's responsible.

● (1610)

**Hon. Mark Eyking:** It would probably be best to start off with agriculture. This committee should look at that because many of the practices you do with seafood aquaculture are the same as the ones we do in farming, in the processing systems, anyway.

**Ms. Ruth Salmon:** Absolutely. When you look at the definition of “aquaculture” from the FAO, it's the farming of seafood plants and the shellfish and finfish. It's the activity that makes us farmers. We happen to do it in the water, but the activity is the same thing as any other terrestrial farmer.

So I agree.

**Hon. Mark Eyking:** Okay, I have two quick questions.

Mr. Westcott, your notes say that roughly $30 million in spirits go to Europe.

**Mr. Jan Westcott:** Approximately, yes.

**Hon. Mark Eyking:** What's your comparison with the United States, or Asia maybe?

**Mr. C.J. Helie (Executive Vice-President, Spirits Canada):** It's 83% of our $520 million, so it's over $430 million.

**Hon. Mark Eyking:** The United States is still our big—

**Mr. C.J. Helie:** Oh, by far: 80%.

**Hon. Mark Eyking:** Also Asia, Europe, China and Japan?

**Mr. C.J. Helie:** The EU would be number two as a group, and then Japan, Australia, Russia, South Africa.

**Hon. Mark Eyking:** What would be a promotional thing for local wines? Sometimes we get into provinces doing their things, but we have a bit of a patchwork system with our tourism promotion. What could we be doing with our wine industry if there were a program? What would you want to see in it?

**Mr. Dan Paszkowski:** Well, one of the key things we'd like to do is what our competition does. Australia, New Zealand, France come to Canada and they do white tabletop tastings across the country in major centres. It attracts thousands of people who come and try their wines. Not only does that give exposure to the Canadian population, the liquor boards love it, because consumers are being educated about Canadian wines or Australian wines, and then they list those products and we get greater sales.

Interestingly, if you take a look at the 10 provinces across Canada, only two provinces sell VQA wines at a market share of greater than 4%. All the other provinces sell at less than 4% for 100% Canadian wines. We did this back around 2000 with the support of the federal government. The program ended. If we can do that type of what we call Canada à la carte, and take our best products and our wineries across the country on tour so people can taste our wines, it results in greater sales and greater market share.

**The Chair:** Thank you.

We'll now move to Mr. Preston, for five minutes, please.

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

Thank you to the witnesses for coming today. I have questions for everybody.

Aquaculture is first. Currently, there's a tariff of between 11% and 25% on Canadian aquaculture products into the EU, and you said some come off over a seven-year period, but what do we lose right away?

**Ms. Ruth Salmon:** I think 95% or 97% comes off immediately. I think we're going to see some immediate gains right away.

**Mr. Joe Preston:** That's a heck of a price decrease for Canada's aquaculture products in Europe.

**Ms. Ruth Salmon:** It's huge. Certainly, those companies that are already there will take great advantage of it. It is now a new market that others are looking at very seriously if they can grow their production.

**Mr. Joe Preston:** That was going to be my next question. I know from the industry that production has, as you said, gone up through the 1990s and into 2000 and then kind of flatlined on production, mostly because of regulation and changes, and that type of thing.

Can we ramp up as much as demand is going to be here?

● (1615)

**Ms. Ruth Salmon:** Our sense is that we can grow. Our focus is on growing responsibly. Even though this is a growing world market for seafood we want to ensure that we do it sustainably and responsibly. I think our companies are ready to invest with that kind of perspective in mind, without doing it too fast, too much. I think we can gain considerable ground, but in doing it responsibly.

**Mr. Joe Preston:** I understand that. You mentioned a win-win. I immediately read the numbers here, and you suggest that we currently employ 14,500 people in the aquaculture industry and with just a little push on production in where we want to be, in 15 years we could more than triple that.

**Ms. Ruth Salmon:** Right.

**Mr. Joe Preston:** That's jobs in rural communities. That's jobs in small-town Canada.

On the coast and inland, as I know in my own rural riding, the heart of tobacco country, and I've grown tilapia, we need those jobs, we need them badly, so be sustainable but be quick.

**Ms. Ruth Salmon:** The investment is there. There's no question the investment is there if there is a signal to move forward.

**Mr. Joe Preston:** Fantastic.

Spirits is the same thing. You're talking about some incredible growth over the last number of years in the percentage of your market into the EU and into exports. What has that meant to the jobs in the spirits industry over that same period of time? Are we seeing a growth?

I recognize your suppliers are growing, and jobs. Obviously, the agricultural producers in all of our ridings are now supplying you with more stuff than they used to. What about you?

**Mr. Jan Westcott:** There's no question. All of our purchases of our inputs, particularly grains, are up fairly significantly.

There's no question that in 2008, 2009, 2010, the industry flattened out. We're an export business and our big markets tended to be some of those countries that were the absolutely hardest hit in 2008, the United States and Japan with the tsunami. That set us back.

The opportunity we're now seeing is that there is a significant shift that's taking place from white spirits, which have enjoyed 30 years, 35 years, of pretty robust growth, to a real interest in dark spirits, where whisky comes in.

There's no question. I would say that up until this point what has really happened is the business has been very stabilized, and there have some encouraging signals, but again you've got to go out and spend money to expose the new consumers to your products. That's a challenge for the industry with the margins we have in Canada.

**Mr. Joe Preston:** We keep talking here about how one day a couple of months ago, as this thing came to fruition, Canada found 500 million new customers. You just found 500 million new customers from an absolute no tariff point of view for your product into Europe.

**Mr. Jan Westcott:** There's no question.

**Mr. Joe Preston:** It's not hard to go hunting for those customers. Somebody might say—sorry, aquaculture—it's like shooting fish in a barrel.

**Mr. C.J. Helie:** Just to clarify, though, we already were tariff free into Europe.

**Mr. Joe Preston:** You were already into the business. They know Canadian products there well and around the world, so that's incredible.

Dan, I loved what you said about wine and where we need to go. The growth in Canadian wines has been spectacular, but we're starting from two different spots. Where spirits were 100 years ago, Canadian wines are now in that same spot and growing forward.

I recognize you mentioned a couple of times that we really need to market to ourselves because we're not near penetrated there yet.

Mr. Westcott mentioned that we've learned to drink less but to drink better. I think Canadians are finding the same thing in wines. We're drinking far better wines, even our own in particular. But as our wines get better, we have to be able to sell them around the world too.

On your point on being able to sell into wine-producing countries, other wine-producing countries come here so it has to be our role to go there and sell there too.

**The Chair:** A short answer, please.

**Mr. Dan Paszkowski:** Absolutely. We do have an interest in the export market, without a doubt. We see that there are opportunities for growth in the export market, so this is a double-edged sword. There are so many opportunities in Canada. We have to take a look here, especially since the Europeans are looking here very closely. At the same time, we have to grow our market abroad.

The tariff reductions are pretty significant in Europe. They make life very much more attractive in that marketplace as well.

● (1620)

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

Madam Brosseau, five minutes, please.

**Ms. Ruth Ellen Brosseau (Berthier—Maskinongé, NDP):** Thank you, Chair.

I would like to thank the witnesses for being here. As well, thank you for all the documentation and work that went into coming here and preparing the slide show. We really appreciate it; we often don't have enough time.

To the Vintners Association, I noticed that in your documentation you said, “Further, CETA will foster the growth of the Canadian economy with estimated savings of approximately $1,000 per Canadian.”

How did you come up with that?

**Mr. Dan Paszkowski:** This was a remark that came out of the federal government in terms of what the impact of the agreement was. It was estimated that the impact would be roughly $1,000 per Canadian.

**Ms. Ruth Ellen Brosseau:** Okay.

My colleague, Francine Raynault, kind of touched on this; we're neighbouring ridings, so we have a lot in common geographically in terms of what kinds of farms we have and also the wineries.

In Quebec the SAQ has more shelf space allocated for Quebec wines. Do you think that with CETA, the importation of more European wines will damage the small wineries we have set up in Quebec? You suggested that we need to have more buying locally, which is a huge movement. I could say I passed my summer in markets and working with people in the community and buying locally when possible.

Do you think all of this wine coming in will have a negative impact on the small wineries we have?

**Mr. Dan Paszkowski:** I think our wineries have the quality of wine that can compete head to head. I mean, they said we were going to die after NAFTA, and our industry grew. We started producing much better wines. We were forced to by competition.

I think we will survive. What the SAQ has done is important. It's giving an opportunity for Quebec vignerons to have a category within their retail stores.

It would be extremely helpful if all liquor boards across the country, including the SAQ, created a category for Canadian wines, VQA wines. If they did that, there would be a great opportunity to put your products in front of Canadians and give them the choice. There's a Burgundy section, a Spanish section, but there is no Canadian section in a lot of liquor stores across this country. That would be extremely helpful.

**Ms. Ruth Ellen Brosseau:** Ms. Salmon, I have a few questions.

First, what is considered a high-end seafood product? Is that just caviar? What is considered high end?

**Ms. Ruth Salmon:** I would say that a number of species fit into high end. Maybe it's because there's not as much volume. I think I mentioned sablefish, which is black cod, caviar, sturgeon, even halibut, and Arctic char, whereas our largest volume products, like Atlantic salmon and rainbow trout, and mussels and oysters are maybe less so, although even oysters can be considered high value.

It also includes anything you do extra with the products. For example, I think the European market will be a real attraction for Atlantic salmon producers, maybe not fresh Atlantic salmon, but smoked, or when some additional value is added to the product. That really is what the European market is looking for, that sort of high-end differentiated product.

**Ms. Ruth Ellen Brosseau:** Do they do a lot of aquaculture in the EU?

**Ms. Ruth Salmon:** Yes, the EU is a very competitive market for seafood. Norway is close by, so it's certainly not without competition. But as I say, Canadian farmed seafood products really have an excellent reputation. We've already established some inroads. I don't think there's going to be a problem for a continued market there.

**Ms. Ruth Ellen Brosseau:** You've had a lot of recommendations. How has the government been receptive to the recommendations and negotiations?

**Ms. Ruth Salmon:** We've actually established a national strategy for legislative, regulatory, and policy reform with Agriculture and Agri-Food Canada as well as DFO. To date, our discussions have been positive.

I think we need to move forward in ensuring that we do have a national vision, but we've had some success to date in getting their attention. Hopefully, we'll see some positive movement in the next year or two.

**The Chair:** You have half a minute.

**Ms. Ruth Ellen Brosseau:** I don't know if I have any more questions.

**The Chair:** Well, then, you had half a minute.

**Voices:** Oh, oh!

**Ms. Ruth Ellen Brosseau:** All right.

Thank you very much.

**The Chair:** Thank you very much, Madam Brosseau.

Five minutes for Mr. Harris, please.

● (1625)

**Mr. Richard Harris (Cariboo—Prince George, CPC):** Thank you very much.

I can assure you, Dan, that since recently moving to the wine capital of Canada, which is the southern B.C. Okanagan area, my wife and I are not only drinking better, but we are drinking more. We hope that is a help to your industry.

**Voices:** Oh, oh!

**A voice:** You're bucking the trend,

**Mr. Richard Harris:** We're bucking the trend; that's for sure.

I just want to go to Ruth for a moment. It appears to me that since the day I arrived here about 20 years ago, it's been a constant battle to get the regulations adjusted so that the aquaculture industry could in fact grow to its potential, which we all know is huge, given the opportunity. It must be frustrating to be in that industry and see a market of 500 million new customers opening up but not being able to take advantage of that because you can't grow fast enough to take advantage of it.

Is that pretty much it?

**Ms. Ruth Salmon:** Yes, exactly.

Many of our members invest globally in aquaculture. When they're sitting around the boardroom tables and everyone is talking about what investment is happening in Chile and other countries, Canada is getting maintenance dollars because there's no growth. I think it's very frustrating for the companies that see the potential here and see it not being realized.

We have so many biophysical advantages to grow fish in Canada and we're closest to one of the major markets, the U.S. We have so many advantages but we just can't sort of see that growth. Our members are committed to farming in Canada, but at the same time they are very frustrated.

**Mr. Richard Harris:** I would hope that our government, being responsible for this new incredible trade deal that we're about to sign, will have a look at all of the industries in Canada, all of the sectors, and do whatever we can to ensure that they can take advantage of the huge opportunities that are being presented. Maybe we can revive that effort a bit.

**Ms. Ruth Salmon:** That would be very much appreciated.

**Mr. Richard Harris:** I'm sure my colleagues and others will want to help out on that.

Dan, you don't have to sell me on wine, but I've often wondered this. Our Canadian wineries make incredible wines. They can compete with anybody in the world, but we seem to have such a small share of the domestic market in comparison with what comes in from other countries around the world.

Is the U.S. the biggest exporter into Canada of wines?

**Mr. Dan Paszkowski:** No. It would be Italy.

**Mr. Richard Harris:** Italy is. Okay.

I know there are different kinds of wine and we don't make all of them in Canada, but we're sure good at making wine. Is it all about promotion and marketing to build our domestic wine market? We certainly have the product. What do we have to do to increase our domestic market share?

**Mr. Dan Paszkowski:** Promotion is a big part of it. Obviously profitability is a big part of it. A big part is having the right tax structure in place and having a quality product in place through research and development. We are never going to be the largest producer in the world, because we are captive in terms of our geography, in terms of our climate, and in terms of our growing areas, so that's always going to be a hindrance to the industry. But promotion is a big part of it in Canadian wine, and in any wine.

Wine is about the story. That really helps sell a bottle of wine above and beyond the fact that it's fantastic and people want to come back to it. If we don't have the ability to promote our product the way our competition is promoting its product in every jurisdiction across this country, that puts us at somewhat of a disadvantage.

We are now growing. British Columbia, which you're very familiar with, typically sold within its borders, with a little bit of sales around the periphery. It's now grown to the point where it is looking more into the export market and selling its product across the country. But there has to be a familiarity with the product, so promotion has a big part to play.

If the liquor boards are getting hundreds of thousands of dollars from other countries to do advertisements and specials in their newsletters or their magazines and Canadian industry can't do that, they're going to sell the product of the competition.

● (1630)

**Mr. Richard Harris:** That's what I was looking for.

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

We'll now move to Mr. Allen.

**Mr. Malcolm Allen (Welland, NDP):** I actually thought Dick had moved to Niagara and hadn't told me, when he talked about going to a great wine-growing area.

I'll follow up on where Mr. Harris was going: promotion. For those who don't live in Ontario, perhaps you could talk about the LCBO magazine, the Liquor Control Board of Ontario's magazine that many of us are familiar with here. What kind of marketing piece is it? I know exactly what it is. It also includes spirits, by the way, Mr. Westcott. I'll ask you to comment on the magazine as a promotional instrument, remembering that it's not exclusively Canadian in its product listing.

**Mr. Dan Paszkowski:** It's one of the highest quality magazines you'll find in Canada, and it's all paid for by industry advertisements. It's a food and wine magazine, a food and beverage magazine. It caters to all the different beverages. It matches food with wines, and provides recipes. It's one of the hottest magazines on the shelf. If you're not there on the day that it's released, you're not going to get a copy of it.

It's a pay-to-play situation. If you want to promote your wines, you have to put the money on the table. Quite often, what you will find in those magazines at the very bottom corner will be a note that it's supported by the European Commission. That is part of the $34 million per year they get to support their industry in third country markets, and Canada is one of the largest.

**Mr. Malcolm Allen:** I don't know if you had a comment to make about that particular marketing piece, Mr. Westcott.

**Mr. Jan Westcott:** It's very good. It's very high end. It leads Canada and probably North America in focusing consumers.

We can't lose sight of the fact that Canada is an exporting country. At the end of the day, we're an exporting country. We don't have a big enough population to sustain the lifestyle we have if we don't export.

The corollary to that is that Canadians are very outward looking. They like to buy products from all over the world. They like that. So competition is where we meet. When we go to other countries to sell our whisky, there is no program for us. We don't have the kinds of things that Scotch whiskey has.

Those are just things which, in part, have to do with the size of our country and what we are. To expect that Canadians will simply support Canadian products because they're Canadian is unrealistic. They will support Canadian products if they meet the quality standards, and generally they do. We have 62% of the spirits market in Canada, but you have to earn that by producing really high-quality goods, and they have to be competitively priced. Dan alluded to margins. You have to be prepared to roll up your sleeves and work hard to get your products in front of consumers.

It's not easy. It's why we're in business. The successful guys make it and the less successful guys don't. There has to be a recognition that Canadians are going to be very aggressive in seeking out what they think are the best products and the best values. We have to be careful that government doesn't play an unwarranted role in trying to steer them, because I think that doesn't work.

**Mr. Malcolm Allen:** I understand what you're saying. You're right that Canadian consumers are a pretty savvy bunch. They're not going to buy just because it has a maple leaf on the front of it. I don't know what that says to Toronto Maple Leafs fans, but that's a different issue. Me, I'll stay neutral on it myself.

Mr. Paszkowski, what you're telling me is that if the Europeans are going to come here and market in our backyard, as we are going to try to do in theirs, we ought to have a level playing field in our own backyard. It has to be a quality product. If it's not a quality product, I'm not buying it. Sorry, but I'm not going to. I'm particular about wines. I must admit, Mr. Harris, I have bought the odd bottle from B. C., but I primarily buy Niagara stuff and usually go VQA.

The sense I get is that you just want a level playing field when it comes to that end of marketing our products, so that Canadians can choose. If they choose to give you extra market share, perfect. If they don't, that's because you don't have a quality product. It's not because you couldn't tell folks to store it. Is that the sense I get from you?

● (1635)

**Mr. Dan Paszkowski:** That's absolutely correct.

The funding that the European wine industry gets supports the promotion of their products in Canada, but it also supports promotion of their products in Europe against Canadian wines, American wines, and Australian wines. It is a level playing field. We have to produce a product that consumers want, at a price they can afford, with a quality that they can anticipate is equivalent to or better than that of our competition. That's a job we have to do to succeed, and I'd say we've been doing an excellent job at it. Unfortunately, not enough Canadians know about it.

**The Chair:** We will now go to Mr. Payne, for five minutes, please.

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

Thank you, witnesses, for coming today.

We're studying this very important agreement. I have a few questions for all of you, and hopefully we can get through them.

Mr. Westcott, in your presentation you talked about a recall for the committee; the Canadian spirits industry requesting a dollar per litre absolute alcohol reduction in spirits and excise duty. Can you go over that again for us, because I'm not sure we have all the same members on the committee when you presented the last time. What does that mean for your industry? Give us some insight there. Thank you.

**Mr. Jan Westcott:** In our business in Canada, our gross margins, all the money we get for every dollar of sales, is about 18¢. If I'm a Scotch whiskey producer in the United Kingdom, my gross margin is around 32%. If I'm a bourbon producer in the United States it would be around 29%.

We're a global business. We have a unique franchise called Canadian whisky that cannot be made anywhere else. We're competing with other high-quality whiskies from around the world. When those companies go to their capex meetings, whether they're in Paris, London, or Louisville, Kentucky, their division of the Canadian companies says they would like some capital dollars to put into the Canadian whisky sector or into Wiser's Deluxe or into Crown Royal. They say it's a great product and it's done very well, but they have a fiduciary responsibility and if they invest in the Scotch or the bourbon business, the margins are a lot better than if they invest in the Canadian business. That's a real challenge.

We've been talking about the dollars that are available. When we made this request a number of years ago, we made a public commitment to turn those dollars into active support to drive the business. We have been one of the foremost advocates of the government's trade agenda, of more open trade, because 70% of what we make is exported, but you've got to have the bucks in your pockets to be able to do that. That's really the issue.

For 60 or 70 years we have been the leading-selling whisky in the United States. We have been the number one whisky In the biggest alcohol market in the world, outselling bourbon, Irish whiskey, and Scotch combined, by a wide margin. It wasn't Prohibition that made us; it was the Civil War. That's when we really made inroads into the United States. Prohibition helped a little.

Last year, for the first time in 60 years, we slipped to number two. We were neck and neck with Jack Daniel's. A big part of that, to Jack Daniel's' credit, which is the same company that owns Canadian Mist, which produces Canadian Mist in Collingwood, Ontario.... Part of the reason for that is they pumped a lot of promotional dollars into Jack Daniel's to drive that share. We are on a campaign to reclaim what I would call our natural position in the United States, of being the leading whisky that Americans turn to, but you've got to have the bucks to be able to do that.

I think, as Dan would attest, the government granted some relief to the wine industry in 2006, and that has been very advantageous to the industry. I think the industry has put those dollars to work. We've seen great growth.

We're saying we're a little different in the spirits business because unlike wine, which is very focused in the Okanagan and in the Niagara Peninsula and a few other emerging regions, our farm suppliers are spread all over the place. They're very diverse. Whether it's in Alberta, Saskatchewan, Manitoba, Ontario, or Quebec, you don't see.... We literally buy from everywhere. I can look around the table and say that we buy corn in your riding, we buy grain in your riding. It doesn't come to mind the same way, but we also are attached to agriculture.

● (1640)

**Mr. LaVar Payne:** Would that dollar in reduction go into promotion? Would that be for reinvestment?

**Mr. Jan Westcott:** Every company would do different things with it.

Some companies would use it to create new export markets. We are on the cusp of going into Colombia. Canada has signed a free trade agreement with Colombia. We have products that are just about to go into Colombia. That's a secret, so don't let that get out anywhere until it's announced. It takes a lot of money to go into those markets. Some would put it into refurbishing their facilities here so that we're completely competitive. We need to make environmental improvements.

Innovation and new products are really critical to interest the consumer. We now have flavoured whiskies, such as the Crown Royal Maple, or the one made in Lethbridge, Black Velvet Toasted Caramel. They're not maybe going to appeal to traditional whisky drinkers, but it's important to open up the category to new consumers who may not have been whisky drinkers.

Every company will have a strategy for how they deploy those dollars to drive the business forward. Every one of them is a critical piece, but the idea is that you can generate a lot more sales and a lot more growth, and we've seen that. We're buying more grain than we've ever bought, and in the last couple of years at pretty good prices, too.

**Mr. LaVar Payne:** All right, thank you.

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

**Mr. LaVar Payne:** That could only have been two minutes.

**The Chair:** You actually had over five. We did extend 10 minutes because we had three different ones instead of two.

I want to thank the witnesses for coming out.

We will be wrapping up the discussion on CETA at the end of today, and there will be a report developed over the Christmas break.

Thank you again for coming out.

We'll suspend for a couple of minutes until the new witnesses come in.

● (1640)

(Pause)

● (1645)

**The Chair:** I'd like to call everybody back to their chairs, please, so we can get started with our second round of witnesses.

I want to take the opportunity to welcome two groups.

The first witness is Jane Proctor from the Canadian Produce Marketing Association. Jane is vice-president of policy and issue management.

Second, we have the Canadian Horticultural Council. Keith Kuhl is the president, and Anne Fowlie is executive vice-president. Welcome.

I will turn first to Ms. Proctor. You have eight minutes, I think it is.

**Ms. Jane Proctor (Vice-president, Policy and Issue Management, Canadian Produce Marketing Association):** Honourable members of the Standing Committee on Agriculture and Agri-Food, on behalf of the Canadian Produce Marketing Association, I would like to thank you for the opportunity to speak to you today on the topic of the Canada-European Union trade agreement.

The Canadian Produce Marketing Association, CPMA, is an 88-year-old not-for-profit association representing organizations involved in the sale of over $9 billion of fresh fruit and vegetables in Canada. We represent the entire produce supply chain from farm gate to dinner plate, including growers, shippers, packers, food retailers, food service operators, and all other businesses that engage in or support the produce sector. As an example, members include the PEI Potato Board, Ontario Greenhouse Vegetable Growers, Loblaw, Metro, Sysco, Gordon Food Service, and of course many others.

Within our international and Canadian membership of approximately 800 companies, CPMA represents the interests of over 456 Canadian companies, including over 150 Canadian growers, packers, and shippers. This diversified Canadian membership provides CPMA with a unique perspective of the issues and challenges facing our industry, domestically and internationally, on import and export market issues.

CPMA commends the Government of Canada in its efforts to reach a trade agreement with the EU, which will see some sectors within agriculture benefit from increased Canadian exports and reduced tariffs in the years ahead. CPMA believes in an open market philosophy that reduces irritants to trade and allows for economic prosperity and consumer choice.

On a review of CETA, we believe the agreement will provide parts of the fresh produce industry with an opportunity to expand their market penetration in the EU. The elimination of tariffs on mushrooms, raspberries, strawberries, blueberries, peas, potatoes, and cranberries is exciting for the Canadian fresh produce industry, and this could provide opportunities for Canadian farmers. Further work is now required to ensure the right variety and supply chain efficiencies are available to ship some of these highly perishable products overseas to very competitive marketplaces.

Furthermore, our members could also see benefits from increased trade from the EU into Canada. With a population as diverse as Canada's, our members work hard to provide the diverse selection of fresh fruit and vegetables Canadians look for on their grocers' shelves. This agreement could provide new opportunities in this area.

Our members are also always on the lookout for new and cheaper sources of industry technology and innovation that can be used to improve our industry here at home. We recognize that the agricultural sectors in Canada are interdependent. For example, some growers rely on cattle for their outputs to fertilize crops, while the beef industry relies on produce growers for cattle feed such as hay as part of vegetable grower crop rotation. We therefore hope to see collateral benefits from new opportunities for our partners in other agricultural sectors.

While we are generally supportive of the agreement and efforts to expand Canadian trading opportunities, as representatives of the entire produce supply chain, we note that not all of our members will be affected in the same way, with some potentially benefiting from expanded markets in the EU and new sources to bring to Canada, and others potentially hurt by new or expanded entrants into the Canadian market. For example, Canadian greenhouse vegetable growers could be severely impacted should the agreement affect anti-dumping tariffs currently applied to Dutch bell peppers, set for expiry review in 2015 by the Canadian International Trade Tribunal.

Similarly, other commodities could be impacted by removal or reduction of tariffs, but this can only be assessed as additional detail when the agreement is made available. We therefore look forward to learning more details on the agreement over the next two years, but also would welcome clarification on the tariff section in the document, “Technical Summary of Final Negotiated Outcomes”,on page 10, which states, “92.0% of agriculture tariff lines set at 0% at entry into force”. Greater detail on what agricultural tariff lines are included in the 92% will facilitate increased clarity for industry analysis of the impact.

Food safety is imperative in the produce industry in an area where it is essential that all are held to the same standards. It is also important that these measures be truly focused on providing safe food for consumers, and not be used as a cover for protectionism. It will be crucial that governments in both Canada and the EU strive for joint recognition of industry-led food safety programs, which have demonstrated their efficacy to ensure safe food in each country. We applaud efforts to establish a new sanitary and phytosanitary measures joint management committee, and to facilitate discussions and dispute settlement. Via this effort, government must ensure that policies and regulations are science-based.

Additionally, we concur with the statement in the agreement that recognizes the important role of standards, and are encouraged by the intent for Canada and EU standard-setting bodies to cooperate more closely on joint priorities.

● (1650)

We urge both governments to engage, where appropriate, industry specialists who can provide valuable input to these efforts. For example, for the produce sector, the International Federation for Produce Standards is a valuable resource and includes representation from multiple EU and Canadian produce organizations. Both of our organizations are part of that.

In closing, on initial review, and based on the level of detail currently available, we believe this agreement will be positive for industry overall, but there is the potential, as noted earlier, for some commodities to be negatively impacted.

Our sector is one that depends heavily on international trade and our members are continuously working to find opportunities to expand Canadian sales abroad while ensuring an affordable and diverse selection of fresh fruit and vegetables for Canadian consumers. We will continue to monitor developments as the government works toward the final agreement and look forward to investigating the potential opportunities it will bring.

Thank you.

**The Chair:** Thank you, Ms. Proctor.

I will now go to Mr. Kuhl, for eight minutes, please.

**Mr. Keith Kuhl (President, Canadian Horticultural Council):** Mr. Chairman and committee members, thank you for the opportunity to appear before the committee to speak to the Canada and European Union comprehensive economic and trade agreement and aspects of trade negotiation in general, which are of importance to Canada's horticultural sector.

The Canadian Horticultural Council represents producers across Canada primarily involved in the production and packaging of more than 100 fruit and vegetable crops. Members include provincial and national horticultural commodity organizations, as well as allied and service organizations, provincial governments and individual producers. The CHC represents members on key issues such as crop protection, access to a consistent supply of farm labour, food safety and traceability, fair access to markets, research and innovation, and government programs to ensure a more innovative, profitable, and sustainable horticultural industry for future generations.

The CHC and its members are committed to ensuring that strong Canadian farms will continue to be able to provide safe, secure, and healthy food for families in Canada and around the world. With a primary production value of over $5 billion and after-packaging or processing value of $10 billion, horticulture is one of Canada's largest agricultural production sectors.

At present, Canada imports very little fresh fruit from the EU, while slightly above 16% of total fresh fruit exports are destined for EU member states, the majority being frozen blueberries.

Total Canadian vegetable exports and imports in 2012 amounted to $1.05 billion in exports and $2.28 billion in imports. EU member states currently represent less than 0.3% of Canadian fresh vegetable exports and roughly 1.1% of Canadian fresh vegetable imports.

While the U.S. is our most important trading partner, we welcome opportunities for growth in other markets. We fully support the intents and directions of the CETA agreement in principle. The CHC has long been committed to undertaking all necessary efforts to exempt Canadian horticultural products from tariffs or obtain duty-free entry into the European Economic Community. The EU is certainly a market that has potential to benefit Canadian horticultural producers once the agreement is implemented.

We believe that strong effort should be directed toward achieving a market-oriented horticultural industry. Government's role is fundamentally to facilitate this process, to be a catalyst, and CETA appears to go a long way in accomplishing just that.

CETA is a comprehensive agreement that will cover virtually all sectors and aspects of Canada-EU trade, including both measures that have a direct impact on trade and are felt at the border, such as tariffs and customs procedures, and those that are felt behind the border, such as product certification and technical standards.

While recognizing the inherent potential benefits of international trade agreements such as NAFTA and now CETA, our objective continues to be automatically triggered emergency mechanisms as a protection against occasional and massive surges of foreign surpluses at distressed prices. Therefore, the CHC fully supports CETA's intended competition provisions to ensure that the benefits of the agreement are not offset by anti-competitive business conduct.

CHC believes that the federal government should ensure greater attention is paid to the monitoring of imports, with quick and effective corrective action taken against violations through legitimate trade instruments and procedures. The CHC urges the federal government to establish a comprehensive system of monitoring prices of imported goods, subsidies, and export assistance to industry in foreign countries in order that fast and appropriate action may be taken against imports in violation of trade agreements such as CETA.

Of particular concern is the EU's use of non-tariff barriers, such as sanitary and phytosanitary measures and environmental and animal welfare standards. Also, while CETA includes provisions for dispute resolution mechanisms and the establishment of committees to resolve trade irritants, it does not otherwise address the biggest non-tariff barrier that Canadian producers face in Europe, that being domestic subsidy programs that create disparity in competitiveness.

● (1655)

Food safety is imperative to the produce industry and an area where it is essential that all are held to the same standards. It is also important that these measures be truly focused on providing safe food for consumers and not be used as a cover for protectionism. It will be crucial that governments of both Canada and the EU strive for joint recognition of industry-led food safety programs that have demonstrated their efficacy to ensure safe food in each country.

Canadian producers have taken food safety and traceability seriously. The successful recognition of CanadaGAP, the on-farm food safety program for Canadian-grown fruit and vegetables, by the Global Food Safety Initiative, GFSI, has been a success story for industry and government and a testament to what can be achieved through government and industry collaboration.

Major Canadian buyers require proof of implementation and certification to a GFSI-recognized program as a condition of sale. We maintain that imported products must be subject to this and scrutinized to the same requirements as domestic production. This must be a consideration for all future trade negotiations and agreements.

Under CETA, both Canada and the EU will identify joint cooperative activities and establish an annual high-level dialogue on regulatory matters. A new sanitary and phytosanitary measures joint management committee will provide a venue for experts to discuss issues before they become major trade problems.

The opportunity as we look ahead is to use free trade agreements like CETA to attain regulatory harmonization around maximum residue levels and sanitary and phytosanitary agreements. To facilitate market growth opportunities that CETA will create, governments on both sides must fully utilize the agreement to address the lack of regulatory harmonization, especially as new innovations in agriculture emerge in the context of new technology around detection.

CHC is aligned in thought with other production sectors and the global crop protection industry that has serious concerns about the European Union's regulatory framework for plant protection products, particularly the European hazard-based approach to pesticide registration. In our view, this has the potential to be a significant non-trade barrier for Canadian agriculture and agrifood products.

The approach taken by the European Union moves it away from a science-based approach. The European Union will impact not only trade in pesticides, current and future, but also in food, feed, and seed products using those pesticides. We believe this approach is not consistent with the World Trade Organization sanitary and phytosanitary agreement, to which the European Union is a signatory. Growers will potentially be prevented from using a large number of safe, effective pesticides that have been assessed by Health Canada.

The CHC is committed to working with the relevant government departments and agencies to develop and maintain markets, both domestic and international, to ensure the sustainability of these markets, to support the Canada brand, and to increase the overall consumption of fresh fruits and vegetables.

We congratulate the Government of Canada on its perseverance and success in concluding the Canada and European Union comprehensive economic trade agreement.

Thank you.

● (1700)

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

I want to welcome Ms. Morin to our committee.

We'll start our round of questions with Mr. Atamanenko, please, for five minutes.

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

Thanks to the witnesses for being here.

Mr. Kuhl, I gather from your statement that perhaps the greatest danger, if there are any dangers in this agreement, is for our exports going into Europe rather than imports coming here. I'll come back to that.

When we sign trade agreements, we obviously hope that it will be an advantage to us; otherwise we wouldn't sign agreements. I think it's documented that your sector perhaps was one of the hardest hit under the FTA and NAFTA, whereas prior to these agreements we had in-season tariffs that protected our fruit growers and our vegetable farmers.

For example, in B.C. we used to have a thousand onion producers. We have maybe half a dozen now. I was talking to probably one of the largest broccoli producers in Ontario, and he said he makes money when there's a drought in the United States. These things have happened. Even now we often see current dumping of American apples and cherries below the cost of production. Yet our farmers, those who have survived, seem to be doing okay.

This has been a negative aspect of those trade agreements. Is there any danger of subsidized fruit and vegetables, for example, coming into our market and flooding our current market? Or is this more of a danger that we have from the United States for our producers?

**Mr. Keith Kuhl:** I think it's clearly documented that European farmers are among the most highly subsidized farmers in the world. Our assumption is that when the Government of Canada enters into a trade agreement with countries in the European Union, they're taking these subsidies into consideration and trying to ensure that a level playing field is created.

Certainly, as we moved through the NAFTA, there were a lot of efforts put in by both the Canadian and the U.S. governments to ensure that any government support programs were seen as green programs and that they were NAFTA-friendly programs. My expectation is that as we move to implementation of the agreement between Canada and Europe, we have to use the same benchmarking. We have to go through the same process to ensure that the subsidies or the support programs that Canada has are offset and are similar to programs in place in Europe, and if they aren't, then that needs to be looked at.

● (1705)

**Mr. Alex Atamanenko:** We have mechanisms now if there's a perceived subsidy or products are being dumped, but often by the time things get rolling, whether there's a favourable decision or not, the farmer has already been hit, because it takes months to do that. I'm just wondering, even though it may look good on paper, if that may happen. We'll have to see what happens there.

You mentioned Dutch bell peppers. Is that an example of how this may happen? Might it be difficult for those people producing peppers?

Was that you, Ms. Proctor, who mentioned that?

**Ms. Jane Proctor:** Yes. As you may know, the CITT, Canadian International Trade Tribunal, has a ruling now and certainly there was a great deal of concern within our greenhouse industry, which obviously led to that. That is something we are aware of. Obviously, greenhouse production is huge in the Netherlands and there's greenhouse production in Spain and other countries. We will want to keep a very close eye on that to make sure this doesn't remove the ability of Canadian greenhouses to thrive also.

**Mr. Alex Atamanenko:** Do I understand correctly that perhaps if any part of our industry is going to suffer, it may be the greenhouse industry because of competition from the Netherlands? We probably won't be getting broccoli from Europe, but is there a danger for greenhouse produce?

**Ms. Jane Proctor:** I'm going to also ask CHC to answer this, because obviously we share a lot of members. The greenhouse industry is part of their membership also. Certainly that is one particular part of our sector that we've collectively identified as being at risk for negative impacts given the tariff situation.

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

I'm sorry.

**Ms. Jane Proctor:** I think Anne might want to say something.

**Ms. Anne Fowlie (Executive Vice-President, Canadian Horticultural Council):** I was just going to say that there's always an ebb and flow in the trade. You quite correctly pointed out mechanisms and timeliness, and I think those are the key elements in any of the agreements. Often the language is there around dispute resolution or other things, so it's to make sure that it works, that it works equitably, and that it is timely.

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

We'll go now to Mr. Zimmer, for five minutes, please.

**Mr. Bob Zimmer (Prince George—Peace River, CPC):** Thank you for appearing before the committee today to talk about CETA.

I definitely heard some of your concerns, Keith, with regard to a cloaking protectionism within that agreement. Obviously, we'll be concerned about your comments and we'll take those forward.

We know, too, that there are significant differences between the ways we produce and the ways they produce. We talked to the beef producers who are going to have to provide the European market with hormone-free animals, etc. They are willing to take it on and take it to their members, and their members are going to meet the task at hand and compete.

I just wanted to know from your perspective, in a positive way I guess, whether in terms of production you think your membership is ready. I'll ask Jane that as well. We see these increases in production that we think are going to happen. I know there are still some unknowns, but what's the feeling on the ground for the CETA? Are they excited about the agreement, or where are they on that?

**Mr. Keith Kuhl:** When I talk to the average producer out there, they probably don't get as involved as we do in where government is on trade issues.

In real life, I'm a potato farmer from Manitoba. Many of us have already lived through the NAFTA, and when NAFTA came in, there was a lot of concern and a lot of fear.

The farmers in Canada have demonstrated on an ongoing basis that they're a very resilient bunch. We adapt and adopt on an ongoing basis to ensure that we maintain good profitability. I'm looking forward to opportunities in the European market. We already work with many companies in Europe.

Yesterday, I was at an announcement where Minister Ritz said we were going to finally move up on plant breeders' rights to meet UPOV '91. That's a welcome announcement on our part. We've been waiting for this.

We work with potato breeding companies from many different parts of the world in order to bring the best varieties and provide the best product to our consumers. We're looking forward to continuing the relationship, and hopefully now moving product back to our European counterparts.

● (1710)

**Mr. Bob Zimmer:** Right.

Jane.

**Ms. Jane Proctor:** Keith is on the ground. His feet are on the ground, so he certainly has the pulse of this.

Before coming here, we reached out to our membership and talked to some of them, and I think in general the feeling is very positive. They're looking forward to the potential for expanded markets.

As I said, the one caveat is that the greenhouse industry is going to be watching this very closely, and I think hoping for the best.

**Mr. Bob Zimmer:** In terms of quantifying the expectation, we expect things to increase. I asked whether your membership was ready for that projected increase.

What are your projected increases in production, and what kind of timeline do you expect? Do you have enough time to ramp up to that production level? Are your members ready to ramp up the production level to meet that demand? Do you see a time period? Is it going to be a couple of years? Is one year all you need to ramp up?

Do you have answers to these kinds of questions?

**Mr. Keith Kuhl:** Today's producer will first of all analyze the potential profitability of the trade, but if our producers see potential to make additional profits by expanding their operations, they will do that very quickly. Most of our producers have the capital resilience to ramp up that production. Of course, ramping up production in the fruit and vegetable sector is extremely expensive; you're talking a much higher cost than that in the grains and oilseeds sector, but our farmers will certainly react and be ready for that.

**Mr. Bob Zimmer:** Do you have a number? Is it 10%, 20%? Do you have a figure?

**Mr. Keith Kuhl:** No.

If I look at the potato sector as an example, it has seen significant decreases over the last decade. As our dollar has gone from 65¢ to 94¢ today, the processing plants have moved a lot of production from Canada to the U.S. There are opportunities for processed products to continue to move into Europe. We have probably lost at least 10% of our potato production in Canada over the last 10 years, just due to the changing economies.

**The Chair:** Thank you, Mr. Zimmer. Your time is up.

I will now go to Mr. Eyking, please, for five minutes.

**Hon. Mark Eyking:** Thank you, Mr. Chair.

Thank you to our guests for coming today.

I am a former member of both your organizations, and I've had the experience of growing with you. The produce industry has grown so much, with all the benefits. The wine industry was here before you and was alluding to being the fastest growing crop out there, but I can debate that with regard to the produce industry. It's not only the health issues, but the movement of local produce and how it's grown so well.

We should be positioned quite well with Europe on this on some of the things. We're already in the metric system, but there are other challenges, such as dealing with pesticides and GMOs. As well, some of the other committee members alluded to how the beef industry and the pork industry are going to have to tailor things for the Europeans. Whether it's how they produce the meat, or how they process it, or whatever, it's going to have to be within the EU envelope.

Do you see the industry in Canada...for instance, would it be advantageous for P.E.I. to have non-GMO potatoes? Would certain areas kind of tailor...? Do you see that happening? Or do you see everybody right across the country tailoring to the Europeans? Or do you not see a very big market in the first place?

You've already mentioned, Jane, all these blueberries that are grown, and that's because it's a niche market and they can't do a very good job with them. For the rest of the products, how are we going to fit in, or can we fit in?

**Mr. Keith Kuhl:** First of all, other than one apple that's currently being produced on a very limited scale in Canada and is considered GMO, none of the fruits and vegetables that are produced in Canada are GMO, so that aligns us perfectly with trade for Europe. We're much better aligned than corn, soybeans, and canola, because virtually all of that production in Canada is GMO.

The one area, and the area that I did speak on, is pesticides. That's an area where we have ongoing concerns. It's an area where we've had ongoing concerns with our relationship with our U.S. counterparts. It's one where, regrettably, the Canadian producer is actually at a disadvantage over the U.S. producer.

I'll give you an example. I farm within one mile of the U.S. border. When I grow potatoes, if I want to ship those potatoes into a U.S. market, I have to ensure that on those potatoes I'm using only pesticides that are registered in the U.S. The U.S. farmer one mile across the border from me can use pesticides that are not registered in Canada and can ship his product into Canada, and he has no issues.

While Health Canada won't give us the tools that our U.S. counterparts have, they allow that product to come into Canada. It's not a food safety issue, and we're not sure what the issue is, other than a limitation of tools. We're concerned about exactly the same thing in looking at Europe.

● (1715)

**Hon. Mark Eyking:** On that, if the United States is lining up for an agreement with the Europeans and they have advantages over us, that wouldn't be fair either, right? We should be more in compliance with that.

**Mr. Keith Kuhl:** On an ongoing basis as we continue looking at trade agreements with countries, we have to ensure that we continue to align. Ultimately, with the modern countries—Europe, Canada, the U.S., and others—what we need to do is harmonize our regulations. We need to harmonize our pesticide registration system, and we need to harmonize which pesticides are used.

Our scientists all go to the same schools. They should learn how to figure things out the same way.

**Hon. Mark Eyking:** To all of you in your industries, the organic industry is really taking off in Canada and North America. I think it took off earlier in Europe, probably 20 or 30 years ago. That said, now that Canada is starting to move quite fast on that, are we positioned to take advantage of that market over there?

**Mr. Keith Kuhl:** Again, I think that Canadian farmers, when they see advantages, seize the advantage, or grab onto the advantage. If there are going to be additional opportunities for organic growth going into the European market, our farmers absolutely will take that opportunity.

**Hon. Mark Eyking:** Where do you see the big products coming first? Would it be certain varieties of apples we have here that Europeans don't have? Do you see some of our products, besides blueberries, really getting in there right at the starting gate?

**Ms. Jane Proctor:** To your last point, one thing that's very encouraging for the organic market is the fact that we already have that mutual recognition. That will really help us, I think, as our production ramps up to take advantage of that.

That's kudos to the government, having that already in place.

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

We'll now go to Mr. Hoback, for five minutes, please.

**Mr. Randy Hoback (Prince Albert, CPC):** Well, Chair, I thank you for letting Mr. Eyking take some of my time.

Merry Christmas, Mr. Eyking.

**Voices:** Oh, oh!

**An hon. member:** He just went on and on.

**Hon. Mark Eyking:** I had better questions.

**An hon. member:** You owe him, Mark.

**Hon. Mark Eyking:** Hey, I'm a member of the organization.

**Mr. Randy Hoback:** Just don't say I never gave you anything, okay?

**Hon. Mark Eyking:** That's right. Exactly.

**The Chair:** The clock is still ticking.

**Voices:** Oh, oh!

**Mr. Randy Hoback:** It is, is it? I have a couple of minutes to go, then.

Ms. Proctor, you talked about some of the benefits you might see by new technologies and new stuff coming in from Europe. That's kind of interesting, because we've always talked about what we're going to ship into Europe and how that's going to impact our sectors back in Canada on the idea that we're going to sell there. There's also an idea about how we can become more efficient here in Canada and then sell stuff all over the world and become more competitive.

Can you give us any examples of stuff you might see coming in that way?

**Ms. Jane Proctor:** Sure. When we talk about efficiencies and innovation, particularly when we're looking at our supply chain, of course, many pieces touch on that. There is the production side. There are also areas that help the product move through the supply chain in an efficient way.

I referenced this International Federation for Produce Standards that both of our organizations are part of. It is a global group. Part of our focus there is to look at the supply chain efficiencies and how we can leverage some of the great work that's coming out of other countries in the countries that are part of this group. For example, in Europe there is a very strong focus on supply chain efficiencies, led by the Germans—no surprise—and on how you identify and how you exchange electronic data.

We're taking a lot of learnings from that already. As we see these opportunities expand and as our relationships develop, we really hope to see more opportunity for the Canadian industry on the production side all the way through the supply chain to take learnings from Europe. They do that well, and we hope to really integrate it here in Canada so that we can take benefit from that and take costs out of our supply chains and become better at what we do.

● (1720)

**Mr. Randy Hoback:** Yes.

Mr. Kuhl, one of the things in the horticultural sector that they talked about was that because Canada is such a small market compared with the American market or other markets, to get new types of chemicals approved, new types of technologies in that way....

I'm not sure if we see that in the European trade agreement, but I think the recognition of science would be something that you could appreciate to give you equal footing for the types of products that they use on their crops. We'd have access to it also.

**Mr. Keith Kuhl:** The technology doesn't end up being that much of a restriction, because there's mostly not a need for government registration or acceptance of most of the technology. Certainly on the pesticide side, and especially for some of our smaller acreage crops, the pesticide companies don't see Canada as a big enough market to actively pursue registration here. We have to try to romance them and bring them in.

That's where, if we move more to joint registrations on pesticides with Canada, U.S., and Europe, it will facilitate things and be a huge advantage for Canadian producers.

**Mr. Randy Hoback:** If we do that, you have 500 million customers in Europe and how many hundreds of millions in the U.S., and you'll be the only producers able to market to both those at the same time. The impact of that should be substantial, especially if you can take on these new technologies, these new ways of doing things, and get the recognition of science. I would think our horticulture industry and our producers would be in a very aggressive seat at that point in time, would they not?

**Mr. Keith Kuhl:** Absolutely. Today's Canadian farmer is very technically savvy. If I climb into one of the tractors back home, I very often have to call one of my boys on the phone to figure out exactly how to program the computer on it so that the tractor can operate—

**Mr. Randy Hoback:** —and make those rows straight.

**Mr. Keith Kuhl:** All of our warehouses, as an example, are computer controlled. I don't bother doing it anymore, because I have sons who do the work for me. My sons can be anywhere in the world and they can log in and check the irrigation system. They can check the warehouse to make sure things are going okay.

That's only a small example of the technology. The mapping, the variable rate fertilizing that we're doing, it's unbelievable right now.

**Mr. Randy Hoback:** Well, Chair, I am in the Christmas spirit, so I'll give the rest of my time to the opposition members.

**The Chair:** What a friendly group.

She's going to appreciate it. Madam Brosseau, you have five minutes.

**Ms. Ruth Ellen Brosseau:** You should be more giving all year round. Let's get in the Christmas spirit more often.

**The Chair:** I think this trip to the U.S. worked; I don't know.

**Ms. Ruth Ellen Brosseau:** It's a start, but keep the ball rolling.

Chair, I'd like to thank you, Randy, and most of all, our witnesses today.

I know we've talked a lot about pesticides and something that really has come to mind today is bee health, because it was brought up in the House of Commons. A member asked for an emergency debate on bee health when it comes to neonicotinoids that are being used as a pesticide.

I was just wondering if I could get your comments on the importance of bees. That product is banned in the EU but is still being used in Canada. There's an evaluation going on with the PMRA, but the report's going to come out in 2018. I was wondering if you could comment on the importance of bees and that pesticide.

**Mr. Keith Kuhl:** Certainly, bees play a very important role for many of our crops.

Very often when issues like bee health come up, we tend to look for a scapegoat. We look for one issue that is going to solve the problems. I can assure you that if we banned the neonicotinoids, that's not going to solve the problems. There are bigger and other issues we have to work out and that we have to consider.

With the growth in the industry, we're ending up moving bee colonies around the country on an ongoing basis and very often over long distances. Any time you move a living organism, it has a significant impact. The smaller the animal, the more impact it has. When we travel from here to Europe, we very often go through jet lag. Bee health is impacted by that same type of movement.

We need to ensure that we fully understand the issue and then continue to adopt the best management practices to ensure that we can maintain good bee health.

● (1725)

**Ms. Ruth Ellen Brosseau:** I'd like to add that I agree that we can't blame it all on neonicotinoids, that one pesticide. I do believe it is a part of the puzzle, a contributing factor that is weakening the health of our bees. We should all be very concerned about it.

We've met before, and it was a pleasure meeting with you.

There's another issue I wanted to talk about. We've talked a lot about food safety and the overlapping that is happening in Canada when it comes to the CanadaGAP. I wonder if you could comment a little more on that, please.

**Ms. Anne Fowlie:** Certainly.

The CFIA takes major undertaking of everything it does, and food safety is a top-of-mind concern for the agency and for all Canadians. There's been a lot of good work done and, as Mr. Kuhl referenced in his comments, the CanadaGAP program was a collaborative effort with industry and the retailers. The buyers were very important in the development of the program, as well as, certainly, CFIA and Agriculture Canada.

We are pleased with what we see thus far in the way things are moving forward with respect to food safety, particularly with respect to the produce industry. One of the things we've indicated repeatedly is to not reinvent the good work that's already been done. The CFIA was very involved in a technical review of the on-farm food safety programs, not only for fruit and vegetables, but other commodities and sectors as well.

The benchmark in the GFSI has been key, and it does bring very important recognition and cachet to the program and adds a level playing field. Not recreating or reinventing is important.

What we're beginning to see in some of the consultation pieces that are coming out, particularly with the preventive control plan for fruit and vegetables, is very positive, because that is, in fact, what is happening. They're taking a lot of the good work they were involved in and applying that to what they're putting in place now. As long as things can continue on that collaborative path, which we believe is sound and well vetted, then that bodes well.

Again, we want to make sure that other products we consume that are coming into our country are also scrutinized to the same standards.

**Ms. Ruth Ellen Brosseau:** Absolutely.

Do I have any more time?

**The Chair:** You have 30 seconds.

**Ms. Ruth Ellen Brosseau:** Perfect.

Is there any housekeeping or anything else you wanted to add?

Merry Christmas.

**Ms. Anne Fowlie:** And to you.

**Ms. Jane Proctor:** Could I add something to that?

**A voice:** And a happy new year?

**Ms. Jane Proctor:** *Feliz Navidad*.

Many of you met with some of our industry members, from both our organizations, over the period that we were here in November.

Since you've raised the issue of food safety and we've talked about it in our comments, it's going to be important that you keep something in mind as all of you consider the details of the act and the new legislation around food safety. Just as we want to make sure we're very cautious and that none of our growers or none of our industry are excluded during big agreements like CETA, it's equally important that you protect the industry itself by not allowing exclusions even within Canada as we start to look at these regulatory requirements.

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

I want to thank our witnesses.

As I mentioned before, this ends the study in terms of the witnesses coming in on the CETA and the impact it has. We will be asking that we receive our draft report. We'll have that when we come back in January to review, and at that time the committee will then look forward to what we'll be studying next.

Mr. Kuhl, in terms of your comments about the pesticide, that has been an ongoing issue for a long while. I do have to say, though, that in terms of some of the new pesticides that are coming forward, there are joint and global registration processes that are in place. It doesn't go backwards. It's not retroactive to some of those ones that are still used and likely will be used for a while. I think the horticulture groups are maybe the most impacted for that very reason. They are smaller amounts. They are not particularly large acreages, or they are in greenhouses. It is a challenge, but I think the movement going forward is the right one. You raise a very concerning issue that's been in the agriculture industry for a long while.

Quite honestly, we've seen the breadth of agriculture in front of this committee. Some of it we, all of us, likely, didn't know much about, but we've had great discussion from all the witnesses. I appreciate the questions the committee has put forward to all of them, trying to draw out as much information on all sides as we can.

With that, we're right on time.

I want to wish everybody a Merry Christmas and happy new year. Have a safe journey home, and we'll see you back in January.

Thank you very much.

The meeting is adjourned