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Chair

Mr. Bev Shipley

Standing Committee on Agriculture and Agri-Food

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● (1635)

[*English*]

The Chair (Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC)): I'd like to call the meeting to order, as we move through our review on innovation and competition.

I apologize to all the witnesses. We had votes that came up, so we are a little late starting.

We have four witnesses. We're going to have all of them make their presentations, and then we will go through a round. Each party will get at least one round of questions in.

I am going to take the liberty of welcoming, from the Canadian Food and Wine Institute, by video conference from Niagara-on-the-Lake, Marc Nantel and Nigel Corish. I'm likely going to ask them to start off. From Food and Consumer Products of Canada, we have Carla Ventin, vice-president of federal government affairs.

Then I'll move down to what would have been the second hour. From the Canadian Fertilizer Institute is Clyde Graham, senior vice-president, strategy and alliances. By video conference from Taber, Alberta, is Gerald Third, executive director.

I'd like to start with you, Marc and Nigel, from the Canadian Food and Wine Institute, for seven minutes, please.

Dr. Marc Nantel (Associate Vice-President, Research and Innovation, Canadian Food and Wine Institute): Thank you very much.

I appreciate the opportunity to speak with you today along with Nigel Corish, who's our research project manager in the food and beverage innovation sector.

At Niagara College we do applied research on many different subjects. The idea for us is to take our faculty infrastructure, students, and equipment and bring them to bear on the challenges and the desires of industry, SMEs mostly.

Typically we like to focus on the region of Niagara, but because our funding is national and provincial, we have a wider scale of—[*Technical Difficulty—Editor*]

The Chair: We'll take a minute here and hopefully we'll get him back.

Sorry about that. Could you continue, please?

Dr. Marc Nantel: Sure.

I guess I was saying that we do technology projects, including product development and all that, but also commercialization projects. When a company comes to us and asks, “Could you please develop a new product? We think it's going to be popular on the market”, we also ask them, “What is your market? What is your competition? How are you going to get it to market?” If they don't quite know the—[*Technical Difficulty—Editor*]

The Chair: We can hold.

I'm going to Taber, Alberta. From the Alberta Sugar Beet Growers, Mr. Gerald Third, if you could start and then we'll hook back up with the Niagara guys a little later. Thank you very much.

Oh, there's something not working that well here today.

I'm going to ask Carla from the Food and Consumer Products of Canada to present. You have seven minutes.

Thank you very much.

● (1640)

Ms. Carla Ventin (Vice-President, Federal Government Affairs, Food and Consumer Products of Canada): Excellent. I'm ready.

Food and Consumer Products of Canada welcomes the opportunity to contribute to the Standing Committee on Agriculture and Agri-Food study on innovation competitiveness. FCPC is the largest national industry association in Canada, representing companies that manufacture and distribute food, beverage, and consumer products. Our member companies have facilities in 170 federal ridings across the country. Our industry is the largest employer in the manufacturing sector in Canada, with approximately 300,000 Canadians working in 6,000 manufacturing facilities in every region. We are a truly national industry, providing value-added jobs to both rural and urban Canadians in every province and territory. We support farmers by providing them a market for the food they grow, and we meet the needs of Canadians consumers, who enjoy the safe and high-quality food available on grocery store shelves.

The government can encourage innovation and competitiveness in our industry by, one, making regulatory modernization a priority; two, encouraging capital investment; and three, pursuing meaningful access to international markets. I'll go through each of these items.

First, with regard to regulatory modernization, the most important way the government can support innovation and competitiveness in our industry is to rapidly modernize Canada's food regulations. Regulations must continue to be based on science and prioritize product safety. Our regulatory framework, governed by Health Canada, has not been updated in a meaningful way since the 1950s. Food regulations have not kept pace with changing technologies and the development of new products, and backlogs for product approvals persist. Canada's food and beverage manufacturers require a more predictable and responsive regulatory framework, which would encourage companies to maintain and grow their operations in Canada. For consumers, regulatory reform is needed to provide more product choice on grocery store shelves.

We have seen some progress in food regulatory reform at Health Canada. This was achieved because Agriculture and Agri-Food Canada provided $17.4 million over five years to Health Canada to address food regulatory reform. In Growing Forward 2, however, this funding was no longer made available. As a result, food regulatory modernization is stalled. Health Canada's limited resources are regularly diverted away from food to pharmaceuticals, as both sectors compete for resources in the regulation of the Food and Drugs Act. Our regulatory recommendations are therefore twofold: one, reinstate the $17.4 million to Health Canada for food regulatory reform; and two, create a separation of funds between food and drugs in Health Canada, to ensure more predictable and balanced allocation of resources.

I'll go onto my second item, capital investment. Food and beverage manufacturers recognize that they require state-of-the-art facilities to be productive and competitive in both Canada and abroad. Many, however, are facing challenges related to aging infrastructure and equipment in facilities. More incentives are required to encourage manufacturers to reinvest in their Canadian plants, expand existing operations, or open brand new modern facilities. Other countries are fiercely competing for these investment dollars, and Canada needs to be in the game if we want to keep value-added jobs here in Canada.

Our recommendations, therefore, include making an accelerated capital cost allowance permanent, expanding the advanced manufacturing fund outside of Ontario, and creating a new capital investment fund to support investment in Canada's manufacturing facilities.

My third item is international markets. Our member companies understand they need to export in order to grow and compete in both Canada and abroad. We therefore fully support meaningful access to international markets, and commend the government for its ambitious international trade agenda. While many companies are interested in taking advantage of these export opportunities, there is a growing need for more support outlining the steps required and market insight to become export ready. Furthermore, having this information in a one-stop portal would make this accessible to companies.

As we know, our industry is highly integrated with the U.S., and our success depends on the free flow of goods with our top trading partner. We are therefore very concerned about the government's proposed retaliatory tariffs on our industry, in response to the ongoing country-of-origin labelling dispute with the U.S. If implemented, these tariffs would affect every product category on store shelves.

● (1645)

Canadian families would be subject to a vast increase in their grocery bills and significantly less product choice in stores. For a typical shopping trip, purchasing 10 items including staples such as breakfast cereals, juices, potato products and rice, for example, would increase from $40 to $75.

An increase in tariffs on ingredients would also have a negative impact on domestic sales, exports, and jobs. Decisions relating to innovation in R and D would be cancelled. Many Canadian manufacturers would be at extreme risk of closures and others would significantly scale down their Canadian operations, and Canadian farmers would be forced to find new markets.

The uncertainty created by the proposed retaliatory tariffs on our industry is not conducive to competitiveness or innovation. Our recommendations are therefore, one, to develop a one-stop portal of information to help companies become more export ready, and two, resolve the country-of-origin labelling dispute in a manner that does not increase tariffs on our industry.

I'd like to leave you with one final thought. As you know, food manufacturers and Canadian farmers are interdependent and we all work together to ensure the safe and high-quality food available on grocery store shelves. In order to drive innovation and competitiveness, the views of both farmers and manufacturers must be given equal consideration in policy development by this committee and by the department. This opportunity provided to me today is therefore very much appreciated.

Another positive step would be to include food manufacturers and their issues on the agenda of every federal-provincial-territorial agriculture ministers' meeting.

My final two recommendations, therefore, are to provide equal consideration to farmers and manufacturers in policy development, by this committee as well as by Agriculture and Agri-Food Canada, and to ensure equal weight in the agenda for farmers and food manufacturers at all upcoming federal-provincial-territorial agriculture ministers' meetings.

Thank you.

The Chair: Thank you very much for your presentation.

Now we'll move back to Taber, Alberta, and Mr. Gerald Third.

Mr. Gerald Third (Executive Director, Alberta Sugar Beet Growers): Good afternoon.

The Chair: It's good to have you back.

Mr. Gerald Third: It's great to be back.

I'd like to begin by thanking the committee members and chair for inviting me to speak to you about innovation and competitiveness in the Canadian agriculture sector on behalf of the Alberta Sugar Beet Growers.

We're a smaller agricultural industry in Canada, representing about 250 producers who annually generate about $40 million in production value. I think, as a smaller industry with very specific value-added demands, we can provide some unique insights into the opportunities and challenges that confront Canadian agriculture in terms of innovation and competitiveness.

I would like to focus my comments on a critically important aspect of the innovation continuum, and that is the commercialization of research into specific value-added opportunities for producers. As we continue to open global markets and export opportunities, we're becoming increasingly integrated into the global commodity markets. We, as an industry and as a country, need to focus on the value-added side in order to provide a buffer from this volatility and to ensure that there are new markets for a wide range of Canadian farm products.

The growers have, for decades, supported research into better sugar beets, developing beets that produce more sugar or have other enhanced characteristics. We have spent millions of dollars on this research, all to our own detriment. Why to our detriment? Because as the amount of sugar produced by a tonne of beets has increased, it has meant the acreage required has dropped. In simple terms, the growers have funded research programs that benefit processors but hurt growers, so the benefits of crop research do not always accrue to the growers.

Our industry is at a crossroads. We can sit idly by and watch it disappear or we can try to do something about it. Now, our growers are very industrious, innovative, and entrepreneurial so they have chosen to be proactive. In an effort to survive and become self-sufficient, our growers have been seeking new, innovative uses for their crops and they want to invest in a value-added entity that will use their crops as a feedstock. We envision a facility that produces a high-value bioproduct. The growers will have a material ownership stake in the operation and the benefits to Canada would be fantastic, commercializing a new technology, tens of millions of dollars in new investment, new jobs, more taxes being paid, and farmers who share in the value-added benefits derived from their crops.

But there are challenges. The road we are travelling is very expensive and full of risk. The growers are willing to shoulder a lot of that burden, but government support is critical. In my brief time here I would like highlight a few of the challenges our industry is facing and I'll try to shed some light on how important they are to our future competitiveness.

The first is the timeliness of obtaining approval for government grants. As an organization that has been actively involved with Growing Forward, both 1 and 2, I can say that we see a lot of potential in the programs but we have found the timeliness in receiving approval for funding to be quite frustrating. These delays have a direct and significant negative impact on our ability to move our projects forward. Adding to the frustration is that, once you submit your application, it seems to go into a black hole. There often is no government-initiated communication about where your application is in the process, who is involved in accessing the application, or when a decision is expected. I know from discussions with other organizations and around the CFA table, that we are not alone in our frustrations here.

I would remiss if I didn't mention one last challenge we faced. ASBG was encouraged to work towards the creation of a national promotion and research agency. This would have allowed us to charge a research levy on imported sugar, a levy identical to the one all sugar beet growers in Alberta currently pay. This would have provided us with much needed revenue while at the same time helped to level the playing field relative to the cost of imported sugar. We spent considerable time, effort, and money pursuing this only to find that, because of the way the legislation is structured, the number of voting board members is based on the volume of sugar sold. The two major sugar importers would have complete control of this agency. As a result, we had no choice but to abandon this initiative as it seems very unlikely sugar importers would vote for a levy on the foreign-sourced sugar they are importing.

Lastly, I would like to highlight that, as a result of all we have learned and the many challenges we have faced over the past three years, we've developed a pre-commercialization road map that outlines a process that can be followed, potential traps, legal arguments required, intellectual property, sources of capital, etc. While there has been much written and developed respecting research methodology, there is no comprehensive work outlining the numerous challenges associated with the pre-commercialization aspects associated with research development.

● (1650)

We often described this process as the valley of death, as this seemed to be the place that most research projects went to die. We created this road map to help others who may want to travel a similar path. It is one way we hope to give back. The road map has been provided to many grower groups in Alberta, Alberta Agriculture staff, Canadian Federation of Agriculture staff, and to each member of the bio-industrial value chain committee. If any of you are interested in a copy, we'd be happy to provide you with one.

Following the outlined challenges our growers are up against, we are working very hard in an effort to save our industry, but we could use some help. I would now respectfully like to make three recommendations for your consideration.

First, government should ensure there is a reasonable balance between funding for research and funding that supports commercialization.

Second, it would be incredibly helpful if those administering government grants were required to move at the speed of business. Staff should understand this and be assessed based on their ability to respond to applications in a timely fashion. This should become embedded in the culture of those working in roles that impact the timeliness of responses to applications from industry.

Third, a review of the promotion and research agency legislation should be completed to determine if it contributes to the outcomes envisioned when the agencies were created.

On behalf of the 250 sugar beet growers in Alberta, and on behalf of the Alberta Sugar Beet Growers, I thank you all again for giving me this opportunity to speak. I look forward to answering any questions you may have.

● (1655)

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

We'll go back to the folks from the Canadian Food and Wine Institute.

Marc, I believe you were speaking, you have about four minutes left.

Dr. Marc Nantel: Thank you very much. I'm glad we have another four minutes.

At the Canadian Food and Wine Institute, we do a lot of projects and develop a lot of products. The main thing that seems to be a challenge for small companies trying to put some new products on the shelves is the actual mesoscale development. That is, going from a prototype in the lab all the way to a decent-size scale of production before going to full-scale production.

We heard the term “valley of death” earlier on from one of our co-witnesses. This is where it is for us. It's going from a university or college or research centre doing a small batch for prototyping purposes, to going to the co-packer who's going to make it in the hundreds and thousands of litres. We need a mesoscale there, something in between where the product is good enough to be sold, and to be shown to potential investors, and to be put out there on the shelves at least in the specialty stores. It's often the way new products start when it comes to small and medium enterprises. So we see a great need in the middle that is not necessarily being addressed.

Nigel, do you have anything you'd like to add?

Mr. Nigel Corish (Research Project Manager, Food and Brevage Innovation, Canadian Food and Wine Institute): Yes. Thanks, Marc.

In terms of the challenge, and meeting that challenge, the SMEs in the food and beverage sector that we see typically lack the resources and capabilities to scale up production, as Marc mentioned. The way that Niagara College, and the Canadian Food and Wine Institute at Niagara College, can really advance the food and beverage sector across Canada and locally is to expand on our ability to develop products with industry and move towards the more commercialization side of things. We already do commercialization; however, there is a gap in terms of production.

We are proposing a flexible food and beverage processing facility, and flexible is the key. It needs to be modular. It needs to be flexible and allow different companies to access the technology to produce at a mesoscale of production during the ramp-up and commercialization phase.

Typically, what we see with small and medium-sized food and beverage product producers is that we can develop a product with them here, we can make a small batch for them here, and then we have to jump right to a co-manufacturer, which has a minimum quantity order, which is oftentimes too risky and expensive for those SMEs. We are now looking at something that would fill the gap between that.

At Niagara College and at the Canadian Food and Wine Institute we feel that, paired with all of our learning enterprises and resources here, and the expertise, we could build and develop this type of facility that would enable the SMEs in food and beverage across Canada to be able to make that leap successfully, without taking on the additional risk and without taking on the massive cash investment that typically comes with this type of product development.

This will only lead to, as an outcome, food and beverage innovation and competitiveness. It will enable the product development to occur at a rapid pace. It will enable more SMEs to come out of the woodwork and to take risks, without having the great burden financially. Also, we're training students here, and the opportunity for us to be able to inject these students into a world-class facility that is dealing with real-world industry gives us the opportunity to train a workforce which is, quite frankly, from what I've been told from multiple discussions across industry, undereducated in many ways on the processing side. How does Niagara College play a role in ensuring competitiveness? It's through this type of training initiative that would come with the innovation side of it in product development.

At the end of the day, we require an investment to be made. We require the funding necessary to be able to develop this type of facility here at the college, to really raise all boats across Canada and regionally here in food and beverage processing.

Thank you.

The Chair: Thank you very much, Mr. Nantel and Mr. Corish.

Now I will move to Mr. Clyde Graham, from the Canadian Fertilizer Institute, please, for seven minutes.

● (1700)

Mr. Clyde Graham (Senior Vice-President, Strategy and Alliances, Canadian Fertilizer Institute): Thank you, Mr. Chair and members of Parliament. My name is Clyde Graham. I'm the senior vice-president of the Canadian Fertilizer Institute.

CFI is a not-for-profit association. We represent manufacturers, wholesalers, importers, and retail distributors of nitrogen, phosphate, potash, and sulphur fertilizers. With facilities located across Canada, our growing industry contributes over $12 billion to Canada's economy and employs over 12,000 Canadians.

I'm pleased to be here today to speak to this committee about the innovative program that the fertilizer industry and Canada's farmers are implementing across the country. 4R nutrient stewardship is an innovative approach to improving profits, protecting the environment, and meeting society's goals on Canada's croplands. From the north Kensington watersheds in Prince Edward Island to the Peace River district of Alberta, farmers are changing the way they make decisions about fertilizer application to be more efficient and sustainable.

Today I would like to highlight three points. First, 4R nutrient stewardship is an innovative best management practice system with four integrated strategies for fertilizer application: the right source, the right rate, the right time, and the right place. Second, we can protect our soil, water, and air for society through sustainable actions. We can enhance the productivity and profitability of our farm customers, and we can ensure the future of our industry. Balancing social, economic, and environmental goals are key. Third, the federal government and in particular the Department of Agriculture and Agri-Food has a continuing role in integrating 4R nutrient stewardship into its scientific research programs, management policies, and extension with farmers, researchers, provinces, and other governments.

4R nutrient stewardship helps farmers and the public understand how best management practices for fertilizer improve farm profitability while reducing losses of nutrients to the air and water.

The 4R nutrient stewardship program is being implemented in provinces across the country. Over the past two years CFI has developed regionally specific partnership programs with farm groups, provincial governments, and environmental groups in Prince Edward Island, Ontario, Manitoba, and Alberta, and is planning to expand into Saskatchewan and New Brunswick. For example MOUs in Manitoba and P.E.I. recognize and promote 4R practices on farm fields. CFI is providing financial support of $150,000 over three years for extension, communications, research, and incentives for 4R demonstration farms in both Manitoba and in Prince Edward Island.

CFI has also developed online 4R training courses on its GrowZone website for farmers and certified crop advisers who advise those farmers, and supported the development of the nitrous oxide emission reduction protocol to reduce on-farm emissions of nitrous oxide using the 4Rs.

Farmers in Alberta are helping to mitigate climate change while improving their bottom line. This year over 150 producers representing more than 500,000 acres participated in the program that provided the training farmers need to implement 4R nutrient stewardship and NERP into their farming practices. CFI has recently signed separate agreements with Lakeland College, ARECA, and Capital Power in Alberta to further integrate NERP practices, again based on the 4R principles.

The Canadian Fertilizer Institute's science cluster is funding research into reducing greenhouse gas emissions by using 4R nutrient stewardship on Canadian farms. The science cluster is providing $200,000 a year in funding support for scientific research projects in Ontario, Manitoba, Saskatchewan, and Alberta to verify the effectiveness of the 4Rs in the field in reducing greenhouse gas emissions from fertilizer application.

More is coming. An additional $1 million has been allocated to Canadian projects under the new North American 4R research fund over the next five years.

Through sustainable actions, we can protect our soil, water, and air for society, enhance the productivity and profitability of our farm customers, and ensure the future of our industry. Agricultural sustainability is all about farm best management practices that keep crop producers profitable, while protecting the environment.

A recent study conducted by the George Morris Centre determined that implementing 4R practices on farm fields is good for the bottom line. The increase in profits is estimated to range from $9 to $87 per acre in Alberta using NERP principles. That's aside from any offset payments that would come from reducing greenhouse gas emissions.

The program's effects are not just in yield increases however, as implementation can result in a 15% to 25% decrease in nitrous oxide emissions. Nitrous oxide is the most powerful of the greenhouse gases.

● (1705)

Environmental stewardship and sustainability are not new ideas for our industry, nor for the farmers who have long embraced the principles of best management practice in their operations. What is new is the integration of source, rate, time, and place BMPs while addressing economic, social, and environmental goals. As we move forward on the path to sustainability, it is increasingly important to both demonstrate our success in measurable ways and to identify areas where we continue to improve our performance.

Canada's crop producers have a critical role in meeting the world's food demand, and fertilizer is a key ingredient in making that possible. We are confident that 4R nutrient stewardship is an important tool in meeting Canada's agricultural and environmental goals to grow crops sustainably.

The Government of Canada and in particular the federal Department of Agriculture and Agri-Food can go further in integrating 4R nutrient stewardship into its research programs, nutrient management policies, and communications with farmers, researchers, provinces, and other governments. We believe the federal government has a continuing role in supporting soil science research and 4R nutrient stewardship programs.

I just want to note that we do have a grant of over $700,000 right now from Agriculture and Agri-Food Canada for extending 4R practices on greenhouse gases and we're very appreciative of that.

In 2013 CFI, the Fertilizer Institute in Washington and the International Plant Nutrition Institute developed a North American 4R research fund, which provides resources for multi-year research efforts aimed at measuring and evaluating the economic, social, and environmental impacts of 4R nutrient stewardship. The fund supports Canadian and U.S. projects in partnership with land-grant universities, watershed stakeholders, and government agencies as well as through industry initiatives.

Last year the North American industry pledged $7 million over five years to fund this multi-year research effort. The allocation of that is about 20% in Canada.

In conclusion, I want to remind the committee of our three points. 4R nutrient stewardship is an innovative best management practice system with four integrated strategies for fertilizer application: the right source, rate, time, and place. Through sustainable actions we protect our environment and enhance the productivity and profitability of farmers. Balancing social, economic, and environmental goals are key.

Lastly, the federal government, particularly AAFC, has a continuing role in integrating 4R nutrient stewardship into its programs and we're eager to work with them to achieve that.

Thanks very much for the committee's attention.

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

Now we'll move right into our questioning.

I'll go to Madame Brosseau for five minutes, please.

I'm going to try to stick really close because we want to get through as many of the witnesses' questions as we can.

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

I'd like to thank our witnesses for still being with us even after the votes. I'd like to thank you all for your presentations. They were very interesting and I really enjoyed a lot of the recommendations. They were hard to follow. I have a page and a half of notes.

I would just like to start my questions and perhaps you can all answer and we'll go around that way.

We've had witnesses come to committee and say that in the programs out there right now, five years is not enough and we need to have a longer-term vision for research and innovation. I wonder if you can comment on the need for perhaps a long-term vision instead of programs that are so short. Also perhaps comment on the agri-innovation program and whether it is working.

On sugar beets, Mr. Third, you mentioned that we need to a more timely response to the applications. I wonder if you would all comment on that, please.

The Chair: Why don't you start, Mr. Third?

I know you're on video conference so we're going to start with Mr. Third and then go to the Canadian Food and Wine Institute.

Remember that everyone has five minutes.

Mr. Gerald Third: I believe that a five-year time span on these programs is more than adequate. We are in an ever-evolving global economy and things do change.

One of the detriments of that program, though, is timeliness of project approval. If those things could be sped up then I think we would see a better and more significant use of that particular program and there would be far more value to it.

● (1710)

The Chair: Thank you.

Let us hear from Canadian Food and Wine.

Dr. Marc Nantel: Thank you. I appreciate the question.

I agree with Mr. Third that often, to move at the speed of business it's a question of having faster turnaround time on funding requests.

As for our view on the five-year aspect, agricultural research has typically a longer timeframe than other types of research. I could make a case that five years is a bit short, in the sense that by the time you've gone through a few crops of something, all of a sudden the project is ended. If there is a field in which longer timeframes for research projects and programs might make sense, it certainly is agriculture, viticulture, and greenhouse-type stuff.

Mr. Clyde Graham: I think five years is fine, but certainly the delays in approval or even rejection of projects is difficult.

I would like to see the department move to a more iterative process in which it is more open in its discussion with applicants about what they would like to do. I think they would get better projects approved, and it would be less frustrating for applicants.

Ms. Carla Ventin: I don't have much to add here, but five years seems reasonable. The timeliness of approvals is a huge issue—and the transparency of approvals.

Reiterating what Clyde said, being able to have government and industry work together to say whether it's even worth the effort to make the application and spend the time on it is really helpful. That kind of open, transparent process would be very useful.

Ms. Ruth Ellen Brosseau: Do I have another minute?

The Chair: You have now one minute.

Ms. Ruth Ellen Brosseau: Carla, you had quite a few recommendations. Is it possible to have your statement...? I guess we'll have it in the blues, but I wonder whether you could again go over the regulatory management modernization that needs to be done. I would like those comments again, please.

Ms. Carla Ventin: Sure. I will provide a translation of my statement in both official languages following this meeting.

The key for us in regulatory modernization is that Health Canada holds our regulations, and these regulations have not been updated for a very long time. So we see delays in product approvals, and innovative products are just not being approved.

The two recommendations that we had were to reinstate the $17.4 million to Health Canada, which used to be given from Agriculture and Agri-Food Canada to Health Canada specifically for food regulatory reform. The result of that was very positive. We saw a lot of movement, for example, on food additives. Whereas we used to have food additives in the queue for up to 10 years to get approval, now it's down to about two to three years. That's fantastic.

The Chair: Thank you. That was very good.

Now we'll go to Mr. Payne, please, for five minutes.

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

I'd like to thank all the witnesses for appearing on video. I was a bit concerned about the innovation here when we lost the video. That is a big part of innovation, I believe, in helping our committees.

Welcome, Gerald. How are you doing?

Mr. Gerald Third: How are you?

Mr. LaVar Payne: I'm good.

Mr. Gerald Third: That's wonderful.

Mr. LaVar Payne: I know that our government has given a fair number of dollars to the sugar beets facilities. One thing, I understand, is that we were turning sugar beets into aspartic acid. Can you give us an update on what is going on there, if you have any insight into it?

● (1715)

Mr. Gerald Third: Certainly.

The aspartic acid program that was initiated here a few years back has hit a typical roadblock, and that is that it's competing with a petroleum-based product. As long as the petroleum-based products are hovering in the $100-per-barrel range, it is not practical to make aspartic or polyaspartic acid from sugar beet residue. Once the cost of a barrel of oil goes up, then it becomes competitive, but right now that particular project is stalled because of the price of a barrel of oil and the competitive nature of it.

Mr. LaVar Payne: I was there last year and made an announcement of some funding you got for some research that was going on. Is this a different piece of research, for petrochemicals, from that for which the funding was provided?

Mr. Gerald Third: Yes, the aspartic acid project was put on by a different organization a few years back. It is very active in Taber, but it has stalled. The research funding we received, for which we were extremely grateful for, was for bio-glycol to convert sugar beets into glycol, which would be plastic for the food industry, for cosmetics, etc. That was that project.

Mr. LaVar Payne: How is that project going?

Mr. Gerald Third: We reached a crossroads. I referred to the pre-commercialization roadblock. While the research works phenomenally well, we found enormous hurdles and hills to climb during that valley of death, so to speak, between getting from the lab bench and pilot plant stage we are at to commercialization.

Those are enormous obstacles, and there was nothing for us. We wrote this book specifically because of the number of hurdles and challenges we faced, and there were no answers. We had to carve this road ourselves.

Mr. LaVar Payne: It's an interesting challenge, obviously.

Mr. Graham, I have Canadian Fertilizers Limited in my backyard, almost. They make nitrogen and ammonia fertilizers. You talked about some projects in Alberta, about farmers and reduction of greenhouse gases. Do you have any more details that you could provide us on that subject? Do you have any data to show where there has been a reduction, or how much, and how many farmers have been involved?

Mr. Clyde Graham: Sure.

We talk to hundreds of farmers in Alberta. We're trying to set the table to allow farmers to participate in an offset program, whereby they can get offset payments through the Alberta government offset program.

We don't have any projects under way, although we have an announcement with Capital Power Corporation, and we're hopeful that this project will get under way this year. It is a difficult process, in that there's a lot of paperwork and documentation under the Alberta system, but we've also had a lot of support from the Alberta government to work with us and work with the growers to get them ready to take advantage of this opportunity.

When you apply nitrogen fertilizer in the soil, you can lose nitrous oxide, which is a potent greenhouse gas, 300 times more potent than CO_2. But if you use 4R nutrient principles and are more efficient in your fertilizer application, more of the nitrogen goes into the crop and less into the air, and you can reduce your emissions. That's the 15% to 25% reduction that we were talking about.

But more importantly for growers in Alberta, if they take those actions they will also produce more grain from the fertilizer they use, and that can increase their profitability. That was shown by the study done with George Morris indicating that, depending on how aggressive they are, they could increase their profitability by nearly $90 an acre, which is very significant—more significant than the offset payments that they might receive as well.

Mr. LaVar Payne: All right. Thank you.

The Chair: Your five minutes is up. Thank you very much.

Now we'll go to Mr. Eyking for five minutes, please.

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

Thank you, folks, for coming today. We're sorry for the delay because of the votes in the House, but here we go.

My first question is to you, Carla. It's about the cutbacks. You mentioned cutbacks, I think by Health Canada, slowing down product introduction.

But you also stated that there were cutbacks or that there was no approval of funding under Growing Forward 2—was it?—for research. Can you give me a quick snapshot of what is happening? If research has been cut back and approval mechanisms are cut, how is that going to impact your products, especially if we're going to be looking at introducing products into European markets?

Ms. Carla Ventin: What I was referring to is that Agriculture and Agri-Food Canada provided $17.4 million to Health Canada specifically for food regulatory reform, and that worked very well. As I mentioned earlier, we saw a lot of improvements with food additives.

So the approval process for this was sped up. That was extremely important. Why is it important? It is because you cannot encourage innovation in Canada if it may take up to 10 years to get your product approved.

I'm not talking about compromising safety, because safety is a priority not only of the government but also of companies, of course. To encourage innovation by food manufacturers, you want to be able to say that once you actually produce some innovative product, it will take *x* amount of time to get it on store shelves.

The problem is these delays. In Growing Forward 2 there were no funds provided to Health Canada to modernize the food regulations.

It is a bit odd that Agriculture Canada would be providing money to another department, but that's just the way our industry is governed. Our home is in Agriculture and Agri-Food Canada, and Health Canada holds our regulations.

● (1720)

Hon. Mark Eyking: Thank you.

My next question is probably going to be to Carla but also to the Canadian Food and Wine Institute. There is some talk maybe of legislation that might be introduced or motions introduced in the House dealing with the mandatory labelling of GMOs. Right now, it's voluntary, GMOs are. To some extent, this is happening in Europe.

But how critical would your industry be or what kind of problems would your industries have if all of a sudden for some reason there was mandatory labelling for GMOs? Because we're talking about research here and the research so far is that GMO foods are fine to eat. There's no problem with them.

Ms. Carla Ventin: Right. So how do you start off here?

Just with GM labelling, as you say, there are no credible studies that say that GM foods are any different or less safe than conventionally made food. So that's one thing.

Another key thing on the GM labelling issue is choice. We already have a voluntary GM labelling system, as you know, in Canada, and we have the Canadian Organic Standards. So if you want to buy GM-free, you go to the grocery store or wherever you shop and you can buy that. So there already is the choice aspect.

How would it impact? There will be a huge cost if there's mandatory GM labelling on food products. I've seen figures that between 70% to 80% of packaged foods currently have some percentage of GM ingredients. So there would be a cost along the whole value chain and ultimately to consumers.

Hon. Mark Eyking: To the Food and Wine Institute....

Dr. Marc Nantel: I'll let Nigel handle this one.

Mr. Nigel Corish: Yes, thank you.

I agree in large part with what Carla was saying. I think that from our perspective, we work predominantly with the small and medium-sized processors, growers, value-adders. The costs will be incurred. It will be passed down the value chain, without a doubt. It will be a challenge for them. So without further evidence to indicate whether GMO products do have an impact, it's hard to say from a more holistic perspective but in terms of the financial impacts to the processors, there certainly will be one. To what extent, I can't comment, but we would see certainly some impact to them.

Would it impact innovation? I'm not sure about that. Would it impact competitiveness? Perhaps.

So, yes, I think that's my input on that. Thank you.

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

Hon. Mark Eyking: Thank you.

The Chair: We'll go now to Mr. Lemieux, please, to wrap up.

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

Let me just say thank you to our witnesses for being here.

I must say I was quite frankly just hoping to learn more about innovation in your opening remarks. I heard a lot about funding and I heard a lot about regulations and processes, but what I actually want to hear about is innovation and how innovation is helping the agriculture sector.

Just to give an example, a few weeks ago I was standing in Maple Leaf Foods' production plant. We were announcing a repayable contribution of $5 million. They're bringing in top-of-the-line, state-of-the-art, first-in-the-world technology to improve their production speeds, to improve shelf life on their products, to improve food safety.

I would have liked to have heard of other innovation like that, which is actually affecting the food industry. I was in Skotidakis maybe a month ago announcing another $4.5 million for them to update their production line. They are a top-producing dairy product producer and they're working with machinery that will better mix goat milk with cow's milk to make their cheese products. This is innovative, and it's actually going to allow them to penetrate markets that they've been unable to penetrate and more efficiently because right now the machinery they use is optimized for cow's milk and it doesn't work well with goat's milk. But they're doing the best that they can.

So I was hoping to hear a lot more on the technologies and all of these different sectors and how innovation is actually making us more competitive so that we can sell our products at a more competitive rate in Canada, which I think is what the Canadian consumer wants. My read is the Canadian consumer is worried about price, but they actually naturally gravitate to Canadian products. If we have innovation embedded in our agricultural sector and our food processing sector here in Canada, to offer that competitive price, the consumer will gravitate to Canadian products. So I think it's a win-win.

Anyway, that's what I was hoping to hear more of.

I want to thank Mr. Payne because I think in the questions he asked we actually got some of that from the sugar beet side and from the fertilizer side. We got, in the answers, the innovation that I wanted to hear about in the opening comments.

So let me just turn to Carla and say, Carla, can you tell us about some of the innovation that's in the food and consumer product sector that's actually strengthening our economy, creating jobs, strengthening our competitiveness either here at home or in our ability to penetrate? CETA is coming up. How is our food and consumer product sector going to penetrate CETA based on innovation?

● (1725)

Ms. Carla Ventin: Thank you.

It's interesting how it does come back to regulations. What we hear time and again from our member companies is that they are developing innovative products. Do I know what they are? Are they on product shelves? No, they are not, because these innovative products are not being approved in a timely way by Health Canada. So we do have these new products and they are being developed, but because the regulations aren't up-to-date and can't accommodate this, they don't get to product store shelves.

I agree; it's a pretty big thing. Actually it was interesting, I was just reading a statistic on consumers, and yes, consumers do want innovative, more healthful products in our industry. Our different member companies are working toward that.

In a recent study that I read—I think it was a C.D. Howe Institute on the sticker price—it mentioned that Canadian consumers have one-third less selection of products in Canada versus in the U.S. That's interesting. I do attribute the regulatory issues—

Mr. Pierre Lemieux: Surely innovation goes further than new products. Surely innovation penetrates the food and consumer products sector far more than just regulatory changes to allow the rapid introduction of new products.

Ms. Carla Ventin: Absolutely. You mentioned automation and robotics. That's a really big issue. Right now, we're collaborating with both Industry Canada and Agriculture and Agri-Food Canada to kind of benchmark, to see what kind of robotics and automation is happening in our industry.

For example, we have robotic arms that stuff muffins, and all sorts of fantastic innovations that are occurring. That's why I discussed the issue of capital investment, and that it is this new equipment and technologies that will help companies become more productive and innovative and competitive.

Mr. Pierre Lemieux: Okay. I could ask the same question of the Food and Wine Institute.

Is innovation taking place both in the way that your clients are managing their product lines, and in delivering products to consumers?

Dr. Marc Nantel: Absolutely. It was part of the bit that I skipped to get to the finish line, which was about the mesoscale, bringing stuff to the mesoscale so that it can go to the megascale, so to speak.

Here are two examples. We did projects with a greenhouse grower of hydroponic spinach, one of the only ones in North America growing spinach hydroponically, who needed a solution to harvest the spinach in a way that wouldn't hurt the plant itself, to make sure that it can keep growing. With our advanced manufacturing group, we designed a new robot for this company, Durham Foods, and they are now building more of those robots, to make sure that they can harvest their spinach properly and for essentially other people who might want to do the same thing.

Another example, which is more about agriculture, is that one of the biggest subjects at Niagara College—not necessarily directly involved with the Canadian Food and Wine Institute—is the precision agriculture research we do. We're currently working with major distributors and manufacturers of equipment about taking all the intelligence and the GPS ability they put in their harvesters, their seeders, and their fertilizers, making sure that we connect that to precision agriculture. Various management zones in the field.

A field is not a uniform piece of terrain. It has *dénivellation*. It has holes. It has knolls and hills. Where the yield is best for your grain or the various crops you grow depends on where you are in the field, and that is a way of—

● (1730)

The Chair: You're going to have to wrap up soon, please.

Dr. Marc Nantel: Exactly. So we're working on this with companies to make sure that we can save 15% to 20% of fertilizer on a field and increase the yield. There's plenty going on in innovation.

Mr. Pierre Lemieux: That's 15% to 40%...?

The Chair: Thank you, Mr. Lemieux.

Our time has come to an end, so I want to thank all the witnesses for coming and hanging around while we finished our duties in the House of Commons. With that, we will see you Monday.

Thank you very much. The meeting is adjourned.