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Chair

Mr. Bev Shipley

Standing Committee on Agriculture and Agri-Food

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● (1105)

[*English*]

The Chair (Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC)): Folks, I want to call the meeting to order.

In reference to the order of the House referring back to the first report of the committee, we have with us today, from the Canadian Agri-Food Trade Alliance, Claire Citeau, executive director, and Ron Davidson, director.

We also have, from Alberta Barley, Matt Sawyer, who is chair, and Erin Gowriluk, manager, government relations and policy.

And from the Canadian Meat Council, we have James Laws, who is the executive director.

I'm going to turn it over. Each of you will have 10 minutes to present.

I'll start with the Canadian Agri-Food Trade Alliance.

Claire, please, 10 minutes.

[*Translation*]

Ms. Claire Citeau (Executive Director, Canadian Agri-Food Trade Alliance): Thank you, Mr. Chair.

Good morning. My name is Claire Citeau and I am the Executive Director of the Canadian Agri-Food Trade Alliance, or CAFTA. This morning, my director Ron Davidson joins me. He is the Director, International Trade and Government Relations, for the Canadian Meat Council.

[*English*]

Thank you for inviting us today to speak on behalf of CAFTA with regard to the Canada-European Union comprehensive economic and trade agreement, CETA.

CAFTA is a coalition of national and regional organizations that support a more open and fair international trading environment for Canada's agriculture and agrifood. CAFTA's members include farmers, producers, processors, and exporters from the major trade-dependent sectors, including beef, pork, grains, oilseed, sugar, and malt. Together, CAFTA members account for 80% of Canada's agriculture and agrifood exports, totalling $46 billion in exports annually, and directly employ half a million Canadians.

CAFTA was able to immediately and unequivocally voice its support of the agreement in principle that was signed in 2013. Most recently, we were also very pleased by the conclusion this fall of negotiations of CETA.

Fair and free trade is the top priority to ensure competitive access for Canadian agriculture and agrifood products throughout the world. In the current environment of competitive trade liberalization, countries are competing with each other to be the first to secure free, or at least preferential, access to the world's major markets. Today the success of our export market also depends on the timely negotiation and implementation of preferential trade access to the markets that our competitors are after.

CETA secures real and substantial access to one of the world's few multibillion-dollar export markets. Importantly, it does so ahead of our major competitors.

We concur with the observations made by many international trade experts that the Canada-EU trade deal, when implemented, will be Canada's most significant trade agreement since NAFTA. CETA covers a significant range of issues, including tariffs, non-tariff barriers, services and investment, financial services, government procurement, and more.

The European Union includes 28 countries, with a combined population exceeding 500 million. In 2013 Canada's agriculture and agrifood exports were valued at $2.8 billion. This is only 5% of Canada's total agrifood exports. CETA offers tremendous potential for our members, and our exports really should be much higher.

I would like to share with you a sample of CAFTA members' projections of the additional opportunities that are seen to be provided by CETA.

The Canola Council of Canada estimates that the Canada-EU agreement will provide the sector's exporters the opportunity to increase sales by up to $90 million per year.

The Canadian Cattlemen's Association points to new duty-free access for almost 65,000 tonnes of beef at a value they estimate to be nearly $600 million.

Opportunities from CETA for the cereals and grains sector are seen to be both direct and indirect. The grain sector has identified duty-free wheat sales on top of the grain utilized in feed for livestock to meet the increased EU demand for Canadian meat.

The Canadian Meat Council, representing meat processors, has pointed out that the value of EU agricultural imports has increased by some 145% in just over a decade, and sees important export growth opportunities for bison, veal, and prepared meats, in addition to pork and beef.

The sugar industry, through the Canadian Sugar Institute, expects CETA will secure an additional $100 million in exports of sugar-containing products to the European Union.

And the Canadian Pork Council, representing Canada's hog producers, has projected, based on existing market intelligence and the anticipated opportunities for specific cuts of pork, that this deal, in a few short years, could lead to annual sales of up to $400 million per year.

Taken together, we believe the Canada-EU agreement, when fully implemented, could result in up to $1.5 billion in new exports to the European Union.

On the day of the implementation, tariffs on almost 94% of Canada's agrifood exports will be eliminated.

Over the course of the implementation period, virtually all other tariffs, other than for beef and pork, will also be eliminated.

Also important, and contributing to the value of CETA for the Canadian agrifood industry, is the fact that the negotiations have gone beyond tariffs, taking on a wide range of non-tariff issues critical to Canada's agriculture and agrifood exporters. Notably, CETA has included discussion in areas such as technical barriers to trade, sanitary and phytosanitary issues, regulatory cooperation, and export subsidies.

CETA has also established mechanisms that will promote cooperation and discussion on regulatory issues and non-tariff barriers that impede trade. Through CETA, Canada and the EU have also committed to work together to advance a number of non-tariff issues, including approval of meat processing facilities and timely approval of biotech traits.

To conclude, we firmly believe that CETA will provide the net national benefit to Canada that merits this agreement being implemented, and we look forward to the continued support of the federal and provincial governments in achieving this outcome.

● (1110)

The Chair: Thank you very much, Ms. Citeau.

Now we will move to Alberta Barley, with Mr. Sawyer, please, for 10 minutes.

Mr. Matt Sawyer (Chair, Alberta Barley): Thank you.

Good morning. On behalf of Alberta Barley, I'd like to thank you for inviting me here to discuss the Canada-European Union trade agreement. As a farmer from Acme, Alberta, I'm here today to tell you what this agreement means for me and the future of my farm.

My family has been farming the same land for over 100 years. I started actively buying my own land over 25 years ago. I've supported myself by work in a variety of jobs in order to be able to farm for a living. As a farmer, I grow barley, wheat, and canola, and I raise Angus cattle.

The reason I'm here today is that I'm very involved in the industry and am currently serving as chairman of the Alberta Barley Commission. Alberta Barley strongly supports increased free trade and the removal of trade barriers in order to expand opportunities in existing barley markets and emerging markets. This work is done largely through our involvement in the Barley Council of Canada, the Canadian Agri-Food Trade Alliance, and the Grain Growers of Canada.

Here with me today is Alberta Barley's government relations and policy manager, Erin Gowriluk. We are both pleased to have the opportunity to share our comments with you as they relate to your committee's report on the comprehensive economic and trade agreement between Canada and the European Union.

Let me start by telling you a bit about what free trade agreements like this one mean for Canadian farmers like me. First, the economic benefits of guaranteed trade with the EU mean that the future of farming in Canada just got brighter. Second, the potential for developing new and value-added markets means that small and medium-sized businesses in Canada can grow and prosper if they're able to break into the European market.

This agreement could be a game-changer for Canada's rural communities if we're able to build the right relationships. This means there's the potential for me to make more money on my farm, which at the end of the day is what needs to happen in order for Canadian farmers to stay in business. Speaking specifically for barley, the potential for the value-added barley production through beer and beef means solid profits for barley farmers. It also means that our excellent products have preferential access to one of the world's most well-heeled customers.

Canada produces eight million tonnes of barley every year, including malt and feed varieties, and it is the fourth-largest producer of barley in the world after Germany, France, and Russia. Canada's main barley-producing provinces are Saskatchewan, Alberta, and, to a lesser extent, Manitoba and British Columbia. However, we grow barley from coast to coast, and it's one of the reasons why Canada is known for excellent beef and premium malt. Barley has a variety of uses, including livestock feed, beer and whisky production, and as an ingredient in the food processing sector.

International trade agreements are integral to the profitability and sustainability of the Canadian agriculture sector. In 2012 Canada exported more than 1.4 million tonnes of barley. Barley growers like me believe that CETA will enable us to increase our barley exports by opening new markets, which will strengthen the profitability and sustainability of the entire barley value chain.

With over 500 million consumers in the EU, we estimate that under CETA Canadian agrifood exports could increase by $1.5 billion. This amount includes $100 million in grain and oilseed products.

ln addition to these direct benefits, we support the findings outlined in the committee's report that CETA, by providing opportunities for market expansion for Canada's meat industry, will benefit the feed barley industry. With over 80% of the barley produced in Canada going into feed, the barley industry depends on the success of the livestock industry. New market opportunities for Canada's meat industry mean new opportunities for Canada's barley industry.

Alberta Barley supports CETA and other trade opportunities for increased market access, and we encourage the federal government to continue working towards the completion and the implementation of these important agreements. We commend the federal government for their ambitious trade agenda, with both South Korea and the European Union opening up the world to Canadian agriculture exports.

However, I would be remiss if I did not take this opportunity to address one of Canada's greatest challenges when it comes to fulfilling our commitments to international buyers: our transportation system. Unfortunately, shipping and logistical issues are holding us back from maximizing our potential as an exporting nation. We hear about this issue from our international customers and colleagues. We look to the government to ensure Canada's transportation system is able to keep up with our ambitious trade agenda.

● (1115)

Thank you very much.

My colleague Erin will also look forward to speaking.

The Chair: Thank you very much.

Ms. Gowriluk.

Ms. Erin Gowriluk (Manager, Government Relations and Policy, Alberta Barley): Thank you, Mr. Chairman.

Also, thank you to the committee for the opportunity to review and provide comment on the report on Canadian agriculture and the Canada-European Union comprehensive economic and trade agreement.

We appreciate the fact that the committee has provided a synopsis of the comments received from stakeholders at the meetings that were held in November and December of last year. Lisa Skierka, general manager of Alberta Barley and president of the Canadian Agri-Food Trade Alliance, and Brian Otto, the chairman of our national organization, had an opportunity to provide comment to the committee at that time as well.

World demand and trade in barley is growing. Demand is being driven largely by countries with rapidly expanding beer production, including China and Russia, and countries in Eastern Europe, South America, and Africa. Some 25% to 30% of Canada's barley production is used in the malting industry, both in Canada and overseas. About half of this barley is exported unprocessed for malting. The remaining product is malted in Canada and then sold either to the domestic brewing industry or to international customers around the world.

ln 2012 Canada's malt exports were over 595 million malt tonnes valued at $382.6 million. Canada is the largest individual country malt exporter in the world, after France. The EU member states together house 40% of global malt production capacity and are responsible for over 50% of world trade in malt, exporting over 2.2 million tonnes every year. The elimination of tariffs on Canadian barley into the European market will allow us to be competitive in that marketplace for the first time. The European Union is not currently the largest market for Canadian barley, but due to its size, consumption patterns, and generally high income per capita, we believe the EU shows a great deal of potential.

Tariffs have been an issue for agriculture and food exporters. EU tariffs on agriculture and processed food products have been high, particularly on products such as beef, pork, and grain. We know that under the agreement in principle the EU will eliminate all duties on 94% of agricultural tariff lines, and that tariffs on grains, including wheat, durum, rye, barley, and oats, will be eliminated over a seven-year period.

This agreement is also significant for Alberta's barley farmers because up to 80% of our crop goes into livestock feed, creating the high-quality products that Canada is known for worldwide. As you will hear from our colleagues at CAFTA and the Canadian Meat Council, the impact on our beef and pork sectors is significant.

This is why Alberta Barley supports the committee's first recommendation that would see the approval of the comprehensive economic and trade agreement in Parliament and that all provincial and territorial governments work “to expedite the economic benefits it will bring to Canada's agriculture and agri-food sector”.

Further to Mr. Sawyer's comments regarding the challenges faced not only by Canada's grain sector but by all sectors that rely on rail transportation to bring their products to international markets, we have to ensure that we address any barriers that could prevent this free trade agreement from reaching its full potential.

ln addition to eliminating the tariffs that currently serve as barriers to trade, CETA will also help to ensure that unnecessary or discriminatory regulatory requirements do not diminish the value of new market access for Canadians. While regulations are required for the establishment of safety measures, they can become problematic if they are overly burdensome or discriminatory.

CETA is the first bilateral trade agreement in which Canada will include provisions on regulatory cooperation. Alberta Barley is pleased to learn that a forum will exist whereby stakeholders in each country can work with the government not only to address issues relating to non-tariff trade barriers, but to work together towards regulatory cooperation between the two countries.

To reference stakeholder comments in the committee's report, some witnesses indicated that Canada and the EU should take advantage of this agreement to implement a synchronized approval process for new agricultural technologies and innovations. Witnesses confirmed that harmonization of the maximum residue limit, or MRL, for pest control products is an issue of critical importance for Canadian producers. We agree that producers need to be able to continue to use safe and effective pesticides approved by Health Canada without worrying that the EU will block their exports. It is for this reason that we support the committee's recommendation for the Government of Canada to take a proactive approach and to use CETA "to move toward harmonizing and synchronizing approval processes for new agriculture and agri-food technologies".

● (1120)

As the first country in the developed world to enjoy preferential access to both the American and the European markets, Canada's agriculture and agrifood sector is in an ideal position to grow and prosper in the years ahead. That is why we support the committee's fifth and final recommendation "that the Government of Canada continue to pursue additional comprehensive trade agreements"—worldwide—"to open new markets and provide opportunities for growth" for Canadian agriculture and for food exporters.

On behalf of Alberta Barley, I would like to thank the committee for the opportunity to contribute to the process that ultimately led to the development of the agreement in principle that exists today and to review the recommendations brought forward by our industry colleagues as part of your consultation process.

Thank you.

The Chair: Thank you very much.

Now we will go to the Canadian Meat Council and Mr. James Laws.

Mr. James Laws (Executive Director, Canadian Meat Council): Thank you very much.

Good morning. My name is Jim Laws and I'm the executive director of the Canadian Meat Council, which is based here in Ottawa.

Thank you for inviting me here today as part of your review of your first report, from March 2014, on the Canada-European Union comprehensive economic and trade agreement.

Canada's meat processing industry adds value to the live animals born and raised on Canadian farms, providing a critical market outlet and supporting the viability of thousands of livestock farmers. With annual sales of $24 billion, beef exports of $1.3 billion, pork exports of $3.2 billion, horsemeat exports of $80 million, bison exports of $5.7 million, and 65,000 jobs, the Canadian meat industry is the largest component of this country's food processing sector.

We believe that the CETA, when implemented, will permit a major increase in Canadian meat exports to the European Union. With a population of 500 million, the European Union is by far the largest importer of agricultural products in the world. In 2013, the 28 countries of the European Union imported agricultural products valued at $139 billion; however, many agricultural goods, including meat products, continue to confront significant tariff and non-tariff barriers.

When implemented, the Canada-European Union comprehensive economic and trade agreement will provide for duty-free exports to Europe of 81,000 tonnes of Canadian pork, 65,000 tonnes of Canadian beef and veal, 3,000 tonnes of Canadian bison meat, an unlimited quantity of Canadian horsemeat, and an unlimited volume of Canadian prepared meats. In turn, the European Union will retain unlimited duty-free access to the Canadian market for pork, obtain unlimited duty-free access to Canada for beef, and receive reciprocal unlimited duty-free access for prepared meats.

While our initial hope for completely open, duty-free, and unlimited trade in meat products between Canada and the European Union was not achieved, we welcome the movement in that direction. Compared to an average value of only $52.6 million in meat exports from Canada to the European Union during the past three years, the results of the CETA negotiations will offer export opportunities with potential annual sales of up to $1 billion for beef, pork, horsemeat, bison, and prepared meats.

In addition to the agreement on import quotas and tariffs, Canada and Europe exchanged very important side letters, which were signed in March 2014. The letters state:

> Canada and the European Union share a commitment to the determination of equivalence of their respective sanitary measures, including controls on microbiological criteria, and stress the importance of finalizing negotiations on meat inspection systems, in order to facilitate trade in meat and meat products.

The letters go on to state that "our services are fully committed to giving high priority to this work in order to finalize the equivalence determination on meat products within one year".

So that livestock farmers and meat processors may undertake investments in their businesses with confidence while preparing to take advantage of the trade benefits promised by the agreement, it is critical that the technical barriers be resolved well in advance of the CETA implementation date. Accordingly, the meat industry looks forward to a successful and early fulfillment of the commitments contained in the side letters.

With regard to the administration of the European quotas for Canadian beef and pork, our original hope was for a completely open first-come, first-served option. Although this was not the end result, we are grateful that Canada's negotiators did consult with us, and they did listen to our concern.

The consolidated CETA text in article 37, "Declarations on TRQ Administration", includes the European tariff rate quota administration for imported beef, veal, and pork from Canada. It outlines the structure of the import licensing system, the eligibility criteria, and the securities.

It should provide the framework for the EU tariff administration that is conducive to trade. I quote:

> More specifically, it must not impair or nullify the market access commitments negotiated by Parties, it must be transparent, predictable, minimize transactional costs for traders, maximize fill rates and aim to avoid potential speculation.

● (1125)

Another concern we had is addressed in article 7 of section 22 of the agreement, where it outlines the rules for geographic indications, defined as:

> an agricultural product or foodstuff as originating in the territory of a Party, or a region or locality in that territory, where a given quality, reputation or other characteristic of the product is essentially attributable to its geographical origin;

Annex I, part A, lists the geographic indications identifying a product originating from the European Union. I count 172 names, 33 of which are classified as fresh, frozen, and processed meats and dry-cured meats.

Annex I, part B, lists the geographic indications from Canada. There are none: zero.

Article 7.6 of the agreement provides for exceptions. With regard to meat, for the term Nürnberger Bratwürste, a processed meat geographic indication from Germany, those who have been commercially using it here in Canada for at least five years prior to the October 18, 2013, can continue to use the term. Those producing it for less than five years since then have a transitional period of five years from the entry into force of the article to comply.

For another product, Jambon de Bayonne, a dry-cured meat geographic indication from France, those who have been commercially using it here in Canada for at least 10 years prior to October 18, 2013, can continue to use the term. Those producing it for less than 10 years have a transitional period of five years from the entry into force of the article to comply.

In addition, there are exceptions under article 7.6 that do not protect the translation of a specific term. For instance, the German geographic indication Schwarzwälder Schinken is protected, but the English translation, Black Forest ham, is not. So that's good.

Three companies, though, currently own the trademarks for meat in Canada—the Parma design with the crown, San Daniele, and Szegedi salami from Hungary.

Paragraph 5 of article 7.6 provides an exception for trademarks:

> Where a trademark has been applied for or registered in good faith, or where rights to a trademark have been acquired through use in good faith, in a Party before the applicable date set out in paragraph 6, measures adopted to implement this Article 7

—which provides geographic indications—

> in that Party shall not prejudice eligibility for or the validity of the registration of the trademark, or the right to use the trademark, on the basis that the trademark is identical with, or similar to, a geographical indication.

This effectively means that these Canadian trademark holders will have to coexist in the Canadian market with European meat products using those named geographic indications. We are concerned that this may effectively expropriate their intellectual property rights with measurable commercial harm but without any compensation.

In conclusion, we believe that, when implemented, the Canada-European CETA will permit a major increase in Canadian meat exports to the European Union, create jobs, provide higher incomes for Canadian farmers, and grow the Canadian economy.

Thanks very much. I would be happy to answer your questions.

● (1130)

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

Now we'll go to our rounds with colleagues.

We'll start off with you, Mr. Allen, for five minutes, please.

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

I want to thank our guests, some for returning; and for those who've gotten the first opportunity to kick at this one, welcome.

Actually, Chair, I do have a question for you and the clerk. Apologies for missing the meeting, but I'm looking at the motion put forward that talks about—it helps me sort of define the questions—what we're actually doing. Are we studying an amendment, or are we studying the report that may contain a new amendment or contain something else?

If I could get clarity on that, that would be helpful.

The Chair: I'm going to take the time off yours, and I'll ask the clerk for clarification.

The motion is fairly straightforward. It's Standing Order 66(2), that the House proceed to the putting of the question on the main motion, as amended by Madam Brosseau and Mr. Chicoine, that:

> ...the First Report of the Standing Committee on Agriculture and Agri-Food, presented to the House on Thursday, March 27, 2014, be not now concurred in but that, in view of the subsequent conclusion of negotiations on the Comprehensive Economic and Trade Agreement and its final text having been published, the Report be referred back to the Standing Committee on Agriculture and Agri-Food with instruction that it amend the same so as to recommend that...opportunities for agricultural and food exporters and maintaining the system of supply management and, therefore, Canada's free trade agreement with the European Union should be implemented as negotiated.

Madam Brosseau, what did you mean by it?

Ms. Ruth Ellen Brosseau (Berthier—Maskinongé, NDP): I did not add the amendment.

It is not my motion.

The Chair: It's not your motion.

Well, as amended—?

Mr. Malcolm Allen: You amended it.

Mr. Lemieux amended it, not us.

Ms. Ruth Ellen Brosseau: It isn't mine. They're not my words.

Mr. Malcolm Allen: Mr. Chair, on a point of order, if you are going to use my time to talk to Madam Brosseau, I don't think that would be within the boundary of the rules, quite frankly.

Ms. Ruth Ellen Brosseau: Maybe we can get clarity from—

Mr. Malcolm Allen: The motion I'm looking at is actually one that the House directed us to take back that the government voted for. It was actually Mr. Lemieux who amended the concurrence motion. It was the government who then voted non-concurrence, in their very own report that this committee sent to the government. I'm not sure why my colleagues on the other side would have voted with the government against their own report, since it was theirs, but they did. However, that's neither here or there; they can decide how to do that.

My question is pretty simple: Are we talking about the report that we presently have in front of us, which we did before? Or, are we only talking about the amendment to the fact that we didn't concur? If it's the report, it opens up everything. If it's not, it narrows the scope quite closely.

The Chair: My understanding is that it's the narrowed one, not about the whole report. The whole report will not be coming back. It will be the part of it that is dealt with in the motion.

Mr. Pierre Lemieux (Glengarry—Prescott—Russell, CPC): As a clarification, are we talking about a point of order? Like, this is a question that's—

A voice: The question.

Mr. Pierre Lemieux: Okay, then I do have a comment, Chair.

The Chair: It wasn't brought up as a point of order?

Mr. Pierre Lemieux: It was not brought up as one, but—

Mr. Malcolm Allen: You can deal with it as you wish, Chair. You can deduct my time.

I'm happy to let Mr. Lemieux explain it to me inside of my timeline. I don't care, as long as I understand it.

Mr. Pierre Lemieux: I think you are right.

What happened was that Madam Brosseau put forward a concurrence motion in the House on the report, and that was amended. The House sent it back to committee with a specific recommendation that the committee look at amending the report. That is what will probably happen, right? There will be an amendment made to the report and then the report will be sent back to the House.

To clarify, we didn't vote against concurrence in the report. We voted for the amended motion, which was saying that when the report comes back to the House in its amended format, then there will be a concurrence vote. I will watch with interest to see how the NDP are going to vote on that because I'm getting such mixed signals.

The final text document is going to come back to the House, and then all MPs will have a chance to vote on whether they support CETA as negotiated because the details are now known.

● (1135)

Mr. Malcolm Allen: I appreciate my colleague enlightening me, because it's interesting that his determination is that we will now know how people will vote on CETA. The dilemma is that there is no bill in front of the House for CETA, to either support it or not. There are certainly the texts of a document that are out there, and there are details attached to it—there's more information attached to it now than there was when we did the study. It's there for folks to then go and look at, and therefore we get input from our friends who are here today.

I'm sorry for this sort of go-around, but clearly it needs to be clarified. What happens is that, when an enabling legislation comes, whatever that looks like.... It may include Mr. Laws' intervention on geographical indicators. Maybe there should be something in there. Maybe there should be something about supply management, and that may well be attached to the bill that comes before the House. We will then indicate, by standing in our place.... The clerk will dutifully call Mr. Allen, Welland—as he usually does—or Mr. Allen, Tobique—Mactaquac, when it comes time to vote.

Clearly, there is no bill here for us to actually vote up or down on. There is a report, potentially, which we may amend, that wants a recommendation attached to it. But it can't be an instruction that we do something when there is nothing to be instructed to do. We can't say we support CETA legislation, because there isn't any legislation; there is just the text of an agreement. Many of these folks at the end of the table, and their organizations, have worked extremely hard on this. Well done, to them, for working hard on it.

The reality is that, if we're narrow in scope and all we've done is send back a report that we actually like because we only added a supplementary report to it—we didn't add a dissenting report to that piece—and the House has instructed us to do something else, then the issue becomes that we're being instructed to vote on something as if it were in the House of Commons, and then I need to see the legislation.

So if the parliamentary secretary has the legislation and would be willing to share it in camera, then perhaps we can come to some rational and reasonable decision, but I just don't see it. I don't think he has it, and I don't think he can share it because he would actually need to have it. As Mr. Laws quite ably pointed out, there's a side letter that is going to take a year to talk about things. I'm not sure the date of the letter, but it's not expired yet—I don't think—and I would suggest the sanitary things aren't decided upon, so that would mean the legislation isn't forthcoming.

So, I still wait for an instruction as to how.... If the Chair's allowing me to ask any question, then this is it. Or maybe we are being restrictive to the amendment. I don't know. I'm still not clear.

The Chair: Mr. Eyking is going to follow up on your point.

Hon. Mark Eyking (Sydney—Victoria, Lib.): I'm not pleased, of course, that we're back to this discussion. We dealt with this in the last meeting. I'm not happy where it is, but the reality is that the NDP threw a snowball in the House and the Conservatives threw a rock back here, and now we're at this juncture.

We have witnesses here from across the country, and it is what it is. We all know how it got here, so I suggest we move on here and ask the questions here and deal with it, because we have another batch of witnesses coming here this morning. If we were going to talk about this all morning here, I would have suggested we didn't invite the witnesses, Chair.

The Chair: That's true.

We'll go to Mr. Hoback and then Mr. Lemieux.

Mr. Randy Hoback (Prince Albert, CPC): Mr. Eyking, you are exactly right, so I'll be very brief.

I just want to remind you and get it on the record for the committee and our witnesses here that, when we did the first study, we did not have the text. Now the witnesses here can provide information based on actually reading the text, and update the information so that we can actually improve the report based on the text. That is actually what's going on here, Chair; we're actually looking at the text now and asking, “Okay, looking at the text, how do you view this report?” It gives us a chance to make a more accurate and better report. Then you can base your opinion on the text and the testimony of the witnesses.

But I agree with Mr. Eyking. Let's get on with the meeting because the reality is that I want to hear what they have to say, and I think there are lots of good things here and they want to talk about them, so we should let them talk about it.

● (1140)

The Chair: Mr. Lemieux, go ahead.

Mr. Pierre Lemieux: That's okay.

The Chair: Then we're going to move on.

You didn't ask for a point of order, but we're going to move.

Mr. Allen, I'm going to give you a chance to ask questions.

Mr. Malcolm Allen: I hear Mr. Eyking and I normally agree with him, but today I don't.

Mr. Hoback just made the point that, since they now have the details.... I'm speaking of our friends at the end here. I don't wish to refer to them as if they're third parties and as if they don't exist, because they're here. They're wonderful witnesses and we've seen many of them before, and they do great work.

If, indeed, Mr. Hoback is correct—and I'm looking at you, Chair, to actually tell me if it's true. Mr. Hoback has just said that, now that they've had an opportunity to look at additional information, if it's offered from witness testimony, then we'll actually amend the entire report and add the pieces in as we go along. If that is true, then that's really what I asked at the beginning. Are we taking whatever they give us and, if it's new, having the analysts work on a brand new report plus a potential amendment? If that's true, then that's fine. That's really what I asked at the beginning. Mr. Hoback's confirmed it, but I need you to confirm it.

The Chair: Actually I'm not so sure he confirmed that, but I'm going to go now to Mr. Lemieux.

Mr. Pierre Lemieux: Chair, I would just say that generally in committee meetings like this meeting today there is latitude given to the witnesses, and there is latitude given to the MPs with regard to exactly what it is they'd like to talk about. It generally has to be on theme, but there's a lot of latitude given.

The presentations that are made and the discussions following them are one thing, but what about the report? When it comes down to reviewing a report and amending the report, the House has given specific direction to the committee about having a single amendment to the report. It is not to completely rewrite it, not to remove other recommendations and replace them, and not to redo all the work on the report. It has given the committee specific, detailed direction regarding an amendment to the report, and the committee will ultimately decide whether or not it will follow the request of the House.

This has happened in other circumstances too. When the House gives direction to a committee, it doesn't open the doors to a complete overhaul of the report or of legislation. It is very specific. So although we might have witnesses come in, and we might have discussions, and the discussions might be wide ranging or narrow ranging or something in between, ultimately the committee will have to decide whether or not to follow the House's specific direction in amending the report.

That's my understanding, Chair.

The Chair: I'm going to move on, folks. We can talk around this a lot—

Hon. Mark Eyking: Mr. Chair, did they just use up all their time?

The Chair: He did.

Hon. Mark Eyking: Did both of them?

The Chair: No, actually it was Mr. Allen who came forward.

Hon. Mark Eyking: I think they both used up 10 minutes here, Chair.

The Chair: Actually it was 12 minutes.

Mr. Lemieux, you have five minutes. Go ahead, please.

Mr. Pierre Lemieux: Actually, Chair, if you're going to use up Mr. Allen's time, use up my time as well, because I was a key participant in that debate, so you can move to Mr. Eyking.

The Chair: Mr. Eyking was a participant, so he loses half of his time.

Some hon. members: Oh, oh!

An hon. member: Thanks for sharing your thoughts, Mark.

Hon. Mark Eyking: Okay, I'll be quick.

The Chair: Mr. Eyking, we are always with you very generous with our time. You have five minutes.

Hon. Mark Eyking: Now we're going to get some real work done here, Chair. Thank you.

Thanks for coming.

I have a couple of quick questions. One is on bison. I think you were mentioning the potential for selling bison in Europe. Could we have a couple of quick answers? Is this a new product? Is this something we have to market over there and do some taste runs on? I think it has big potential. Can we produce enough of that product in Canada to meet the demand? I think it would be a win-win for us over in Europe.

Mr. Ron Davidson (Director, Canadian Agri-Food Trade Alliance): We have been exporting bison to Europe since about 1990. We have exported both live bison and meat. It's been going in as bovine meat, so you don't see it separated out when you look at statistics, because bison is a bovine animal, so we've been entering Europe under the bovine designation.

It's a high-quality product. It's been going into Europe directly out of Canadian plants. We have more than one plant in Canada that is harvesting bison, and also we understand perhaps some of it is going circuitously through the United States. We have now, for the first time, a carved-out specialty quota of 3,000 tonnes for that bison. The industry that produces the bison is quite confident that we will build up our herd and take advantage of that high-quality, high-value product.

● (1145)

Hon. Mark Eyking: I have two more quick questions. One is for Matt.

Given the transportation issues over the last year and the sunsetting transportation bill we have here, does the federal government need to have something more long term that protects the grain farmers and have something more consistent for transportation of grain in order for us to capitalize on that new trade we're going to have in Europe?

Mr. Matt Sawyer: We absolutely need transparency and accountability on all sides. What we saw last year, as I mentioned before, was a complete train wreck. Unless we have service-level agreements in place and there's accountability in the process, we're going to run into this circle again. We have an opportunity, with the Canadian Transportation Agency review coming up in 2015, to make a real difference. I am looking forward to participating in that, and hopefully that will result in some decent change.

We need change if we're going to capitalize on these markets, because last year we did lose reputation as a reliable supplier of our product. When we look at the millions of dollars we are going to gain here.... Last year Dr. Richard Gray had a high estimate, but we're looking at anywhere from $2.7 billion up to $8 billion. I've heard that fiasco cost us, as producers, about $2.7 billion to $3 billion in this country.

Thank you.

Hon. Mark Eyking: Mr. Laws, you mentioned a whole web of potential roadblocks in section 37, article 7. Do we need to have trade lawyers on deck all the time when we're dealing with many of these issues going into Europe? Is it going to cost the farmers or whoever is selling the stuff? Are we going to have to have a lot of people on the ground there dealing with the so-called web of roadblocks or non-tariff barriers that we could be faced with?

Mr. James Laws: Certainly, it does point to where you can't comment on a deal until you see the text. We had been very fortunate that we were consulted along the way.

On that particular section on the quota administration, in Europe currently there is trading of quotas, speculation, so that doesn't help our current quota fill rate. That was a big concern to us. We were a bit shocked when we found out that the Europeans were somewhat intransigent and wanted to maintain some type of tariff system. We were pleased though when we read the details in that tariff administration; we were able to influence to get them to lower the deposits they require on products. Before the deposit on pork was far higher than that on beef. We managed to get them to flip that around to reflect the value of the product and the ability of the quota to roll over into another time.

Do we need lawyers? We certainly need to look at the text and make sure we agree with what it's saying.

Hon. Mark Eyking: Okay, thank you.

Mr. James Laws: We were worried about that section and the geographic indicators; we hadn't see the text. Now we've seen the text we're less worried.

Hon. Mark Eyking: Thank you.

The Chair: Thank you very much.

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

Mr. LaVar Payne (Medicine Hat, CPC): Thank you, Chair, and thank you to our witnesses for coming and enduring the discussion we had.

Speaking of bison, the former member of Parliament for Medicine Hat, Bob Porter, is in my riding and, guess what he has?

Mr. Mark Eyking: Buffalo.

Mr. LaVar Payne: Bison. All right, how good is that? Obviously, that'll put a smile on Bob's face, and the next time I see him I'll mention that to him.

I was interested in a couple of things.

First of all, Matt, you talked about your own farm. Obviously, you're buying land and you've been family farming for 100 years, raising barley, wheat, canola, and cattle. You did talk about what the impact would be for a farmer.

Could I get your feeling on what would happen for you in the benefits for your own farm?

Mr. Matt Sawyer: I think the benefits for our own farm would be the profitability side, of course. The price of grains would go up, and any time you have extra demand...you know supply and demand. I know that the livestock sector has suffered over the last few years, in pork and beef. Eighty per cent of the barley that's produced in Alberta goes into the feed industry, and sometimes that gets overlooked. It's not a romantic way to talk. It's always nice to say that your barley was accepted for malt quality, but we can't forget that our key customers are the livestock producers, who consume over 80%. Having more access for our livestock into the EU market is key for us.

We talk about the value-added side. There's nothing better for value added for a grain producer than to put your grain into an animal.

● (1150)

Mr. LaVar Payne: You did talk about beer, beef, and whisky. I can tell you that I've had the opportunity to sample all of those at one point.

Mr. Laws, what is that going to mean for the Canadian food processors, specifically in the CETA? Also maybe you could talk about pork. I'm also interested in how you see that changing and adding jobs for Canadians.

Mr. James Laws: Certainly we're very hopeful that these technical discussions that are going on right now between Canada and the Europeans do result in more closely linked meat equivalency protocols. Currently, for instance, the Europeans don't want the use of wooden pallets in the facility. We're hopeful that will change. They require a specific separation in the plant. We're hopeful that will change and that we can show them, look, we supply dozens of countries around the world that accept our system as it currently stands.

The Europeans just approved lactic acid, for instance, last year, so that's good. That helps control E. coli. They're currently reviewing their restriction on recycled hot water, which you would think they would immediately approve given the environmental and energy concerns. But once we resolve those issues and we can increase, we have estimated that we could have upwards of $1 billion of additional exports to Europe in beef, pork, horse, and bison.

Having said that, the Europeans, though, will also get duty-free access to Canada. You've seen these products in the store, the Dr. Oetker pizzas that are coming from Germany. They're currently faced with a 14.5% tariff right now. That tariff will be totally eliminated. At the same time, there'll be opportunity for Canadian food processors to export their finished goods to the European Union as well, duty-free.

Tthe opportunities will be there. It will be up to Canada to take advantage of that. Really, having access to 500 million of the world's richest citizens is quite promising.

Mr. LaVar Payne: Ms. Citeau, you talked about tariffs and non-tariff barriers. I'm wondering if you could expand on those issues and how CAFTA sees them as benefiting Canadian producers.

The Chair: A short answer, please.

Ms. Claire Citeau: Usually tariffs are the number one issue within free trade agreements. This agreement addresses not only regulatory cooperation; we've heard the examples of customs administration, technical barriers to trade, and sanitary and phytosanitary issues. These include the recognition of equivalence in the production, processing, and inspection systems. You've heard examples of this in the meat sector, and for the canola, oilseeds, and some of the grain sectors as well. The creation of an agriculture working group, for example, will be dedicated to the exchange of information, with an effort on transparency and the timely approval of new traits, as well as cooperation on low-level presence.

These mechanisms are planned, and this is very new. This is what is so new for CETA.

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

Now we'll go to Madam Brosseau for five minutes, please.

Ms. Ruth Ellen Brosseau: I have just a few housekeeping questions, through you to the clerk.

Will there be a budget for this study?

The Chair: We actually have a budget coming forward at the end of the meeting.

Ms. Ruth Ellen Brosseau: It's not on the *ordre du jour*.

The Chair: It isn't?

Ms. Ruth Ellen Brosseau: No.

The Chair: He just put it forward to me today, so we'll deal with it at the end of the meeting.

Ms. Ruth Ellen Brosseau: Okay.

To the clerk, how many more meetings do we have?

The Chair: Actually, we can have this discussion now, I guess, if that's what you want to do.

Ms. Ruth Ellen Brosseau: No, it's just a priority, because I have other questions. It's just a quick question to the clerk.

The Chair: There will be today and Thursday, and then...deal with the report.

● (1155)

Mr. Pierre Lemieux: Mr. Chair, can I just raise a point of order?

The Chair: You sure can.

Mr. Pierre Lemieux: We have witnesses in front of committee—

Ms. Ruth Ellen Brosseau: It's my time—or sorry, this is your time.

Mr. Pierre Lemieux: No, no; it's a point of order, though.

We normally discuss committee business when we don't have witnesses here. I would suggest that if we have committee business issues—i.e., about budgets, the number of meetings, and all those types of questions—we do that at the end, Chair, as we normally do, as part of committee business.

The Chair: Thank you for your intervention.

You still have—

Ms. Ruth Ellen Brosseau: I have some time.

The Chair: —a little time.

Ms. Ruth Ellen Brosseau: Okay.

[*Translation*]

I would sincerely like to thank the witnesses for being here today and for their testimony. I hope that we will be able to amend this nice report. We worked on it last year in November and December.

I have a question for Mr. Laws.

You made some recommendations. In our supplementary report on the Comprehensive Economic and Trade Agreement, we made this recommendation:

[*English*]

> Canadian manufacturers of prepared meats are concerned with the concessions on geographical indications given to the EU and they're concerned that there may have been no reciprocity....These meat companies may lose their trademarks for products estimated to have an annual retail sales value of over $25 million.

[*Translation*]

Mr. Laws, would you like to add any other recommendations to this report?

Mr. James Laws: No, I think that was the only recommendation.

We were happy to see that the final text included some exceptions, for instance with regard to translation, to people who had used a certain product for at least five years and for 10 years in the case of another one. It was not as bad as what we had expected, particularly regarding German ham.

The three companies that held the trademark, the monopoly, and who were protected in Canada during all those years, will now be obliged to share the monopoly. Nobody can really know how this will affect those companies in particular, but whatever the case will be, they were not entitled to compensation.

Ms. Ruth Ellen Brosseau: When you last appeared before the committee, you said this:

> Finally, only establishments listed by the EU may export edible meat and meat products to the European Union. The product must be kept at all times in an EU approved establishment in order to maintain its eligibility to be exported to the European Union.

This matter had to do with wood pallets.

You also gave some examples to do with pork. Can you tell us about this issue—which does not exist in Canada—about the problems and considerable costs related to this matter?

Mr. James Laws: We are hoping that the Canadian Food Inspection Agency will appoint someone responsible for advising businesses on how to ensure that their establishments are approved by the European Union. This would help them a lot; it would be a great idea.

In the ongoing discussions with the Europeans, we hope that they will respect the process normally used in Canada. It would make it easier for many Canadian companies to become eligible to export their products to Europe.

We also made a recommendation to the Standing Committee on Finance.

Ms. Ruth Ellen Brosseau: That's exactly what I wanted to talk about.

Mr. James Laws: We recommended that the government implement a program to make sure that every company has an advantage under any free trade agreement we've signed with another country. We now have several free trade agreements.

Ms. Ruth Ellen Brosseau: In fact, we have to help these companies transition so that they can truly access those markets. We have to make changes here, in Canada, so they can get into those markets.

Mr. James Laws: That's right.

Ms. Ruth Ellen Brosseau: That's really important.

I think you asked for $10 million.

[*English*]

The Chair: We are out of time. Thank you, Madame Brosseau.

And thank you to our witnesses for coming in.

We'll break for a few minutes while the next group comes in.

Thank you very much.

● (1200)

(Pause)

● (1200)

The Chair: Thank you very much.

With us in the second hour, we have, from the Agri-Food Export Group Quebec-Canada, André Coutu, chief executive officer; and Raymond Dupuis, economist, strategic advisor.

Then we have, with the Canadian Pork Council, Ian Thomson.

Welcome to you.

And then, on video conference in London, with the Pork Council, we have first vice-chair, William Wymenga.

Then we have, from the Canadian Sugar Institute, Sandra Marsden, who is president.

With that, we're going to start off with the Agri-Food Export Group Quebec-Canada.

Mr. Coutu, please. You have ten minutes.

● (1205)

[*Translation*]

Mr. André Coutu (Chief Executive Officer, Agri-Food Export Group Quebec-Canada): Good morning, I would like to begin by thanking you for having invited us today. It's a pleasure to see you again.

[*English*]

We were here before, in 2012, on the agri-marketing program.

Just to place things, Groupe Export is the largest food exporter, food processor, in Quebec, with over 400 companies that are members of our organization. We've been in business for almost 25 years. We are also the owner and shareholder of the SIAL Canada, the largest trade show in Montreal and Toronto every year. The next one is going to be in Toronto by the end of April.

We do something like 25 to 30 international representations, in different food shows around the world. We're here today, of course, to outline the importance of the CETA.

[*Translation*]

For Quebec, the future of the food and beverage industry depends to a great extent on international markets. In Quebec, the domestic market represents $21 billion. Fifty-three per cent of that market share is held by Quebec companies, that is, for an amount of about $11.3 billion. What we are particularly interested in under the free trade agreement is the opportunity to close the trade gap with Europe. We'll come back to that later.

As for external markets, exports outside Quebec total $12.7 billion per year.

[*English*]

In the rest of Canada, there's $6.7 billion. Half of our exports from Quebec are to the rest of Canada, and the rest of the world represents $6 billion.

[*Translation*]

Since 1990 in Quebec, export growth has been exponential. Today, it has reached 499%. So you can actually say it is 500%. It is clear that exports are extremely important and crucial to us. In Quebec, exports are worth $6.1 billion, and 62% of these exports go to the U.S. market. Between 90% and 95% of our members do business with the United States first, and then with other countries throughout the world.

As I mentioned earlier, Quebec exports to Europe are worth $511 million per year whereas European exports to Canada are worth $1.6 billion annually. So we're talking about a trade deficit of approximately $1 billion per year with Europe. It is very important for Quebec that specific measures be taken with regard to the European market so we can close this huge trade deficit.

Mr. Raymond Dupuis (Economist, Strategic Advisor, Agri-Food Export Group Quebec-Canada): If I may, I would like to add that agri-food exports from Quebec to the United States nevertheless have grown and went from $2.4 billion to $3.8 billion since 2006. This is a huge increase. As Mr. Coutu mentioned, it is a record for Quebec exports. In fact, it looks a lot like the Ontario plan. Our exports to the U.S. reached record levels in 2013. Since the exchange rate is even better for us now, we might do even better this year. In fact, preliminary statistics indicate this.

However, we hit a record trade deficit with Europe this year. That is why this is so important. As Mr. Coutu mentioned, the biofood trade deficit with the EU hit $1.1 billion. Of course, a good part of this deficit, that is, 45% of it, is attributable to alcoholic beverages, but it's not only that. It includes many processed products. So this is very important.

● (1210)

Mr. André Coutu: The Agri-Food Export Group Quebec-Canada, our administrators and probably also the entire Quebec processing industry support the negotiation of free trade agreements, be it with Europe, Korea or within the framework of the Trans-Pacific Partnership. We don't have a choice, we have to do what we can to make sure we are in the game.

In that regard, it's one thing to sign an agreement, but then you have to act. How will businesses react to the new situation? We agree with several other groups who would like to see a joint participation program bringing together business and government to take specific measures with regard to the European market. We need representatives on the ground to meet with distributors, to target the most promising markets, and to find out what the best short-term business opportunities are.

As far as our good friends the Americans are concerned, we have, we believe, about a two-year advance on them, and we have to take advantage of it. We have to take advantage of this moment as we speak. This is a priority for us.

The Agri-Food Export Group Quebec-Canada will take measures in various sectors to ensure that our businesses don't miss out.

This will not prevent us from continuing to do business on the American market, since the value of Quebec exports to the United States is about $4 billion per year. It is important to keep on working at this. The United States is not an emerging country, but it is a country where we have probably only hit the tip of the business opportunity iceberg.

Coming back to Europe, in the course of negotiations, there were concessions—particularly on the part of Quebec—from both sides. The artisanal cheese sector was discussed. We are very positive about that and we have been proactive. We do not want to lament our fate. I believe that we can make representations and position smaller entrepreneurs, as we did in Paris recently when we represented the Quebec industry.

Raymond, would you like to add anything?

Do we have any time left?

[*English*]

The Chair: You've got a couple of minutes yet.

[*Translation*]

Mr. Raymond Dupuis: I would like to say something.

I believe this was mentioned previously by Mr. Laws. The conditions are right, as Mr. Coutu was saying. We have a two-year head start before the Americans conclude their negotiations with the Europeans. The Transatlantic Trade and Investment Partnership, or TTIP, is encountering some difficulties right now. But it still leaves us with two years to act. Our Canadian companies have to find new markets on the European continent.

Further, we have to be vigilant about non-tariff barriers such as TTBs—technical trade barriers—or SPMs—sanitary and phytosanitary measures. These measures will be extremely important, and the government will have to deal with them with business if we are to really take advantage of the European market.

That's all I wanted to add.

Mr. André Coutu: There you have it, ladies and gentlemen, we are now ready to take your questions or comments.

[*English*]

The Chair: Thank you very much.

You operate as a tag team very well. I didn't get to recognize Mr. Dupuis when he interjected, but thank you very much, both of you.

We will now go to the Canadian Pork Council. We have here Mr. Ian Thomson, who is the trade advisor. And on video conference, we have Bill Wymenga.

Mr. Wymenga.

Mr. William Wymenga (First Vice-Chair, Canadian Pork Council): Thank you very much.

My name is Bill Wymenga. I'm a hog producer here from Blenheim, Ontario, and vice-chair of the Canadian Pork Council. I'm joined here today by Ian Thomson, the Canadian Pork Council's trade advisor.

I would first like to thank the members of your committee for this opportunity to discuss the CETA . The CPC serves as the national voice for hog producers in Canada. We are a federation of nine provincial pork industry associations, and our purpose is to play a leadership role in achieving and maintaining a dynamic and prosperous pork sector.

As you are aware, we are a sector that relies on exports. In fact, more than two-thirds of the hogs produced in Canada are exported either as live hogs or as pork products. Exports help the Canadian hog and pork industry to grow. Our success in achieving and accessing existing foreign markets is directly linked to the level of cooperation between the government and industry.

The completion of CETA is a strong example of what can be achieved through ongoing collaboration and consultation. We appreciate the government's determination to follow through to complete the deal with the EU. This deal is good for the hog sector, and it is in its best interest for Canada and the EU to sign.

Pork is a key component of the Canadian agrifood sector and provincial economies. Canada's pork industry is made up of 7,300 hog farms with cash receipts of $4 billion. Hog producers account for 8% of the total farm cash receipts and are the fifth largest source of farm income in Canada.

The Canadian Pork Council has been following with great interest the developments of the trade agreement. With a population of 500 million in the EU, the majority of whom view pork as their favourite meat, we are very confident that the deal will increase pork exports into this lucrative European market, and that it will benefit hog producers, pork processors, and provincial economies around the country.

The potential in the EU remains untapped. Europe is the only pork-consuming region in the world for which Canada currently has little effective market access. Canada's pork exports to the EU in 2011 were only 415 tonnes. This compares to the total Canadian exports in that year of 1.1 million tonnes.

The 500 million-plus people in the 28 member states consume over 20 million tonnes of pork per year, and that's almost 30 times the Canadian consumption. And despite this, EU imports are just 0.2% of its domestic consumption. By comparison, Canada, with a completely open market approach for pork products, imports more than 200,000 tonnes of pork annually. That's approaching a third of our domestic consumption.

Now is an opportune time for Canada to enter a liberalized trade agreement with the EU. Exports to the EU are currently severely restricted by tariff and non-tariff trade barriers. The new zero tariff access for pork and the much-improved quota administration rules provide unique access for Canada, an advantage over U.S. exports until a trade agreement is worked out between the U.S. and the EU. The potential is seen for hams and to a lesser extent the shoulders, which should help boost the entire carcass value.

Canada's pork industry has a solid reputation for competitive pricing, safe quality products, and reliable customer service.

At the heart of the CETA, for Canadian pork exporters, is the elimination of the EU tariffs. This tariff elimination can be framed within three areas: a quantitative access or tariff rate quota of 80,000 tonnes, a tariff rate quota phase-in period over five years in equal steps until fully implemented, and finding a significantly improved EU import licensing mechanism for Canadian pork. The annual TRQ will be divided and opened in equal quarterly installments. Any unused amounts from a given quarter within the quota year will be rolled forward, up until the end of that same quota year.

It is recognized that Canadian processing plants will need to invest to address EU demands in areas such as feed additives and disease testing. However, with the promise of larger quotas and with a resolution of the quota administration barriers, CETA will encourage additional plans to seek EU certification.

● (1215)

A welcome addition to ensure that all parties meet the intent of the agreement is a TRQ under-fill mechanism. An under-fill is defined as "less than 75% physical imports under the tariff rate quota in a given year". In such an eventuality, the parties shall meet at the request of either side to consider possible underlying reasons affecting efficient operation of the TRQ.

Progress has been made in the TRQ administration system. The parties will review the operation of the system to make sure it is operating efficiently and effectively, if requested. The review will take into consideration quota utilization, market conditions, and any administrative burdens that might prove excessive.

The Canadian and EU market for pork complement each other, and this relationship holds great potential to enhance our sector's export opportunities as well as benefit workers, businesses, and families who rely on the pork sector for their livelihoods.

The solid trade deal that has been negotiated with the EU will increase Canadian pork exports by up to $400 million per year. This is by far the best opportunity Canada will have for many years to acquire new access to this important pork market.

I would also like to say that in the trade agreements we do have, we have to ensure there are proper resources at all government levels to deal with issues that affect access.

Thank you very much.

● (1220)

The Chair: Thank you, Mr. Wymenga.

Then we're also going to go by video conference to Toronto. We have with us from the Canadian Sugar Institute, Sandra Marsden, president.

Welcome, Sandra. You have 10 minutes, please.

Ms. Sandra Marsden (President, Canadian Sugar Institute): Thank you very much, honourable members of the committee, and guests.

The Canadian Sugar lnstitute represents Canadian refined sugar producers, with three cane sugar refineries in Vancouver, Toronto, and Montreal, and a sugar beet processing plant in Taber, Alberta. The industry is a capital-intensive, value-added industry, and is historically based on the refining of raw cane sugar at major ports.

Sugar beet production and processing have proved to be competitive inland and remain so in the prairie market. Today, about 90% of Canada's sugar is from refined cane sugar and 10% is from our domestic sugar beet production and processing.

The industry has rationalized as a result of competitive pressures, given a very uneven international trade environment, but has also invested to improve the efficiency and competitiveness of existing operations. The industry has added further value through investments in two further processing facilities in Ontario and those plants produce products such as iced tea mixes, drink mixes, cocoa mixes, gelatine mixes, and so on. Most of those products are exported to the U.S. under quotas and face restrictions there. The industry is also highly dependent on further processing. So the food processing customer base in Canada is essential, given that 80% of Canada's sugar is sold to that sector.

The CSI supports government initiatives that will result in commercially meaningful export opportunities and that address the trade distortions of Canada's trading partners. The Canadian refined sugar market is not growing, so the only mechanism to enhance investment and jobs is through exports. The CETA represents the only significant agreement since the NAFTA that will create new opportunities to strengthen Canada's sugar and further processing food sectors.

This is very important for Canada, because major sugar users, those food processors that produce products such as confectionery and bakery products, preserved fruits, and so on, account for $18 billion in revenues, $5 billion in exports, and 63,000 Canadian jobs. Canada's sugar and sugar-using food sectors are mutually dependent. Our industry depends on food customers for the majority of our sales and in turn the food processing sector depends on a local supply of high quality, competitively priced sugar. Free trade agreements such as the CETA are of particular value because the target is a developed, high-value market and the FTA benefits the full value chain. The outcome of the CETA will benefit Canadian beet and cane sugar, sugar-containing products, and further processed food products.

Canada's sugar and food processing sectors are highly dependent on the U.S. market today. Unfortunately, the NAFTA did not liberalize sugar trade between Canada and the U.S., so we still face restrictions for sugar and sugar-containing products, the U.S. quotas. The growth in trade with the United States was substantive under the NAFTA, particularly for processed food products; they're our customers. Unfortunately, with the improvement in the Canadian dollar, and other factors such as higher input costs and energy costs, we've seen a levelling out in exports to the U.S. market, as well as an increase in imports from the U.S.

The CETA is a critical new opportunity to diversify our markets and strengthen that strong linkage between Canada's sugar and food processing sectors.

While the Canadian refined sugar industry is exposed to world market conditions—we don't have domestic subsidies and high tariffs—markets outside of Canada remain highly distorted due to government intervention. Our largest trading partners, the U.S., Mexico, and the EU, continue to maintain sugar programs that generate surplus production, given their high domestic support and import protection. For example, notwithstanding the attempts to reform the European sugar program, its surpluses have returned to historic levels. These surpluses continue to pose a threat to open markets such as ours and we recognize that a multilateral solution will be necessary to address this problem.

The CETA doesn't address this trade imbalance, but it does provide new access into a market that has historically provided zero access for our industry, in particular, sugar and sugar-containing products, and has limited access for food processors that we supply. For sugar itself, the EU tariff under the CETA will be phased out for originating Canadian beet sugar in Alberta. Over the long run, this will provide an important benefit to Canadian sugar beet producers and beet processing in that province.

For our Canadian refined cane sugar, the bulk of what the industry produces, it will not benefit directly from the agreement, given the European Union restrictive rules of origin. However, negotiators were successful in achieving new quotas for sugar-containing products made with Canadian refined sugar.

● (1225)

There will be a new 30,000-tonne quota for these sugar-containing products that are produced in the facilities in Ontario, and that will grow to about 52,000 tonnes over 15 years.

There is also new access to the EU for sugar and chocolate confectionery and other processed foods that use sugar. That will also benefit our industry, because we will potentially sell more sugar to those customers who will export to the EU. Again because of restrictive rules of origin, the CETA includes a new 10,000-tonne quota for chocolate and sugar confectionery and a 35,000-tonne quota for other processed foods such as baked foods, cereals, mixes and doughs, etc. We estimate that after full implementation, new access for Canadian sugar, sugar-containing products, and the sugar in processed foods will result in an additional $100 million in sales. These new opportunities are essential to restoring capacity utilization in a very capital-intensive sugar industry.

Since 2004, our industry has experienced a 150,000-tonne or approximately 12% decline in production reflecting the decline in exports to the U.S. and increase in imports from the U.S. of processed products containing sugar. New exports to Europe will benefit our industry and help restore some of that capacity utilization by increasing demand for sugar as an input. Overall, capacity utilization is essential to lowering production costs and improving overall competitiveness. In the long run, that will help maintain a prosperous industry and hopefully attract more investment in food processing in Canada.

The CSI congratulates the government on its success in negotiating the CETA. The CETA does not eliminate the EU trade-distorting sugar program and the negative impact that can have on our market; however, the continued threat of that program can be addressed only in the multilateral context. Nevertheless, the CETA is an important offset to that trade imbalance, and CSI welcomes the government's commitment to the industry through agreements such as this. The government must, however, also remain vigilant to ensure that those negotiated benefits are secured and fully realized through administrative mechanisms and any market development activities that can support finding those customers in Europe. It's also essential that those benefits not be undermined through other trade negotiations such as the U.S.-EU negotiations that are under way. We will continue to work closely with Canadian officials to ensure that our industry fully benefits from the opportunities that have been created.

We also believe that this agreement sets the stage for Canada's ambition in other trade negotiations such as the Trans-Pacific Partnership, which is the most important opportunity on our horizon, given its regional nature and comprehensive goals. By the common set of rules among 12 countries, the TPP has the potential to enable the cumulation of inputs within the region, including refined cane and beet sugar, and to promote supply chain growth through to final food processing in Canada.

The Canadian Sugar Institute and its members applaud the ongoing efforts of the government to widen our commercial relationships and to build on the strength of our Canada-U.S. relationship, to widen that and diversify markets.

We see the CETA as a very positive development in a highly restricted global sugar market. We are also heartened to hear about some of the renewed commitment to the World Trade Organization and potential future negotiations, which over the long term provide the best prospects for multilateral reform of global sugar policies.

Thank you.

● (1230)

The Chair: Thank you very much, Ms. Marsden.

We'll start off with Madam Raynault for five minutes.

[*Translation*]

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

I would like to thank our witnesses for being at today's meeting.

My question is for Mr. Coutu. Perhaps Mr. Dupuis could also respond if he has anything to add.

In your testimony, you indicated that there was a very significant deficit in our trade with Europe. In your opinion, how can that be addressed?

You said that exports are important and crucial. How do you see the future? How would you correct the situation?

Mr. André Coutu: The main obstacle is certainly the tariff grid which applies to products entering Europe.

Mr. Dupuis can correct me if I am mistaken, but on average, about 14% of Canada's exports go to Europe. That in itself is an obstacle. For certain products, that figure stands at 25%, 26% or 28%; for others, it's a bit less. The average stands at around 14% or 15%, which makes it extremely difficult for our manufacturers to gain access to that market. It makes them uncompetitive, and on top of that you have to take into account the exchange rate.

In our view, these tariffs have to come down. Some of our Quebec members have huge expectations. They are enthusiastic about the agreement which was announced. For the first time, they will be able to access these markets, gain a few market share points and develop the European market for their products.

Ms. Francine Raynault: You said that it was one thing to sign an agreement, but that you would nevertheless like there to be a program or agreements between companies and the government.

Would you like to add anything to that?

Mr. André Coutu: It would be a good idea in the interest of supporting companies and manufacturers. In fact, it would not be a subsidy, but a program based on participation. A company could invest a dollar and the government could match the amount. It would be shared and equal financing.

Of course, this money would first and foremost go to training. I think that a first step needs to be taken in that regard. It is important that Canadian companies know exactly which countries to target within the framework of the free trade agreement. They have to know how to go about finding those markets and know what exactly they can do to position themselves.

There is also a lot of networking that needs to be done when it comes to food distribution in Europe. We really have to take advantage of our head start. We have do that now. It's all very well and good to talk about the market and to make the market accessible, but we have to get into it now. As we said, we have to start playing hockey. Everything is there, everything is ready, so let's go to centre ice right away so that we do not get outplayed in the medium term.

Ms. Francine Raynault: Indeed, there will still be competition between Canada, Quebec and Europe. But we expect that many foreign products will enter our market.

Thank you.

I will now turn to the president of the Canadian Sugar Institute.

Ms. Marsden, on December 5, 2013, you testified before the Standing Committee on Agriculture and Agri-Food, and you said this:

> Overall, the Canadian refined sugar industry needs access to export markets, as do our customers. CETA is a critical new opportunity to diversify those markets. Today about 90% of processed food are exported to the United States, and that trade has plateaued.

On December 5, 2013, you said you supported CETA. Do you have anything new to tell us? Is there anything else you would like to add to what you already said?

[*English*]

The Chair: Ms. Marsden.

Ms. Sandra Marsden: Thank you.

To clarify this situation with respect to the U.S. and sugar-containing food products—not all processed food products but those that contain sugar—which is about $4.5 billion, that trade balance hasn't changed very much, so there is still an imperative for us to reach other export markets, both directly and through our food processing customers.

The terms of the agreement with the CETA are essentially as we expected last year so we have the same outlook. Of course, we're anxious to see the agreement implemented. Having a better understanding of that time horizon would be helpful, and in turn, that would help us to start to build the customer base in Europe for those products.

● (1235)

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

Mr. Earl Dreeshen (Red Deer, CPC): Thank you very much, Mr. Chair.

I know if my colleague Mr. Payne gets a chance, he'll no doubt talk about the sugar beet industry. I'll leave that for him if he does that have that opportunity. I know there's a great market in southern Alberta, and they do amazing things with that particular product.

Mr. Coutu, I could address some of the things you had spoken on. I had an opportunity back in September to attend the trade mission in London. We had so many different processors and distributors, and I think 35 stakeholders all the way from barley to beef to seafood, and of course technology as well.

There is great excitement but also a need and an understanding that we have to make sure we realize what Europeans need. In this lead-up time—these two years you were speaking of and the rest of the time—people are going to be able to market things the way in which they are best positioned to be successful. I suppose that's one of the things I want to speak of. With the discussions we've had here over the last few months, I have great faith in our industry to be able to move forward and to take on this type of a challenge. I believe, Mr. Coutu, you had spoken about Quebec and its view as to how they will be able to proceed and the advantages they will have.

I was wondering if you could speak to the ability for competition and how they will be able to branch out and if you could explain some of the enhanced opportunities that will be there specifically because of the CETA.

Mr. André Coutu: First of all, I must say, as I said earlier, we're partnered with the SIAL organization. They're a European-based organization; their core business is trade shows, which brings in a very large and important network of food distributors and retailers. We've already talked with our partners to start building up a business-to-business mission in Europe to better understand first of all what the culture is country by country, and to understand where the best opportunities are for the food processors of Quebec and of course Canada. We're planning to go ahead with this as soon as possible, as soon as the accord goes on. We want to be ready. We've also been talking to the Quebec government, the Ontario government, with associations in the eastern part of Canada, and we're all together in the same boat. Each one of us already has experience in that. Groupe Export is doing 26 shows around the world and many in Europe—in France, SIAL Paris, Germany, London, everywhere. We've got a very good idea of what's going on, but we need that little push to start working in the field every day, on a regular basis, to make things happen.

I don't know if this is clear enough.

Mr. Earl Dreeshen: Having the CETA in one's back pocket makes it a lot easier for you to be able to—

Mr. André Coutu: It's a lot easier, no doubt about that.

We've been holding meetings and meetings in the last 12 months with universities in Montreal, with people who know what they're talking about when they talk about the free trade agreement, and the industry came up front. We can talk about the maple syrup industry, the cranberry industry, the fisheries, the small fruit industries; all these guys are waiting to join and get on the train to expand their business to Europe.

We trust that Quebec will gain something like $250 million to $300 million when this agreement is done. For us, it's a green light; there's no doubt in my mind and no doubt in everyone's mind. The industry wants us to go ahead with this.

● (1240)

Mr. Raymond Dupuis: If I may add something.

The $200 million to $300 million is apart from the big guys like pork, of course. It's already been mentioned that they expect something around $400 million. The total expected gains are in the range of $1.5 billion for agrifood only, so it's a lot. As I mentioned earlier, the deficit for Quebec alone is in the range of $1.1 billion—agrifood only, so it's huge. As Mr. Coutu mentioned, with the 14% average tariffs, it's easy to understand. There needs to be some support from a public-private type of effort to make it work. I think it's very important. It's also important to understand that our European and American competitors help their companies a lot. Sometimes we think we're the only ones who think about it, but there's a lot of state competition in this battle.

The Chair: That's it, Mr. Dreeshen. We are out of time.

Now I'm going to go to Mr. Eyking, for five minutes, please.

Hon. Mark Eyking: Thank you, Chair.

Thank you, witnesses, for coming.

I have a few questions, first for the Quebec exporters.

My sense is that you're for this agreement and you see the big potential. If one were looking on the outside, they would say that Quebec could fit very well into this trade agreement. When you look at Quebec, some would say they're more European than the rest of Canada, with their food habits and their tastes. Also, you're well positioned. I mean, most of your stuff is bilingual, and we are in the metric system, so there are a lot of things we have going for us. I would say that Quebec has a good opportunity. The numbers that you're producing are already pretty high.

Can you tell me what products you see as a fit, that stand right out? Let's say you have five or eight products that you could see would do well in Europe. What are some of your companies that would be able to step up to the plate right away?

Mr. André Coutu: As a matter of fact, I'm just back from our SIAL Paris show, the largest show in the world, which allows me to meet with different people. I've met with food distributors in the seafood business, for instance. There would be an opportunity right now for the lobster business. There would also be opportunities with shrimp, with oysters from the west part of Canada, maple syrup—immediately—and cranberries, flour. There are many, many types of products.

I was speaking with one of our members who is in the meat business, and he has an EU-approved slaughter plant. He's ready to start selling to the EU. We have 400 companies in Quebec that are members of our group.

To give you a better idea, we have our general assembly coming up in June, and we've invited Mr. Dheilly, from the Canadian embassy in Paris. In my view, he is one of the experts who can help us pinpoint the type of industry and the form our approach should take to get in the market. He'll be coming in for a few days to visit some industries in Quebec, to help them figure out how to get their feet in the door.

Hon. Mark Eyking: I assume that all of your exporters from Quebec do not just buy products from Quebec; you must buy products from right across the country and funnel them through your operations.

Mr. André Coutu: No. Right now our mission is for Quebec products only. These 400 companies are all from Quebec.

● (1245)

Hon. Mark Eyking: Yes, but your raw material must come from across the country.

Mr. André Coutu: Ah, oui, oui, oui. Of course, yes.

Hon. Mark Eyking: Okay, thank you.

My second question is to the pork producers.

You mentioned that you have 7,300 hog producers, and two-thirds are for export. Now, we have this situation with the United States, the COOL, and that seems to be a problem for the pork exports to the United States. One would think that this European trade agreement would take a lot of pressure off us relying on the U.S. market.

We had witnesses here before—I think they were pork producers—and they said that southern Europe has big potential, especially with hams. Given that it has big potential, how much potential do you see, and what roadblocks or challenges do we have in some of these countries in the EU? Do they want certain types of hams, or cured a different way? Would there be any pushback from some of these specialty sellers in European countries? I thought they were saying that's where the biggest ham exports would go.

Mr. Wymenga.

Mr. William Wymenga: Yes, I agree with some of those thoughts. Hams are one of the items we have identified that would fit well as exports into the European market. Ours would not necessarily be a further processed product, but more likely a frozen product, or perhaps fresh. The other cut we've identified that could potentially have effectiveness in Europe would be the shoulder cut.

These are two cuts that we think would make up a good slice of the products that would go into the EU. The nice thing is that the hams are considered a higher-valued cut in the EU than they are in the Canadian and the U.S. markets. That's one of the reasons we're excited about that. This can add to the carcass value overall.

There will be certain challenges going into the EU market. As I mentioned, they may have requirements for some feed additives—one is ractopamine—and perhaps some testing requirements for certain diseases. There are things that need to be overcome, but we believe it's doable, and we look forward to the opportunity to be in the European market.

The Chair: Thank you, Mr. Wymenga.

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

Mr. Randy Hoback: Mr. Coutu and Mr. Dupuis, you talked about something I think is very important and that's the follow-up. When you do a trade deal, whether it's one with Honduras, or TPP, or CETA, there's need for follow-up. You are familiar with GMAP that the government has put in place, the global markets action plan for small and medium enterprises, so that they can take advantage. How well are your 400 members aware of GMAP, and what can we do to get them actively pursuing the advantages of a trade deal, so that they actually get out there and start exporting? Maple syrup is a really good example. Whenever I travel, I always grab a couple of bottles. You build amazing good will with that bottle of maple syrup.

But I'm just kind of curious, going back to the GMAP. Are they taking advantage of the consulates and the embassies, to take that market advice and get into some of these markets?

Mr. Raymond Dupuis: When you say GMAP, do you mean the recent initiative with all the workshops that the minister is having around the country? Okay.

Yes, it's definitely very important to get all these resources together, with the people, people at the post, who have a lot of expertise and know-how, and they already work a lot with the Groupe Export, so that's very important.

I would say that's necessary, but maybe not a sufficient condition for success. As we mentioned, it's very important to work with all the available resources, but it's also very important to devote additional resources, as we mentioned, to the non-tariff barriers, because it's going to be a key point.

The Europeans and the Americans devote a lot of resources to that. They have a system of trade defence and they put a lot of resources. And it's also based on interdepartmental cooperation. It's the way to go. We really encourage the government to go that way.

The other thing, as we've already mentioned, is to put together some sort of matching fund to really stimulate the companies to do what they do best, sell products, export products. And it has been working very well with the U.S. market, and that's what we have to do right now.

The Chair: Thank you very much.

We'll go to Mr. Payne for the last half.

● (1250)

Mr. LaVar Payne: Thank you, Chair.

And thank you, Randy, for allowing me to do this.

My question is obviously going to be for Ms. Marsden of the Canadian Sugar Institute. As my colleague on the other side of me here indicated, I have this big sugar beet area in my riding in Taber, and also of course the Lantic sugar beet factory is there.

There's been a lot of discussion on the difficulties to penetrate the U.S. market. That has had an impact, actually reducing the amount of sugar beets grown over the last number of years. I'm just wondering if you could maybe tell us how this might impact those particular sugar beet farmers, the opportunity to add $100 million in exports either in sugar or in sugar products.

Ms. Sandra Marsden: Thank you.

Certainly the impact of the CETA won't be tomorrow. It will take some time. So it can't address the immediate problems with the United States. In addition to trying to encourage improved export access through CETA, you know, ultimately the TPP would provide much greater opportunity. At least if that isn't negotiated in the near term, given its geographical location, the U.S. is our primary market. The other potential for the west would be Japan, and that could be achieved either through TPP or a bilateral agreement with Japan.

We hope that the CETA will deliver some benefits to Alberta. It could do that. There are some small and medium-sized businesses that are producing confectionery, for example, in Alberta. There is potential to sell more beet sugar to those manufacturers.

The Chair: Thank you.

Now I want to go to Madam Brosseau, please, for five minutes.

Ms. Ruth Ellen Brosseau: Thank you, Chair.

[*Translation*]

I only have a few questions.

Early this morning, we heard from Mr. Laws, of the Canadian Meat Council. I asked him questions about a request submitted to the Standing Committee on Finance with regard to a program which will help businesses to transition. Today, we know that things will have to change. And a little earlier, we talked about the drug Ractopamine.

That said, I think that other changes will have to be made in our meat sector, as well as in Canada's cheese sector.

[*English*]

This question is for the Canadian Pork Council. Would you be asking for some kind of aid to help with changes that would need to be made in order to gain access? In my riding, we have a lot of pork farms and they're getting to the point where they need to do renovations, and they need to think long term. Are there any things that might hinder us and any kinds of things, for *bien-être animal* we would have to look at moving forward to make sure when we are making a product that we are moving towards acceptability and the demands that the people in the European Union have for our Canadian pork products?

That's for Bill.

[*Technical Difficulty—Editor*]

The Chair: Can you hear us, Bill?

Mr. Thomson, can you intervene on that?

Mr. Ian Thomson (International Trade Advisor, Canadian Pork Council): Well, not being a member of the Pork Council per se, I certainly can't speak to what their plans are to seek any sort of compensation to aid in the transition or whatever. When Bill gets online, maybe he can speak to that.

But I would point out that one of the key issues is with ractopamine in pork. Somewhere around 75% of the Canadian herd no longer relies on ractopamine. The industry in Quebec is already in pretty good shape on that one. I think Ontario might be a little more problematic at this point, but there's a good percentage of producers that are ready. Processors like Lucyporc and others in Quebec have already gotten into the EU market under the existing conditions. When I talk to them, their view is essentially that, had they known what they were getting into at the time, they wouldn't have made the investment necessary to do it. It has just has not been worthwhile under the existing conditions.

So what's to come is more than welcome and will be a stimulus to make whatever investments are believed necessary to get ractopamine out of the herd, which is a requirement anyway, and to deal with issues like trichinella and other requirements the EU will have.

● (1255)

Ms. Ruth Ellen Brosseau: Bill, did you hear the question I asked previously?

Mr. William Wymenga: No, I missed part of it.

Ms. Ruth Ellen Brosseau: Okay, I'll ask the question again.

[*Translation*]

Concerns were also raised by another witness earlier today. To illustrate the problems related to pork, he said the following:

> In the case of meat on the bone, we will have to do testing in an accredited laboratory to detect the presence of trichinae, which will increase costs significantly for a problem which barely exists in Canada.

Mr. Laws and his group asked the Standing Committee on Finance that a program be created to help the meat industry when the Comprehensive Economic and Trade Agreement with Europe comes into effect. These are the words he used:

> [...] a CETA meat program of $10 million over five years to help the Canadian meat processing industry comply with the costly and constraining EU requirements in the meat import sector.

I would like to know what you think of these things.

[*English*]

Mr. William Wymenga: It's important that we have access. We certainly agree with the Canadian Meat Council that they're going to need help in this area to put programs together from the Canadian Pork Council's point of view, but we'll do whatever we need to do as far as.... If we want to establish something as trichinella-free, we have to know what the protocols are and then we can follow those protocols and ensure people in the EU that we are free of this particular disease. We don't want this to become an impediment to having a product going into the EU.

The Chair: Thank you very much, Mr. Wymenga and Madame Brosseau.

I want to thank the witnesses for coming and being a part of the second hour.

With that we will dismiss our witnesses.

A request for a project budget was brought up. We need approval, it's the standard in terms of witnesses' expenses, video conferences, and the working meals for the study in the amount of $12,300.

Are there any questions regarding the report from Michel? He's anxious to get it so he can pay the folks.

Hon. Mark Eyking: I move we approve the budget for Ms. Brosseau.

The Chair: Thank you, it is moved and seconded by Mr. Zimmer.

(Motion agreed to)

Thank you very much. See you Thursday.

The meeting is adjourned.

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