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

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**EVIDENCE**

**Thursday, December 4, 2014**

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**Chair**

**Mr. Bev Shipley**



## Standing Committee on Agriculture and Agri-Food

Thursday, December 4, 2014

• (1150)

[English]

**The Chair (Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC)):** I'd like to call to order meeting number 47 regarding order of the House referring back the first report of the committee on CETA.

Today, we have with us the chair of Grain Farmers of Ontario, Henry Van Ankum. Welcome, Henry.

Also, we have by video conference from Calgary, Dennis Laycraft, executive vice-president of the Canadian Cattlemen's Association.

Dennis, just in case we have a video issue, we'll ask you to lead off with your presentation, if that's okay. You have 10 minutes.

Before we start, I apologize for the delay. We had votes, and it would appear there's going to be another round of votes, so we'll go through the presentations and then we will start into questions, if we have time. We might cut some questions. We'll see how it works.

**Mr. Dennis Laycraft (Executive Vice-President, Canadian Cattlemen's Association):** Good morning, everyone.

We appreciate this opportunity to speak on CETA. We view this agreement as offering tremendous potential and opportunity for Canada's beef and beef cattle industries. What is quite remarkable in all these negotiations.... Beef is often one of the most sensitive parts of the negotiations and because of that, our organization didn't simply wait passively for this agreement to be achieved; we engaged very actively through the entire negotiation. We worked closely with our Canadian negotiators to provide advice and feedback to get a sense of what the ambition could be during the agreement. We also met frequently with EU negotiators, representatives of the EU member states, and members of the European Parliament. We undertook these efforts both in Brussels and in Canada. Also importantly, we engaged with cattle producers in Europe. We travelled to France, Spain, England, and Ireland, to reach out to those counterparts, many of those being where the greatest sensitivities exist, to try to engage in dialogue with them and explain why the relationship with Canada can work moving forward with this type of agreement.

We felt this was helpful in overcoming some of the sensitivities and allowing for the level of ambition that was achieved to be achieved. We're going to continue to work on these relationships in a number of countries to build the beneficial nature of two-way trade into the thinking of both countries.

You're likely aware of the significance of the agreement. What is unique about this one is the preferential access that Canada gets. As you're aware, there are a number of quotas in this. There are 35,000 tonnes of fresh beef and 15,000 tonnes of frozen beef. At the same time we're still in a position where there's an existing Hilton quota that has a 20% duty. That 20% duty has really discouraged people from using that. It's a high-quality duty that has been around since the time of GATT, and we'll immediately see that 20% eliminated. Until another country negotiates that, it will give Canada a clear advantage by making use of that part of the quota as well.

We also had a smaller quota that got rolled into this related to the hormone dispute that Canada won. As a result we have significant access. We estimate it will take about half a million head of cattle when all of this is phased in to satisfy the volume requirements that could be achieved through this agreement.

At the same time, Europe used to be one of our largest markets for a range of products, like edible offal. That was in a range of rendered products, and we anticipate we'll be able to move a fair amount of product on top of the tonnage that I'm talking about under this agreement.

The other thing that makes Europe an important market moving forward for us is that it's a high-level market. We estimate it will be approximately \$11 a kilogram or higher now with the type of product we'll move in there, again, producing a value of potentially over \$600 million a year into that market.

One of the other things I do want to repeat is we appreciate the very inclusive nature in which the Government of Canada undertook these negotiations. We were really consulted at every step right through, and we continue to be consulted on some of the sanitary and phytosanitary issues that are still being addressed as we speak.

On the cattle production side, we'll have to raise these cattle without the use of growth-enhancing products such as hormone implants or beta-agonists. That's a condition Europe was unwilling to waver from, and although those products are clearly approved as safe in use, we do anticipate that a number of producers, because of the return that could be achieved in this market, will enter into protocols to raise cattle to satisfy this market.

The other thing that's important about this is we're at a particular time in the industry when we're enjoying record prices because of tight supplies. This is probably 18 months to two years out before this starts. This gives us an opportunity as we begin to see a rebuilding phase of our cattle herds start. As we begin to increase our inventories, we're also creating new market access for our industry so that hopefully we can maintain those higher prices for a longer period of time, along with the other trade negotiations that are under way.

• (1155)

On the processing side, I know that the Canadian Meat Council has appeared and has spoken about the technical issues. Obviously, those are important if we're going to fully achieve the benefits of this agreement. Currently, we only have two small plants approved for the EU, and they're both in Alberta. We see great opportunities across the country. As we take a look at the plants, whether they happen to be on Prince Edward Island or looking into Ontario, and smaller ones in Quebec, and as we are able to get those plants approved, we also need to get our large plants approved. That's the reason there's a side letter that there's continued negotiation trying to get close to systems approval. It's recognition of the equivalency of our respective sanitary measures. Those negotiations are continuing. I understand we're close to the conclusion of those, but there are still a couple of gaps that we would like to see narrowed. Again, we're being consulted closely on that.

Back to my earlier comment, in 1983 Europe was one of our largest export markets. Over the course of a decade we lost most of that access, so we're wary and want to make sure we're able to get those addressed up front so that as we move forward we'll be able to realize this great opportunity that's in front of our industry.

With that, I'll stop. Again, thank you for the opportunity to appear on behalf of Canada's beef cattle industry.

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

Now we'll go to Mr. Van Ankum from the Grain Farmers of Ontario for 10 minutes, please.

**Mr. Henry Van Ankum (Chair, Grain Farmers of Ontario):** Good morning, everyone. It is a pleasure to be here today. On behalf of our 28,000 farmer members in the Grain Farmers of Ontario, I want to thank you for this opportunity to provide our views on the Canada-EU trade agreement.

Over the past 10 to 12 years, the Ontario grain industry has increasingly outgrown the Ontario and Canadian markets. The domestic market remains the primary market for a large percentage of our production, but the development of international markets is an ongoing critical task.

This is particularly true for Ontario soybeans. Two-thirds of our production is exported. As an association of farmers, our mission is to develop an innovative and successful business environment that will allow our farmer members the opportunity for profitable growth. The path to achieve this requires the reduction of trade barriers and the expansion of markets for corn, soybeans, and wheat. For these reasons, Grain Farmers of Ontario is very supportive of the government's efforts to secure foreign markets for our products.

Given the importance of the European Union as a market for Ontario grain, we are particularly supportive of CETA. The EU is an already important market for Ontario and Canadian grain and oilseed producers. Between 2008 and 2013, Canadian soybean exports to the EU increased 113%, going from half a million tonnes in 2008 to 1.3 million tonnes in 2013. Exports have also been strong in 2014. The value of these exports to the EU is around \$740 million and accounts for over one-quarter of the Canadian soybean crop.

Within the top 10 export markets by volume in 2013, four of the top destinations were European countries: the Netherlands, Belgium, Germany, and Italy.

Since November 2013, we have also exported just over 1.4 million tonnes of corn to the EU valued at well over \$300 million and accounting for roughly 11% of our production in Canada. This compares to virtually no exports three years ago.

In July 2014, however, the EU import regime for corn caused import duties to be applied on that corn. The EU system for corn calculates an import duty as the difference between an EU price and a calculated import price. When the import price is below the EU price, the differential is applied as a tariff. This is what happened in July and since July, the tariff rose to as high as 10.4 euros per tonne. Although this duty fell to zero in November, our exports have been sharply curtailed.

Under CETA, this EU import system for corn from Canada will disappear, which will be a tremendous benefit.

Additionally, over the last several years, Ontario wheat has been exported, although only 38,000 tonnes, because wheat exports have been constrained by an EU quota for Canadian low-protein wheat, wheat that is less than 13.5% protein.

Upon implementation of CETA, the quota for Canadian low-protein wheat will immediately rise to 100,000 tonnes. Further, the current in-quota tariff of 12 euros per tonne will disappear. As well, over the seven-year implementation period of the agreement, the over-quota duty rate of 95 euros per tonne will also be reduced in equal amounts.

In the eighth year, the EU market will be entirely open for our wheat, an exceptional marketing opportunity for our farmers and one which we very much look forward to selling into.

Financially, Grain Farmers of Ontario also foresee a lot of benefit within the domestic industry. A large portion of our Ontario grains is sold to companies and industries in Canada that will benefit from the improved access to the EU. Upon implementation of the agreement, the tariffs on products like bakery goods, spirits, soybean oil, soy meal, and numerous other products produced from Ontario grain will either be substantially reduced or eliminated entirely.

Another important element of the value chain for Ontario grain is livestock producers. Grain Farmers of Ontario is encouraged by the fact that Canadian beef and pork producers have secured increased access to the EU, as these two industries are major users of Ontario grains. In fact, livestock feed remains the primary use for corn in our province. We look forward to increasing our supply to livestock as the demand for their products increases internationally.

Above all this, one of the most important challenges facing exports of our soybeans and corn into the EU is the slow pace of the EU approvals for genetically modified grains. As previously mentioned, our farmers operate in an innovative business environment and are rapid adapters of new technologies. The EU, however, maintains a very low tolerance level for unapproved GM grains destined for feed use and has a zero tolerance for unapproved GM grains for food use.

• (1200)

One of the most promising points under the agreement is that Canada and the EU will establish a working group to examine biotech issues and ensure that they do not disrupt trade. This open dialogue and collaboration on the issue of genetically modified grains is an exceptional step forward in our relationship with the EU, and we look forward to contributing to this working group.

We see immense opportunity for Ontario grain farmers with the implementation of CETA. This agreement will reduce trade barriers for Ontario corn, soybeans, and wheat, will reduce tariffs for our end users in the industry, and will increase market access for Ontario livestock producers. All these components will help drive the grain industry in Ontario and across Canada toward increased competitiveness in a global market.

For these reasons, GFO looks forward to speedy ratification of CETA. Thank you.

**The Chair:** Thank you very much, Mr. Van Ankum.

As you know, we have bells that are going to start ringing likely in less than 10 minutes, so I'm going to ask that we have a chance for three, and make that three minutes.

Mr. Allen, did you want to give up your time again today?

**Mr. Malcolm Allen (Welland, NDP):** I guess they don't want to take mine.

**The Chair:** Mr. Allen, for three minutes. That's likely one question, so we need to keep it to that so we can get one round in. Thank you very much.

**Mr. Malcolm Allen:** Thanks to both of you for coming again. I appreciate it.

I'm sure you've had an opportunity to look at the additional details you may not have seen before, and no doubt have seen the report that was tabled in the House, which has now been sent back. Is there anything you would like to add to the report, based on the new material you've had a chance to look at, that you think this committee ought to add?

That question is for both Mr. Van Ankum and our other guest, and I'll leave the question at that.

**The Chair:** Thank you.

Mr. Van Ankum, and then Mr. Laycraft.

**Mr. Henry Van Ankum:** I have nothing I would add to this at this time.

**The Chair:** Mr. Laycraft.

**Mr. Dennis Laycraft:** Yes. Likewise, I have nothing further I'd point out. We saw a great deal of this detail through this entire process.

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

Mr. Lemieux.

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

I want to thank our witnesses for being here on such a compressed schedule.

Dennis, could you explain to the committee how the beef industry is going to reconfigure itself to exploit the new market opportunities in Europe? I'm wondering as well what role the CCA plays in that. In other words, individual farmers probably have a role to play in terms of what they will or will not do if they see an export opportunity, but I would imagine there might be some networking going on. Could you explain to the committee how your industry is going to reconfigure itself and who the key players are in determining how best to reconfigure to exploit new opportunities in Europe?

• (1205)

**Mr. Dennis Laycraft:** That's a great question.

Over the past number of weeks we've been working with the Canadian Food Inspection Agency looking at very specific details on the protocols that producers would need to meet, and recognize for two years out, that we have to now start thinking about next spring's calf crop. We're developing details and sharing them directly with cattle producers over the course of this winter. We're also visiting with our major processors as we start to develop how we create some alignment. We're actually working on a new information system so that we can identify cattle that are eligible to go into a market like Europe. That will be attached to their national ID record. We can start to generate larger quantities of it and basically facilitate the business arrangements that will be necessary moving forward in order to achieve the volume of cattle necessary to do this.

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

We'll go to Mr. Eyking to wrap up, please. Thank you.

**Hon. Mark Eyking (Sydney—Victoria, Lib.):** Thank you, guests, for coming.

I have two quick questions. I'll ask both questions and then you can give a short answer.

Dennis, you mentioned how the EU is coming in to inspect plants, and they approved some smaller plants. Perhaps you could give me a quick snapshot. What do they require from our bigger plants if they go in there and look for approval?

Henry, it seems to me we're going to have a more open door to bring in corn and soybean into the EU. What advantage are we going to have compared to the Americans, Brazilians, and everybody else that's knocking on the EU's door, with the agreement we have at hand here?

**The Chair:** Henry can go first.

**Mr. Henry Van Ankum:** I think a reputation for quality in Canada will certainly serve us well as we try to make good use of that improved access. I think our track record over the last three years of increasing export levels there, and their strong preference for what we're bringing to the marketplace, will be well served by the improved access in this agreement.

**Mr. Dennis Laycraft:** I'll comment briefly on the large plants.

There were a number of physical differences that they required. My understanding is that the negotiations have largely resolved that, so that we have equivalency in that area. We're continuing to work on some of the antimicrobial interventions that we use in the large plants, and that work is continuing. There's lactic acid that's been dealt with, the recycled hot water which.... All of these things have been scientifically tested. For large plants, it's pretty clear that they want to maintain and make full use of all of the interventions they have to ensure we're producing a product that's absolutely pure when it leaves the plant. That's a particularly important issue in every large plant, because they're producing trim that's sold to a lot of different

customers throughout the world, and they want to use all of that technology. We're at a stage where those are being addressed. As far as the physical requirements go, my understanding is that we're now in a position they can meet them.

There are some interventions on the EU side that we're also looking at. We do more testing than they do for O157, for instance. It's a question of making sure that as we import product from Europe, they're meeting our high standards as well.

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

The bells are going to be ringing in just a minute or so. I want to say thank you again to the witnesses. We apologize for any inconvenience in terms of how votes sometimes interrupt.

Colleagues, some written presentations will be coming in. That has been offered to all of the witnesses.

This will end the meeting today. We will come back on Tuesday, and there will be a recommendation in terms of the amendments that each will have prior to that meeting, so that we can deal with that on Tuesday morning at 11.

Again, I thank you very much.

The meeting is adjourned.

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