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Chair

Mr. Pat Finnigan

Standing Committee on Agriculture and Agri-Food

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● (1105)

[*English*]

The Chair (Mr. Pat Finnigan (Miramichi—Grand Lake, Lib.)): Welcome, everyone, to our session this morning. Today we're continuing our study on the non-tariff trade barriers to the sale of agriculture products in relation to free trade agreements.

With us here today we have, from the Agricultural Manufacturers of Canada, Mr. Geof Gray, past chair. Welcome, Mr. Gray. We also have Leah Olson, president.

[*Translation*]

Hello and welcome, Ms. Olson.

[*English*]

From the Canadian Pork Council, welcome here again, Messrs. Kristensen and Stordy. As I told Ron Bonner the other day, we could have a permanent seat for you guys

We will start with an opening statement, if you wish, of up to 10 minutes.

Ms. Olson.

Ms. Leah Olson (President, Agricultural Manufacturers of Canada): Good morning, Mr. Chair and committee members.

[*Translation*]

Hello everyone.

[*English*]

My name is Leah Olson, and I'm president of Agricultural Manufacturers of Canada. I'm pleased to have with me here one of our executive board members, Geof Gray, who will help answer questions and provide insight during the Q and A session.

In addition to his role on the AMC board, Geof is president and CEO of Salford Industries, a key manufacturer in southwestern Ontario offering a full line of tillage and seeding equipment, as well as fertilizer applicators. Salford has six manufacturing plants: two in Ontario, one in Manitoba, one in Iowa, one in Russia, and one in Georgia.

Agricultural Manufacturers of Canada is a national member-driven industry association with just under 300 member organizations. Our mission is to foster and promote the growth and development of the agricultural equipment manufacturing industry in Canada. I'm pleased to be here as you study non-tariff trade barriers to the sale of agricultural products in relation to free trade agreements.

In 2016, agricultural equipment manufacturers in Canada exported more than $1.8 billion of implements to more than 150 countries. In the agricultural industry, we are known as the innovative manufacturers, as we are highly specialized, offering farmers a short number of products, hence being called short-line equipment manufacturers. All agricultural equipment manufactured in Canada, except for one facility owned and operated by Case New Holland in Saskatoon, Saskatchewan, is done by a short-line manufacturer.

Your study is an important one, and I want to share with you the critical role that agricultural equipment manufacturers have domestically but also as global leaders of farm equipment. Canadian-made agricultural equipment is among the highest quality and most sought out in the world. Just over 50% of our manufacturing members are located in rural communities of fewer than 10,000 people. Some of our members are located on the family farm or in communities in which the number of people the manufacturer employs is larger than the population of the community it is in.

Despite being in rural locations, more than 80% of our members export. We have two members who export to more than 40 countries per year, a clear demonstration of the demand for Canadian-made farm equipment.

Employing more than 12,000 people across Canada, our member companies provide high-quality and well-paying employment in all realms associated with being a quality manufacturer: finance, marketing, IT, engineering, procurement, etc. Our members are key contributors and a vital part of Canada's agriculture industry and of rural economies.

A key role the government can pursue for agricultural equipment manufacturers is to enable further innovation by providing tax rebates supporting R and D and the commercialization of our products in Canada and globally. Machinery has been at the heart of Canadian agriculture for many years. It shaped agricultural practices and in many respects created the opportunity for rapid European settlement in the late 1800s.

The agricultural equipment manufacturing industry has progressively developed as an entity separate from commercial or industrial manufacturing. Central to this evolution was the need to develop agricultural machinery capable of meeting the challenges of the Canadian climate and our harsh growing conditions. This drive for innovation enabled Canadian farm equipment manufacturers to thus be global leaders in the development and production of high-quality, durable, and innovative machinery.

Innovation is crucial if we want to address global issues such as overpopulation, limited resources, and food production. The agriculture industry will need to produce more with less, and Canadian farmers and short-liners are at the forefront of meeting this challenge. AMC's members continually develop innovative technologies and manufacture products that enable us to be leaders throughout the world. This situation puts us in a very good position to align with the government's growth agenda.

As companies that thrive on exports, our members are enthusiastic supporters of trade agreements that open up increased market opportunities outside Canada. For instance, we wholly support possible action by the federal government to pursue a free trade agreement with China. As you know, however, any trade deal is only as good as the commitment of the participating countries to honour and enforce the agreed-to measures intended to lower both tariff and non-tariff barriers. Our members have found reasonable success in countries in which tariff barriers are low, but we have concerns about certain non-tariff practices, including border security issues, red tape and burdensome customs procedures, and requirements to meet various and different standards.

As one of our members highlights, “The paperwork and different certification rules are a detriment to developing export markets. It is difficult to keep up with the standards and to meet them, especially with 'legacy' products. The biggest obstacles to overcome for us are, first, different criteria for each country and region that can be hard to keep track of, and second, documentation that is applied arbitrarily.”

The recent approval of the Canada-European Union comprehensive economic and trade agreement illustrates this well. There is some confusion, both on the Canadian and European sides, as to whether CE marking certification is required. One of the requirements for exporting to the EU continues to be that of a CE marking certification, yet at this time, there are limited Canadian organizations certified to offer the CE marking certification. For agricultural equipment, this has been a challenge that has delayed exports to the EU.

Different countries require different formats of the same document. What one country accepts may be quite different from what another country accepts. The federal government would be well positioned to support and help harmonize the standardization of documents required.

Last is a lack of protection for intellectual property, including safeguards against the copying and reproduction of Canadian equipment and innovative products.

In this context, I should mention the absolute importance to our members of the support of Export Development Canada, which is vital in taking full advantage of liberalized trade opportunities outside Canada. While a lack of EDC financing is of course not technically a trade barrier, some of our members equate it with a non-trade barrier when such support is not obtainable.

Over the past year, Agricultural Manufacturers of Canada has hosted numerous government representatives at manufacturing facilities and farm shows across Canada. Our priorities moving forward include continuing to inform the federal and provincial governments' public policy agendas. Our goal is to help solidify Canada's role as a global powerhouse of farmers and short-liners feeding the world today, tomorrow, and in another 150 years.

Thank you for the opportunity to take part in your hearings on a subject of great importance to our members, to the wider agricultural sector, and to Canada's future economy.

● (1110)

[*Translation*]

Thank you very much.

[*English*]

The Chair: Thank you, Ms. Olson.

Now with the Canadian Pork Council, we have Mr. Kristensen.

Mr. Hans Kristensen (Member, Board of Directors, Canadian Pork Council): Good morning.

Thank you for the invitation to appear before the committee and for your continued attention to the international market access for Canadian pork.

My name is Hans Kristensen. I am a producer from New Brunswick and the Maritimes' representative on the Canadian Pork Council's board of directors. As part of my responsibilities as a CPC director, I also sit as a director on Canada Pork International.

The roles and responsibilities between the CPC and Canada Pork International complement each other. Through public policy outreach, the CPC advocates for reasonable legislation and regulations both domestically and internationally to develop market opportunities for Canadian producers. Canada Pork International steps in once market access becomes feasible and promotes Canadian pork in foreign markets.

The last time we were here to discuss debt in the agriculture sector and its effects, we outlined how the pork sector relies on exports and how the relationship between market access and the economic stability of our industry are so closely connected. I'm certain by now you are familiar with the impact the Canadian pork industry has on the Canadian economy. It's a good story that needs to be told. In 2016, we exported over one million tonnes of pork and pork products valued at over $3.2 billion to 90 different countries. The pork sector relies on exports. In fact, more than two-thirds of the hogs produced in Canada are exported. Over the past decade, due to the hard work of the entire industry and this government, we have expanded to become the third largest exporter of pork in the world. This expansion supports not only hog farmers, but also provides thousands of jobs in rural and urban communities alike.

The pork industry has always been interested in eliminating trade barriers to our exports and improving access, whether import barriers, or unfair sanitary or regulatory measures, or legitimate tariffs. We work hard to remove measures that hamper our exports. It should not be surprising, therefore, that the meat sector is an ardent and steadfast supporter of all initiatives that contribute to not only the opening, but equally vital, the maintenance of existing export markets.

The Canadian Pork Council is pleased federal legislation to implement Canada's rights and commitments under the Canada-EU comprehensive economic and trade agreement, Bill C-30, was granted royal assent on May 16. The CPC has followed developments with great interest since the October 2008 Canada-European Union summit to explore an economic partnership. Europe is the last important pork-consuming region in the world to which Canada currently has little effective market access. It is limited by very high tariffs and onerous import administration rules. The EU is one of the world's most protected import markets for meat. The new zero-tariff access for pork granted under CETA and much improved quota administration rules provide unique access for Canada and an advantage in the future over U.S. exports should a deal be worked out between the U.S. and the EU.

One of the non-tariff barriers hampering access for Canadian pork exports to the EU is the requirement that imports of fresh, chilled pork undergo costly and burdensome testing requirements for trichinae. The EU testing requirements are costly and severely limit sales of chilled pork to Europe. The EU also requires that a health mark label be applied to all boxes of meat exported to the EU. The label is intended to ensure traceability of the product to the producing establishment and to provide a visual means of determining if a package has been opened. The Canadian Food Inspection Agency's current interpretation of the EU requirement makes it extraordinarily difficult, if not impossible, for Canadian pork processors to meet this requirement. Over the past two years the industry has raised its ongoing concern about the health mark label with both Canadian and EU officials. Notwithstanding constant assurances that the issue is being worked on by officials in Canada and the EU, it would appear that little if any progress has been made to resolve the issue.

As important as trade agreements are, they constitute only one component of trade in pork products. The removal of import quotas and tariffs is only of value if it is possible to overcome also the myriad of associated technical regulations and requirements. The meat industry works very closely with the market access secretariat of Agriculture and Agri-Food Canada, the CFIA, Health Canada, and Global Affairs Canada on the endless task of addressing these impediments. These departments need the flexibility and a full team with the financial backing to efficiently address market access issues. There is work to be done to better capitalize on existing access.

When a country places a barrier to trade, our industry has to ask if we can overcome that barrier, and at what cost to our industry. The cost of compliance can sometimes deter operations from implementing the process or technology that allows CFIA to certify that the product or establishment comply for all products destined for the desired market...are erroneously expensive.

● (1115)

However, in some cases, a country's expectation or high barrier for import has benefited our industry, such as with Japan. Pork exports from Canada to Japan have been a major success story, and this has led to a strong trade relationship that has benefited both countries. The Canadian pork sector has a long history of trade with Japan that goes back more than 40 years since the first shipment of pork left Canada destined for Japan.

The Japanese market is very demanding on the safety of products and requires a high level of food safety and certification from its importers. These requirements have enabled the Canadian pork industry to develop some of the highest quality food programs and food safety programs in the world, such as the Canadian quality assurance program. These programs assist the industry in accessing Japan and other international pork markets. It can be said that the Japanese influence on the Canadian industry has also led us to be better producers and better exporters.

I must take a moment to point out that Canada is currently Japan's second largest country supplier of pork after the United States, and we believe there is still room to grow our sales. A trade liberalization agreement between our two nations will provide a big boost for our industry.

Another example where a non-tariff barrier is restrictive and the industry has decided to meet the country's requirement is the use of ractopamine. Ractopamine is a product approved for use in animal feed in over 25 countries, with an additional 75 countries allowing for the importation of pork that has been fed ractopamine, even though it is not allowed to be fed in their domestic herds.

In July 2012, the Codex Alimentarius Commission voted to approve an international standard that set the maximum residue levels of ractopamine as a feed additive, thus recognizing the product as safe for use in pork and beef production, yet markets such as the EU, Russia, China, Taiwan, and Thailand refuse the importation of meat where the product has been in contact with ractopamine.

As a result of this, the Canadian ractopamine-free pork certification program was launched in April 2013. This was in response to Russia's requirements banning the importation of meat from hogs that have been fed or even exposed to ractopamine. The Canadian Pork Council worked closely with the Canadian Meat Council, the Animal Nutrition Association of Canada, Canada Pork International, Elanco, and the CFIA to develop the program. The certification program was implemented throughout the pork value chain, including feed mills, producers, and live animal transporters, as well as slaughter, processing, and storage establishments.

Our industry is forgoing the benefit of using this product and has voluntarily implemented a national program to ensure that pork products meet import requirements of our clients for the ractopamine program. Our industry decided to stop using the product so we can increase the flexibility of accessing markets. That flexibility and that market access comes at a cost, but it also places our industry at risk.

For example, recently, Chinese testing of a shipment of pork from a specific establishment in Canada detected ractopamine residues. Canada's pork industry takes this detection very seriously, and we want to assure our Chinese customers that our country and our industry is dedicated to providing their consumers a ractopamine-free product. The CFIA has suspended exports of pork to China from the establishment. Product en route to the Chinese market from this specific establishment is also being recalled, and the plant involved will not ship until further notice. Our industry partners are working with the establishment involved, as well as with Canadian government officials, to clarify this incident and take the proper corrective actions.

The industry is confident in the integrity of the Canadian ractopamine-free pork certification program. The Canadian pork industry values its relationship with China and looks forward to continuing a strong trading relationship.

I thank you again for the opportunity to speak this morning on behalf of the industry.

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

Now we'll go to our question round, with Mr. Shipley for six minutes.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you very much.

Mr. Kristensen, I want to go to the ractopamine issue. First of all, I want to congratulate you and your industry on what you have done to promote and actually meet the standards that are required to export to other countries, and in fact, to all our witnesses who recognize that, because of the importance of exports.

On the issue of ractopamine, there doesn't seem to be any area of harmonization of maximum residue levels. Also, you mentioned that they can't be fed or exposed. Can you help us understand what “exposed” means?

● (1120)

Mr. Hans Kristensen: Feel free to step in, if you want.

The situation we have now in Canada is that we, as an industry, have made a decision to voluntarily remove the use of ractopamine as an additive in our country as a whole. It doesn't matter if it's the domestic, foreign, or export market, we do not use the product in our pork-producing systems.

“Exposed” is the chance that we are subject to, say, some levels of cross-contamination when that product is being used in a feed mill that's manufacturing a product for a different use and that can somehow possibly cause cross-contamination and a risk of us being exposed.

What we have with our export nations is a ractopamine-free certification program. That means we're letting them know that our pork has not been exposed to this product, so our acceptable residue level is essentially zero.

Mr. Bev Shipley: Next, I quickly want to go to the manufacturers.

In your presentation, you listed a number of things. One of the things we recognize in Canada is that we are known for the quality of our products, whether in livestock, genetics, or the equipment we build. Canada is recognized for the quality products we produce. How do we compete and get that to the markets?

You mentioned the requirements to meet various standards that are out there. Where is the biggest impediment? Is it around safety standards that we need to have for equipment when it's entering another market, or is it a design standard that has to be met? Can you tell us where we are, and what we might be able to do to improve the movement forward?

Ms. Leah Olson: When it comes to safety and the quality of the equipment made in Canada, we recognize.... Many of us are farmers. This is perhaps the first time you have so many farmers here all in suits, but at any rate, we're pleased to be here.

When it comes to our members, because they do so much exporting, they typically meet ISO standards. The Canadian Standards Association operates very well in Canada. Our Canadian standards don't always tend to be aligned with those in the United States which, for agricultural equipment are the ASABE standards, but everybody tries to meet the ISO standard.

When we go into new markets, there might be a big demand for our types of equipment, and the quality of the equipment is definitely a big draw. When it comes to meeting standards and exporting more agricultural equipment, the biggest challenge our industry faces, and Geof can expand on this, is the lack of financing. For example, in Latin America, where we don't see a lot of EDC, that's a challenge. The farmers who want to buy quality equipment are penalized financially, because they have to pay higher prices for Canadian-made equipment based on the taxes and tariffs of their own government.

Mr. Bev Shipley: You do a lot of the short-lines.

Ms. Leah Olson: We do all of them, yes.

Mr. Bev Shipley: The large equipment dealers, though, are mainly from the United States, and we import from there into Canada. Would you see the same issue, then, for the large manufacturers coming into Canada as for these short-lines of ours that are moving out?

Ms. Leah Olson: The main lines, such as Case IH and AGCO, manufacture from tip to end what a farmer may need. They, too, are meeting the safety standards. When it comes to international standards, the industry is pretty aligned in terms of what's required from a safety perspective.

Geof, do you have any more comments on that?

● (1125)

Mr. Geof Gray (Past Chair, Agricultural Manufacturers of Canada): The main issue is western Europe. That's the biggest trouble, so we don't even touch western Europe. It's too difficult for us. We don't attend trade shows in western Europe because they've kind of locked themselves out. They have very strict standards that don't match those of the rest of the world. It's not worth it to redesign our equipment. There are a lot of technical requirements to meet: very different road restrictions, braking requirements that are required only in western Europe, and size restrictions for roads. There are also safety certifications required for Europe.

Unless they see it's worthwhile, manufacturers like us just stay out of western Europe. They've created a bit of a barrier for any other manufacturer to get in that region.

The Chair: Thank you. That will be all, Mr. Shipley.

Now we go to Mr. Longfield, for six minutes.

Mr. Lloyd Longfield (Guelph, Lib.): Thanks, Mr. Chair.

Thanks, everyone, for coming back to this committee.

I want to address some questions particularly to AMC. I really learned a lot at the outdoor farm show last year when I saw the short-line manufacturers and the amount of IP that's included in their machines. One fellow who was making a pond-cleaning machine and shipping it to Russia had three or four patents on the machine. I asked him whether he used the universities or the colleges for the patents, and he kind of laughed at me. He said, “No, I do it myself.” For some manufacturers, getting patents is going to be a bit more difficult. You mentioned financing.

In terms of the non-tariff measures, in the table we have from the United Nations Conference on Trade and Development, section N talks about the intellectual property covering patents. The industry committee just started an IP study this morning. We want to increase our exports to $75 billion in agriculture, and we're hoping a lot of that has to do with machinery.

I want to touch on the IP barriers. How can we improve access for the manufacturers to get their own IP registered, so when they are shipping to Russia we protect Canadian ideas?

Mr. Geof Gray: Probably the biggest barrier is cost, because you have to register in every country, so as a general rule, our company focuses on the United States and Canada.

The United States probably accounts for 60% of our sales. A standard patent for us costs $25,000. That's what it costs in legal and consulting...to get it through. Then you start to add every country. A simple patent that may be worthless could cost you $100,000 to $150,000 to make it global, because you have to fight each and every country.

You have to do a cost and risk analysis. Maybe we'll get a patent in Canada and the U.S. and not apply in Russia. Then the product starts to sell to Russia, and we say that we should have done that, and the next thing you know, there are people copying our product in Russia, and they have every right because we have no patent.

A lot of it is the cost of registering a patent in every single country. Countries have different legal requirements, and it's very painful and expensive.

Mr. Lloyd Longfield: We'll probably try to see if we can get some input on the study of the industry committee on that as well, because small manufacturers are the ones that we hope are going to export. This is going to be a barrier for everybody.

I'm also looking forward to going to the Ag in Motion outdoor farm show in Saskatoon from July 18 to 20, just to put that on the record. I'm sure I'm going to see a lot more good ideas there.

You mentioned the CE. In my experience in getting CE registration for some of the products I used to manufacture in Canada, the CSA played a key role in getting the CE, UL, CSA, and CUL registrations.

Where are we now with CSA in terms of our capacity to handle CE markings to get into Europe? You said that Europe isn't an interesting market, which really makes me want to ask more questions, but we don't have a lot of time.

Mr. Geof Gray: The requirements in Canada and the U.S. are actually not well enforced at all. It's mostly a general rule of thumb. We don't have much criteria to meet. It's not very well regulated in Canada or the U.S., actually. Europe is where it's tightly regulated, so meeting the requirements there is where it becomes more difficult. In Canada and the U.S. it's not very well regulated at all. It's more self-regulated than anything else.

Mr. Lloyd Longfield: I know there's a process to go through to get into Europe. It's a huge market and they have a lot of equipment manufacturers in northern Italy that we could compete against. We have manufacturers, Fendt Tractors that we could compete with, and MacDon. They'll do those things themselves.

Section B of the non-tariff classification is for technical barriers to trade. Are the technical barriers to trade to get into Europe something we need to spend more time on, or to educate your industry on? What could we do to help, or do we just go into other markets?

● (1130)

Mr. Geof Gray: There are differences of opinion, I guess.

Mr. Lloyd Longfield: I guess so.

Mr. Geof Gray: It depends on whether you see it as a market you can compete in. I look at any market and ask if it is a market that a company can compete in. Europe is quite a bit different from Canada. Canada has a lot of bigger farms, so a lot of the equipment is bigger. You get smaller farms in Ontario and Quebec, so manufacturers that focus on those regions can compete more in Europe.

Mr. Lloyd Longfield: When we competed component to component, when I used to supply into that market, Europeans were always expensive. You paid the price for it. They said, “We're high technical.”

I still want to compete in Europe, but I think that's not for this morning.

Mr. Geof Gray: There are bigger markets to me than Europe.

Mr. Lloyd Longfield: What are the bigger markets?

One of my relatives who used to be on your board was in South Africa last week. He's working on some trade deals in South Africa. He's travelling all over the world. His business is out of Seaforth, Ontario, and has really done well in the last five to six years in exporting.

Where can we help support exporting for your businesses?

Mr. Geof Gray: The biggest ag market right now is protected, and it's Brazil. Everybody wants to get into Brazil, but that is protected so thoroughly.

Mr. Lloyd Longfield: In terms of the supercluster strategy, agriculture being a key supercluster, you're key within that supercluster, and export is our opportunity. The non-tariff trade barriers in the key markets are the ones that we really want to zero in on. If Brazil has those....

If separately you could provide our committee with some of the key areas with the key impediments, it may be that we could include them in our study.

The Chair: Thank you, Mr. Longfield, and thank you, Mr. Gray.

[*Translation*]

Ms. Brosseau now has the floor for six minutes.

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

[*English*]

I'd like to thank the witnesses for their presentations today and their participation in this study on non-tariff trade barriers.

I'm sure you're aware that the Standing Senate Committee on Agriculture and Forestry did a study, and they released a report last month, “Market Access: Giving Canadian Farms and Processors the World”. They made a recommendation asking the government to consider establishing a national committee with a mandate to monitor non-tariff trade barriers faced by the Canadian agriculture and agrifood sector in the international markets. Monitoring would facilitate negotiations toward the elimination of non-tariff trade barriers.

When we negotiate a trade deal, this is something that should be dealt with from the beginning to ensure that once it's signed and we start implementing we don't have to go back and try to fight and resolve these problems. I know there are quite a few problems still ongoing with CETA.

I was wondering if I could get your comments around the suggestion made by the Senate committee. I would start with Hans and then go to Leah or Mr. Gray.

Mr. Hans Kristensen: Thank you for the question.

Absolutely, I think that the more resources and effort that the Canadian government puts into identifying and then dealing with non-tariff trade barriers, the better off we are. One of the things in the pork industry that we would love to see is a better-funded and better-staffed Canadian Food Inspection Agency. We value ourselves and I'm very proud of our industry. We can compete with anybody in the world. We just need open borders and regulatory access that's equal, but when non-tariff trade barriers come up, it's impossible to identify them all ahead of time. Sometimes they're created as we access the market. To have a standing committee that's on the lookout and addressing that as its number one priority would be hugely beneficial. Also, to have further resources invested into the Canadian Food Inspection Agency, which is the body we need to certify that we're meeting those export requirements, for us would be hugely beneficial.

Ms. Ruth Ellen Brosseau: Madam Olson or Mr. Gray, would you agree with the comment, the recommendation?

Ms. Leah Olson: Yes, absolutely. I think it's very important when our members are exporting. They're primarily small to medium-sized, so we're still a bit underappreciated, which is why we're happy to be here today. We're an aspect of manufacturing that is very niche, so when it comes to trade, we tend to go to the highest standards possible because we export to so many different countries, $1.8 billion to over 150 countries. That's a real point of pride for us, and those manufacturers are primarily in Saskatchewan, Manitoba, and Ontario.

When we look at where the trade opportunities are, as Geof identified, Latin America is a huge opportunity for us, but for a variety of reasons, it's just not able to materialize. We're not able to take fuller advantage of the markets there and the market opportunities, in part because of a lack of financing that is not available there. We agree absolutely that the non-tariff trade barriers should be addressed up front.

● (1135)

Ms. Ruth Ellen Brosseau: Yes, Mr. Stordy.

Mr. Gary Stordy (Public Relations Manager, Canadian Pork Council): I want to add something.

One of the merits of NAFTA has been that it has brought governments together, both Canada and the U.S. Usually, there are areas where things get contentious and there are disagreements. However, moving forward and while trade agreements are helpful and positive and whatnot, it's efforts to try to maintain that working relationship where new trade agreements have been signed or existing ones.... There has been the Regulatory Cooperation Council established in the past. That model can evolve to a regulatory co-operation committee or whatnot, but the premise of that concept has merit moving forward, not only between Canada and the U.S., but perhaps Canada and the EU or other key markets. What that does is it encourages and, frankly, forces the industry to consider what its priorities are—I should add, what realistic priorities they have—and also government officials in the departments to bring some attention to that.

At a time when, frankly, whether it's CFIA or other agencies, they have no shortage of demands or expectations to deliver something from industry, as well as governments, the mechanism of having a structured discussion beforehand within the country among stakeholders and then encouraging that with other countries is something that should be facilitated moving forward.

Ms. Ruth Ellen Brosseau: That's perfect. Thank you.

I really appreciate your recommendations, because when we move forward as a committee in working on the report and our recommendations, I think it is really important to underline the importance of CFIA getting that adequate funding that they need. I've been on the committee since 2012, and it's something that I've brought up throughout many years. I'm hoping that maybe eventually they will get what they need.

Madam Olson, in your presentation, you said that the Export Development Corporation does not necessarily have the funding that's necessary. I was wondering if I could get your comments quickly on that, and also, Chair, if I have time—

The Chair: You have 35 seconds.

Ms. Ruth Ellen Brosseau: On COOL, the committee was in Washington recently and had some great meetings. I was in Washington once with members from different parties who were defending Canada when we were fighting COOL. I was wondering if you have some comments around the importance of making sure that this does not get into the renegotiation or onto the table at all.

Please talk about COOL and, Madam Olson, funding of Export Development Canada.

The Chair: Very quickly.

Voices: Oh, oh!

Ms. Ruth Ellen Brosseau: I'm sorry. Thank you.

Ms. Leah Olson: I think EDC is well funded, and my apologies if it sounded as though I said they weren't. It's about where they choose to go. They're not being in certain markets and then pulling out.... For example, there is no Canadian credit agency in Russia, and right now there is a substantial amount of Canadian agricultural equipment there, but we can no longer be selling into it. There's a variety of reasons, but EDC is also not widely in Latin America.

The Chair: Thank you.

Ms. Lockhart, you have six minutes.

Mrs. Alaina Lockhart (Fundy Royal, Lib.): Thank you.

The nice thing about this committee is that we often have very similar interests. I too travelled to Washington. We met with several congressmen as well as industry. Specifically, we've talked to the beef industry about COOL, but I want to ask what the impact of COOL was and is from the pork producers' perspective.

Mr. Hans Kristensen: COOL is the classic and perfect example of a non-tariff trade barrier. It is a regulatory requirement imposed upon us in the United States. It serves absolutely no discernible purpose in regard to enhanced food safety or product awareness, and it is there, in my opinion, specifically to reduce access to that market.

Country-of-origin labelling is like our softwood lumber dispute with the United States. For those of us in the pork industry, it's the issue that just won't go away. We keep coming back to it and we keep dealing with it.

As a pork producer who has exported and has raised hogs in the United States, I'll say that it affects us directly. What happens is that it makes it so difficult for the processor to handle our product. They have to change their line. They have to identify it, and they have to segregate the product. Also, depending upon the volume of the supply that you're giving to that plant, it just becomes too expensive for them.

This requirement is not driven by the processor, and it's not driven by the retailer or the wholesaler. This is a lobby position designed to be protectionist. It's the kind of thing that we really don't want to see coming back around. If our trade negotiating committee could somehow put that to bed in NAFTA talks, I would be extremely grateful on behalf of the industry. It is very expensive, and it's very detrimental to us in terms of accessing markets.

● (1140)

Mrs. Alaina Lockhart: Very good. Thank you.

I was encouraged by our meetings with the industry in the U.S. because they talked about regulation as well, and about being able to focus on that during NAFTA negotiations. They also use the same language that you did, Mr. Stordy, about maintaining the relationships we have. I'm encouraged by that. It's great to know that on our side of the border we're thinking the same way going forward.

You mentioned Europe, Mr. Kristensen, and the potential of that market, as well as the regulations. How do you see the regulations in Europe comparing to Japan's? You mentioned that Japan has very high-level regulations as well. How do the two compare? Are there any best practices that should help us through that?

Mr. Hans Kristensen: The situation we have right now with Europe is we're very excited and happy to see that market opening up. The level of pork that we produce, the quality of the product, the level of our food safety standards, our traceability programs and everything will meet EU standards. Because of Japan, we are in a position to access that market and we can meet those requirements.

One of the issues we have with the EU, or one that we mentioned, is the health mark label. That's a rather unique challenge, because in that case, it's not actually the regulation that's a problem, in our opinion—I'll say my opinion because I don't want to get into too much trouble with my counterparts in the industry. In my opinion, the issue there actually stems from the CFIA's interpretation of that regulation. The regulation for the health mark label to be applied to all product, fresh and chilled product going to the EU, requires that the label be attached. The problem we face in our industry is when we're doing shipments of export, that can come from two or three different plants and it can be sent to another plant for freezing, to control product, or it can be a product from different sources coming in. The question is, where is the label applied and to which plant? In our interpretation, the regulation is that it's in end use. Once the product is done and assembled, then we do the whole shipment, label it, and send it out. If we try to back that up too far up the chain, it becomes almost logistically impossible to do.

My understanding is that the EU is actually not opposed to our labelling that product at point of shipment. We're down to a CFIA interpretation of a rule, so that's one we'd really like to see addressed. We've been talking about it for two years. It's something that we would really love to see addressed in preparation for getting better access to that market.

Mrs. Alaina Lockhart: Okay.

To touch on labelling, and this might apply to some of our other witnesses later a little more, you mentioned the number of departments that are involved along the way—Health Canada, CFIA. Do you see a cohesive plan for any changes in labelling that may or may not impact your industry?

Mr. Gary Stordy: I apologize. Labelling in what sense, country-of-origin labelling or just—

Mrs. Alaina Lockhart: Even broader than that. Do the initiatives that are being undertaken by Health Canada on food labelling have an impact on your...?

Mr. Gary Stordy: It's something we certainly are following. Certainly, our further processors and processors that do, essentially, processed meat and whatnot are paying close attention to that. They're in a much better position to comment directly on that than I would be. I sincerely apologize.

Mrs. Alaina Lockhart: No, that's fine. Thank you.

Thank you, Mr. Chair.

The Chair: Thank you, Ms. Lockhart.

[*Translation*]

Mr. Breton, you have the floor for six minutes.

Mr. Pierre Breton (Shefford, Lib.): Thank you, Mr. Chair.

I would like to thank everyone for being here today.

First, I would like to congratulate you on all the measures you are implementing to promote innovation and production in the various sectors of the industry. We know that you face considerable challenges related to overpopulation and that some countries are facing problems related to agriculture. Bravo to you for these initiatives.

Ms. Olson, during your presentation, you identified certain problems related to non-tariff practices, some of which are related to border security. You mentioned a lot of paperwork and tedious customs procedures. You mentioned certain countries in particular. Can you tell us where the main problems are in those countries?

You said it would be easier in certain locations where there are free trade agreements. Can you tell us a bit more about the locations where Canada is facing more challenges that it has to address?

● (1145)

Ms. Leah Olson: Thank you for the question.

If I understand correctly, you are asking in which countries we experience problems. As to the international markets to which we have access and to which we can export, the problems always relate to regulations. Issues have to be managed differently from one place to another, which is problematic for us, especially if we are exporting to very small towns. We are not always able to call upon lawyers to help us understand the export rules, to Europe for example, and to tell us how to proceed.

Officials can give us information about the procedures to follow, but sometimes we find they are a bit different when we get there. We would like the Canadian government to gain a full understanding of export procedures and to simplify them. That would help us a great deal.

Mr. Pierre Breton: Mr. Kristensen mentioned pork exports, which are very successful in Japan and China.

Which countries have non-tariff barriers applicable to pork exports?

[*English*]

Mr. Gary Stordy: I'd say each country has its own set of non-tariff barriers. In the global meat trade, meat will be like water; it will follow the path of least resistance. Where it starts encountering resistance, the industry has to decide whether there is enough market potential there to actually absorb some of the costs of managing or dealing with some of these non-tariff barriers.

Ractopamine is one example. It's a product that's available to use, but our industry has decided not to use it so that our industry can access the market that has placed that barrier. Would some of our members prefer it not to be there? Absolutely, but it is there, and we have to make that decision.

It comes down to understanding and knowing what markets are available along with the market conditions, and then moving forward. At CPC, we deal with that, but we also rely on expertise from within the country, as well as the experts in the country that we want to access. Also, the federal government helps us navigate some of the discussions that have to take place between governments about market access or when there is an FTA.

If we look at the EU deal, there was a very strong focus on the FTAs to deal with the tariffs. That was the focus and whatnot. There were processing companies accessing the EU and using those for their knowledge to continue.

When it comes down to the health check mark, frankly, that was something that was discovered as we started moving through the process and started dealing with the market intelligence. However, that particular issue is something that cannot be dealt with through the FDA but could be through government-to-government discussions after the fact.

Some of the issues we encounter include things like, certainly, phytosanitary issues that CFIA has to deal with and explaining the food inspection system that we have in place and how it compares to the market we want to get to. Those are the areas we need to focus on.

● (1150)

Mr. Hans Kristensen: One of the other things we need to be aware of is that non-tariff trade barriers—this is a bit of a different way to look at this—can also be the result of an attitude. One of the concerns I have both as a producer and as an exporter of product is with the resurgence of protectionism in the U.S. attitude. The U.S. is looking at trade deals and trade negotiations right now in a protectionist way.

Also, my fear is that we might get to a position where we start to get away from multilateral trade deals and we get into more bilateral trade deals. I view that as a strong risk for our industry, because in a multilateral trade deal, we have multiple countries at the table, all benefiting from an agreement and agreeing to different things. That gives us access to a bloc of countries, whereas if we get to a position in which we're doing singular trade deals between countries, it becomes much more difficult for us to gain widespread market access, especially if one dominant player is seen as the hub of the deals, making deals with several different countries instead of one lateral deal.

The Chair: Thank you, Mr. Kristensen and Mr. Breton.

Mr. Anderson, go ahead for six minutes.

Mr. David Anderson (Cypress Hills—Grasslands, CPC): Thank you, Mr. Chair.

I want to thank our witnesses for being with us today.

Mr. Kristensen, you just mentioned the result of an attitude, and that's actually a place I want to go with a question. I want to talk a bit about promotion in terms of dealing with non-tariff trade barriers. I had a chance to go to the Tokyo food fair a few years ago, and I saw the incredible work the Canadian government and the Canadian pork industry had done in Tokyo in convincing the Japanese that we have a high-quality product. When it came to COOL and the United States, one of the reasons we had success was that we had a good section of the American industry convinced that Canadian product is good product. They wanted to work with us, and the American Meat Institute was onside.

This is perhaps more for the manufacturers, but those are both joint government and producer initiatives. Do you have anything in terms of equipment manufacturing on which the government has been working with you in order to promote our products? What are we doing to convince other countries that they need to integrate our small-line manufacturers into their agricultural scene?

I wonder if the Pork Council has something to say on that, too, because you guys have done a good job of this. Can we use promotion to push back non-tariff trade barriers? How are you doing that?

Ms. Leah Olson: Thank you for doing a good job on working with the government on that one.

I think when it comes time for Canadian-made farm equipment, the farmers are the pullers. When you look at the different countries where a seeder that is made in Saskatchewan will show up, it's typically the farmers who are going to international farm shows such as Agritechnica. They'll see it and they'll say they need this on their land.

In terms of promotion, we're an industry. We're not a part of that $56 billion that we're going to push up to $75 billion by 2025. I just verified with Ag Canada that agricultural equipment products are not within that. That's okay, but our products are always sold to farmers, so if the farmers are doing a really good job and they're prosperous, we too will benefit from that.

Mr. David Anderson: I'm going to interrupt you for a second.

Would you suggest that be included in that?

Ms. Leah Olson: I think we have a very good Canadian story in farm equipment that has not always been told. When I took over as AMC's president in 2015, I had a couple of meetings here in Ottawa and in some of the provinces. I was asked if agricultural equipment was manufactured in Canada. We operate a large farm in Saskatchewan. It shocked me, but I'm also very appreciative of the question because absolutely, it's not just farm equipment that's made here, it's some of the best equipment. We're not like the auto industry where we're playing a bit of catch-up. We set the standard in many realms. Geof has talked about the expansion of their organization.

I think the federal government does a very good job, and I hope they will continue to showcase us at places like Agritechnica. We as an organization are in the midst of doing an international business development strategy, working with Global Affairs to increase exposure and an understanding of just how great Canadian agricultural equipment is. I think we don't have the same sort of financing structures as other not-for-profits whereby we've worked a lot with government, so that's on us. I think that would be a very good job for us to be doing and working with some of the farm groups to access international farm machines.

● (1155)

Mr. David Anderson: I have another question, but if you guys have something to say....

Mr. Hans Kristensen: Yes, really quickly, one of the things we've done very well as an industry is we've promoted our product. I like to think that my competitors in the United States and Brazil sell protein. I sell a product. I sell Canadian pork, and we've created a demand for that product in our marketplace. The wholesalers will always buy what the market demands, so we've positioned ourselves as a wholesome premium product. We raise the product and we supply the protein. We protect the environment. We uphold animal rights. We have fair labour practices. It's one of the things we do well.

The agri-marketing program has helped us and Canadian Pork International do that. That's one federal program that can help with those barriers. It's oversubscribed and underfunded, so anything we can do to help that program would be hugely beneficial as well.

Mr. David Anderson: Mr. Gray, you mentioned Brazil, South America, being a huge market. You said there were a variety of impediments. I'm wondering if you could cover a couple more of those. Ms. Olson mentioned financing being one of them. Is that the main one? Are there other things? If so, can you give us some suggestions for recommendations for our report on how we might recommend to the government that they deal with that?

We want to be able to open markets. We see what Europe has done with unnecessary over-regulation. We want to be able to provide some good recommendations. Do you have any suggestions for us?

Mr. Geof Gray: Everybody understands the difference between China, India, and Brazil. They're the three biggest agricultural sectors, but China and India are all small farms. North American agricultural manufacturers can't compete with Chinese and Indian small manufacturers working one- and two-acre plots. So Brazil and Argentina are the next biggest markets, as is Russia where there are large farms.

Brazil is the largest sector. That's where our big customers are, the big farmers. You can't get into the country without being a manufacturer there. The tariffs are over 35%.

Mr. David Anderson: Are those primarily tariff barriers that are keeping you out, or are there non-tariff issues as well?

Mr. Geof Gray: There are all kinds of attitudes. Your container will get held up. You just can't. No one even tries anymore. You cannot get into the country without.... Basically it's about a $10-million price tag to get into the country. You have to set up a partnership with a local manufacturer. Unless you're John Deere or Case, you stay out of it. You have to have $1 billion in sales.

Mr. David Anderson: I've seen the corruption that's working there too.

The Chair: This is going to end our portion of this panel.

Everybody will agree that you did a fantastic job in being concise and precise in expressing your views. I want to thank all of you, Mr. Gray, Ms. Olson, Mr. Kristensen, and Mr. Stordy.

We'll break to change panels.

● (1155)

(Pause)

● (1205)

The Chair: We're going to get the second part of our committee meeting going.

I would like to welcome our witnesses. With us this afternoon, from the Canadian Agri-Food Trade Alliance, we have Mr. Brian Innes. We also have Mr. Martin Rice, the acting executive director. From the Canadian Vintners Association, we have Mr. Dan Paszkowski.

Please start with an opening statement for up to 10 minutes.

Mr. Martin Rice (Acting Executive Director, Canadian Agri-Food Trade Alliance): Thank you, committee.

I'm very pleased today to be joined by our president, Brian Innes. We're here to address the subject of non-tariff import barriers facing our agriculture and agrifood exporters and how those are linked to free trade agreements.

I would like to begin by commending the committee for undertaking this study. It is a highly relevant topic, given the current focus on trade negotiations.

The existence of an agreement by itself will not ensure the desired increase in trade if the reduction in tariffs reveals technical and other non-tariff measures that prevent exporters from taking advantage of the new opportunities that the FTA was expected to provide.

I'll say a word on CAFTA. We are a coalition of organizations that have a major stake in international trade and seek a more open and fair international trading environment for Canada's agriculture and agrifood exports. Our members represent producers, processors, and exporters from the beef, pork, meat, grains, cereals, pulses, soybeans, canola, as well as the sugar and malt industries.

Together our members account for over 80% of Canada's agriculture and agrifood exports, which last year exceeded $55 billion, and support hundreds of thousands of jobs in communities across the country. As has already been noted this morning, the agrifood sector has been recognized for its potential for growth in the 2017 federal budget, being designated as a supercluster with a target of $75 billion in exports by 2025.

Competitive access to international markets is critical for our sector as 90% of Canadian farmers depend on world markets to sustain their livelihoods. We export over half of the agrifood products we grow, which makes Canada one of the most trade-dependent agricultural sectors in the world.

There is a widespread perception within the agrifood export community that over the past couple of decades, a period of significant tariff reductions through trade agreements, WTO, and regional deals, there has been an increased incidence of non-tariff measures. There is evidence to support this notion. The number of notifications under the WTO agreement on technical barriers to trade more than doubled in the past 20 years. Perhaps more telling is the number of new trade concerns raised with the WTO related to the technical barriers to trade agreement, which more than tripled from the years immediately following the implementation of the last WTO Uruguay round to the most recent period for which statistics are available.

There has been a substantial amount of economic analysis on the cost implications of non-tariff measures with estimates of the sum effect of non-tariff measures for our agrifood exporters being the equivalent of a tariff of 25% to 30% in Asia and 30% to 40% for the European market.

The committee has already heard from CAFTA members several examples of non-tariff barriers and their impact on export access. I won't repeat them here, but Canadian agrifood exporters have experience with virtually every category of non-tariff measures, which include restrictions on the use of pathogen reduction treatments, restrictions on the importation of agricultural products benefiting from biotechnologies, differences between the exporting and importing countries in maximum residue tolerances, and lengthy import approval measures of new types of plants and animal feed ingredients.

The increase in non-tariff measures and how they take on importance as potential barriers to our agrifood exports has occurred in different ways. One of these is the increasing importance people all around the world place on their food, not only on its safety, but increasingly, how it is produced, the result of which is a greater number and complexity of regulatory requirements that our agrifood exporters must adapt to in order to take advantage of the increased commercial market opportunities forthcoming from a newly implemented free trade agreement.

A second situation we are experiencing is where non-tariff measures have been in place in the importing country for some time, but whose existence or significance may not become apparent until tariffs or other border measures in that country are eliminated or reduced through a free trade agreement. An example of this would be European Union meat inspection requirements such as anti-bacterial treatments that differ from those in Canada.

● (1210)

Most countries Canada exports to recognize our system as being at least equivalent to their own such that a Canadian plant approved by the Canadian Food Inspection Agency is automatically accepted for imports to those countries. The EU, however, does not recognize equivalency of results of inspection systems as a basis for allowing imports. Instead, the Canadian industry is expected to adjust its operating procedures to conform to EU regulatory requirements before it can take advantage of the new market opportunities created under CETA.

A third scenario for non-tariff barriers, which can be the most disruptive for our members as well as for our government, are those that appear without warning and often with little or no scientific rationale. They are usually in response to internal pressures, such as a domestic industry seeking relief from import competition or to non-science-based movements protesting innovations in food production. This is the category of non-tariff barriers which seems to be occurring more often as tariff protection declines following a trade agreement, and when there is a domestic industry accustomed to protection from imports.

We should point out that not all regulations and technical measures act to restrict trade. Many of them, when properly designed and implemented, address legitimate health and safety objectives. These generate consumer confidence and support the growth of the markets into which we sell our products and for which we have obtained preferential access through free trade agreements. In addition, Canada's internationally recognized superior plant and animal health status can provide our agrifood exporters in some export markets with competitive advantages over other competitors, even those with their own free trade agreements. This is as a result of freedom in our own country from certain animal and plant diseases.

Of the scenarios described earlier, the first, that of increasing public expectations and demands, exists in Canada as well as most other jurisdictions. Our main concern here is that any new regulations and standards are no more trade discriminatory than is necessary to satisfy the regulatory objective, and thus do not risk provoking a trade challenge under either a free trade agreement or through the WTO.

Those barriers that are established with little or no consultation, or that do not have a rigorous scientific basis are, in our view, the most detrimental, as they often occur after exporters and their import customers have made substantial investments in developing new markets. The experience of losses from often highly perishable food products being held at the border due to the imposition of a non-tariff barrier can be severe enough that exporters lose interest in the market, viewing it as too risky such that the expected gains from a trade agreement are forgone.

We offer the following to the committee for its consideration in respect of non-tariff barriers and free trade agreements.

There need to be undertakings in the trade agreements that commit each of the parties to having in place science-based, transparent, predictable, and timely regulatory approval processes.

Similarly, the WTO-recognized international standard setting bodies, including Codex Alimentarius, the International Plant Protection Convention, and the OIE, the World Organisation for Animal Health, must stick to evidence-based processes such as those of establishing maximum residue limits and not be allowed to become politicized in their decision-making.

We need to start early in a free trade negotiation to clarify the regulatory requirements for Canadian agrifood export products of interest. This requires co-operation between industry and government involving the expertise and intelligence available from Canadian embassy staff, regulatory and trade policy officials in government, and industry associations and their members. Working groups such as those now in place for implementation of CETA need to be established at the earliest opportunity.

Another suggestion is that opportunities for co-operation between trade partners in regulatory standards and approval processes should be encouraged within our FTAs. Harmonization of standards is an example of that. This can also include approvals of animal health products and pest control tolerances.

Human resource requirements of our regulatory and policy agencies increase with each new trade agreement given differences between countries as well as the ever-increasing expectations placed on food producers in virtually all countries. As our dependence on trade increases, Canada must recognize that sufficient investment in staffing and expertise in our regulatory, policy, and diplomatic personnel is essential to take advantage of trade agreements.

● (1215)

More specifically, we would stress the need for adequate funding for several different components of the federal government with key roles in achieving market access for agrifood exports, including the market access secretariat, our diplomatic posts, and departments and agencies including Agriculture and Agri-Food Canada, the Canadian Food Inspection Agency, Global Affairs Canada, and Health Canada.

Thank you for this opportunity. We look forward to your questions.

The Chair: Thank you, Mr. Rice.

Now, from the Canadian Vintners Association, we have Mr. Paszkowski, for up to 10 minutes.

Mr. Dan Paszkowski (President and Chief Executive Officer, Canadian Vintners Association): Thank you, Mr. Chair. Good afternoon, everybody. I'm sure you'd enjoy a nice glass of wine with the meal you're having right now.

Voices: Oh, oh!

An hon. member: We're okay.

Mr. Dan Paszkowski: My name is Dan Paszkowski, and for those who don't know me, I'm the president and CEO of the Canadian Vintners Association, better known as the CVA. As the national voice of the Canadian wine industry, our members represent 90% of all Canadian wine production and are engaged in the entire value chain, from grape growing and wine production to retail sales and tourism. We have more than 700 vertically integrated grape wineries located in six provinces across Canada, with 31,000 acres of vineyards supporting 1,800 grape growers.

As you may know, wine is the highest value-added agrifood product in the world. Unlike the case with other sectors of the economy, once our vines are planted, it's impossible to move our agrifood operation to another jurisdiction. The Canadian wine industry produces high-quality, award-winning wines, contributes more than $9 billion to the national economy, supporting 37,000 jobs, and attracts almost four million tourist visitors to wine country each and every year.

We are the second fastest-growing wine market in the world, with wine consumption growing three times faster than the global average. Over the past decade, per capita wine consumption in Canada has increased by 27%, with by comparison, a drop of 1% for spirits, and a decline of 11% for beer, making wine the beverage of choice in Canada.

This is an opportunity, but it's also a challenge, as Canada is also the sixth largest importer of wine in the world, and the past decade has seen imports capture 75% of the 150 million litres of wine sales growth across Canada. Additionally, legislating the annual indexation of the excise duty on wine to the consumer price index, as proposed in budget 2017, will impact the competitiveness of Canadian wineries, impact demand for grapes, and threaten not only the growth of wine sales in Canada but also our ability to create new export markets.

With a U.S. WTO trade challenge looming over concerns about B. C. policy on grocery wine sales, and an EU notice last week that implementation of the proposed excise duty escalator in the budget implementation act could trigger a new trade challenge, it's clear that the industry is facing many obstacles.

This is all taking place at a time when we face the implementation of CETA and the renegotiation of NAFTA. These two trade agreements include the largest wine-producing countries in the world, representing 61% of total wine imports into Canada. The Canadian wine market is of the utmost importance to both EU member states and U.S. wine-producing states, given that wine is the highest value EU agricultural export to Canada and that this year the U.S. wine industry became the largest exporter of wine to Canada by value.

From Nova Scotia to British Columbia, vintners support a competitive and fair global trading environment, recognizing the numerous benefits to industry, consumers, and the greater economy. Canadian vintners are actively engaged in global trade, with $85 million in export sales shipped to 40 countries in 2016, up from $20 million in 2005; however, it's important to emphasize that our export growth realization is tied to our domestic success. The Canadian wine industry's domestic market share is a mere 32%, the lowest of any wine-producing country in the world. Further, our premium VQA wine sales have less than a 5% market share in eight out of 10 provinces across Canada.

Yet, with the exception of three provinces, I'm sad to say that 81% of Canadians cannot legally have wine delivered to their homes from an out-of-province winery. Clearly, the retail world has changed, and removal of the remaining interprovincial barriers to wine trade would help the Canadian wine sector adjust to, take advantage of, and prepare for a new state of global trade.

We are hopeful that the hearing of the Comeau case at the Supreme Court this year, together with the federal-provincial working group on beverage alcohol to be launched on July 1 under the auspices of the Canadian free trade agreement will help address this barrier to trade.

Globalization is an increasingly important factor affecting producers of all sizes. As Canadian wineries enter the world of international trade, they must manage a myriad of economic costs, ranging from import tariffs to more complex non-tariff trade barriers. Working with Agriculture and Agri-Food Canada and Global Affairs Canada, our industry has been actively addressing non-tariff barriers to trade through our participation in various fora including the World Wine Trade Group and the APEC Wine Regulatory Forum. Through these groups, the CVA works with a number of wine-producing countries to support a climate free of trade-distorting factors, through sound science and the harmonization of regulatory standards covering definitions, labelling, oenological or winemaking practices, and composition.

● (1220)

The harmonization of regulations are crucial, given that wine-making practices are not uniform, vary across jurisdictions, and can create costly barriers to trade. Let me provide you with a few examples.

Geological and other conditions require winemakers around the world to sometimes use different winemaking practices to enhance the stability, longevity, or consumer acceptance of wine. Different approaches are used to define which and how much of an additive or processing aid may be used in the production of wine. Restrictions are implemented on the use of certain pesticides, including differing maximum residue limits for agricultural chemicals.

Multiple export and food safety certificates are often required, even though the food safety risks from wine are miniscule and the wine in question already meets the requirement for sale in Canada. Labelling differences include country of origin, alcohol content, alcohol tolerance, expiration dates, nutrition labels, ingredient labels, health labels and a broad range of other information, often in multiple languages. Packaging differences include lightweight bottles and restrictions on the materials that contact the wine. Environmental issues range from the definition of “sustainability”, to carbon and water footprint and acceptance of organic standards. There are intellectual property restrictions on the use of traditional terms such as “reserve”, “champagne”, “port”, and “sherry”, as well as geographical indicators.

Those are but a few of the issues that create costly non-tariff barriers and complicate trade in wine. Through the World Wine Trade Group and APEC, the CVA has worked hard on adopting mutual acceptance of oenological practices, harmonization of labelling standards, the definition of “icewine”, an agreement on counterfeiting, addressing additives through the Codex Alimentarius Commission, and other efforts in supporting a global wine-growing industry characterized by freedom from trade distortions.

Those intergovernmental efforts have paid dividends through the World Wine Trade Group's endorsement of analytical methodology and regulatory limits, as well as the adoption of a wine annex in the trans-Pacific partnership agreement, which we believe is a crucial standard for inclusion in the negotiation or renegotiation of trade agreements.

The CVA has worked in co-operation with the federal government on a range of groundbreaking principles for nations to use when establishing wine regulations. These harmonization efforts, if adopted, would remove unnecessary obstacles to international wine exports that delay and add to winery costs, resulting in restricted market access and trade.

In conclusion, the regulatory efforts undertaken through the World Wine Trade Group should be advanced by the federal government to facilitate international trade in wine, whether through APEC or bilateral trade agreements with China, Japan, Mercosur, India, and so on, as an important foundation in bringing regulatory coherence with our trading partners.

Thank you. I look forward to answering any questions you might have.

● (1225)

The Chair: Thank you, Mr. Paszkowski.

We'll start our round of questions.

[*Translation*]

Mr. Gourde, you have the floor for six minutes.

Mr. Jacques Gourde (Lévis—Lotbinière, CPC): Thank you, Mr. Chair.

I would like to thank the witnesses for being here.

Mr. Paszkowski raised an issue that I think is important: interprovincial trade. We sometimes talk about the free trade of agricultural products in other countries; we want to get there and we want a lot of flexibility as to the openness of those markets. There are nonetheless domestic barriers in our own country.

Could we start by improving matters at home and, after setting an example, then ask for greater flexibility elsewhere?

[*English*]

Mr. Dan Paszkowski: Thank you. That is an excellent starting point.

For the Canadian wine industry to succeed internationally, we have to remove what I view as a non-tariff barrier within our own country, which is the ability to ship a case of wine to a Canadian consumer in another province, which isn't the case, with the exception of three jurisdictions, namely, British Columbia, Manitoba, and Nova Scotia. We are hopeful that will take place.

As you know, five years ago, Bill C-311 was passed. Both the House of Commons and the Senate approved an amendment to the federal Importation of Intoxicating Liquors Act to allow wine at that time, but it now includes beer, to be shipped across provincial borders for personal consumption. However, it was up to the provinces to make amendments to their own laws, which has not taken place. We are now at the point where it might take a Supreme Court ruling or the goodwill of the federal and provincial governments over the course of the next 12 months, beginning July 1, to come to an agreement on how we might be able to allow Canadian wine to be shipped from one province to another without fear of a significant financial penalty, or after three infractions, a significant time in jail, which is what the law says in the provinces that currently disallow trade across interprovincial borders.

[*Translation*]

Mr. Jacques Gourde: According to the Canadian Agri-Food Trade Alliance, are there problems with regard to other products—aside from wine and beer—within our own country?

Mr. Brian Innes (President, Canadian Agri-Food Trade Alliance): Thank you for your question.

[*English*]

For CAFTA members, our focus is on expanding opportunities around the world. Much of our product leaves the country, which is, as Martin said, more than 50% of what we grow. In some cases, for commodities like pulses, canola, and mustard, it's more than 90%. Our focus is really on other countries. For example, with the free trade negotiations with China, we are having a submission deadline for tomorrow, for example, that is of interest to us. When it comes to trade within Canada, it's not a major area of focus for CAFTA because our focus is on markets around the world.

[*Translation*]

Mr. Jacques Gourde: We often see the greatest flexibility when global demand for certain products is very high and where needs warrant it.

For producing countries with good harvests, however, or countries with conditions that are favourable to a certain kind of production, meat for instance, it is more difficult for us to export. Is this a trend that recurs cyclically or is it just my impression?

● (1230)

[*English*]

Mr. Martin Rice: Certainly, there is a cyclical element to it.

My personal experience has been more in the meat sector, but I think it's common throughout agriculture where, if you have an industry that's been used to having protection of some sort and hasn't been world market oriented.... I think those sectors that are used to dealing with the world market understand that prices are going to go up and down and they learn to deal with it in their business planning. Certainly, we do see where there's increased supplies, all of a sudden, there is increased focus on imports and pressures on governments to bring in new measures. I think that's where sometimes we get interesting new technical, supposedly sanitary or phytosanitary, measures being introduced, sometimes with very little notice. That will turn those import opportunities to not being welcome for our products anymore. That is very difficult to plan for and our exporters are already committed to those markets in a major way, so to be pushed out of them is extremely disruptive.

[*Translation*]

Mr. Jacques Gourde: I have visited other countries and have promoted beef there, as I was once a farmer. I think beef is in fact a strong trademark for Canada.

Governments, in France in particular, told us that meat consumption was falling because prices were too high. They indirectly refused to import meat from other countries, including Canada. I told them that if they wanted meat to be a bit less expensive, they should try Canadian producers. That might have allowed them to reduce prices, but their attitude was highly protectionist.

What can we do in that kind of situation, which is clearly political?

[*English*]

Mr. Martin Rice: Maybe I'll start and either Mr. Paszkowski or Mr. Innes can jump in.

A really important aspect of this is the relationship that we have with the governments in those countries, so that we can react at an early stage when we hear of new measures. Usually there is information coming forward in local media and so on, which our embassies need to be keeping track of, before a measure is actually proposed or contemplated in the government. You can't always do that in many cases. In China, it happens sometimes before there's any information in the public, but—

The Chair: Mr. Rice, I'm going to have to cut it off now. Thank you.

Go ahead, Mr. Peschisolido, for six minutes.

Mr. Joe Peschisolido (Steveston—Richmond East, Lib.): Mr. Chair, thank you.

Mr. Rice, if you would like to continue with your answer, that would be fine.

Mr. Martin Rice: I'll just say that I think our eyes and ears in these countries is through the embassies. Their relationship with the governments in those countries is really critical to get in on this before it gets too far.

I don't know if there are any other comments that my colleagues would like to make.

Mr. Joe Peschisolido: Mr. Paszkowski, my riding is Steveston—Richmond East, which is in B.C. I had the wonderful opportunity to spend some time in Kelowna, have a bit of wine, and do a bit of a tour. Can you talk a bit, first, about your thoughts on the wine industry in B.C. and how we can expand on it?

Mr. Dan Paszkowski: The B.C. wine industry is extremely successful. It has grown beyond imagination in the past 20 years, and this year, we are celebrating 20 years of VQA in the province of British Columbia. The number of wineries being built in British Columbia exceeds that in any other area of the country. It has more sunlight hours than California, produces phenomenal wines that are recognized around the world, and has finally reached that stage of maturity where.... When I first started at the Canadian Vintners Association 12 years ago, all the wine produced in British Columbia was consumed in British Columbia. They now have sufficient volume to sell within Canada, and are getting very active in the export market as well.

It's a real success story, and a homegrown one. Unlike in other parts of Canada, the restaurant industry and the bars really took hold of that made-in-Canada, made-in-British Columbia product, and made it a huge success. If you could emulate that across the country, that would be fantastic. As I mentioned, eight of 10 jurisdictions in Canada sell less than 5% VQA wines at their liquor board stores. It's 0.3% in the province of Quebec, which is the largest wine-consuming jurisdiction in the country. Everybody can learn from British Columbia.

● (1235)

Mr. Joe Peschisolido: Very good.

Brian, you mentioned earlier our free trade negotiations with China. There's a great deal of interest, not only in my community but all across B.C., in pork and beef, and in your organics sector. There is a premium on Canada products. There are concerns in China about pollution and some other issues. Can you discuss how we can build on organics as a sector, particularly in cattle and pork, between Canada and China, if you believe that's feasible?

Mr. Brian Innes: Thank you for the question. Certainly in CAFTA's membership, we have producers of beef, pork, many different meats, grains, and oilseeds, some of which would be organic as well. I don't speak specifically for the organic association, but certainly farmers have an interest in providing what the market is interested in and what the market is willing to reward them for either growing or producing, in the case of livestock.

What I know about China, and certainly about CAFTA's members' interest in China when it comes to potential free trade negotiations, is the importance of establishing those terms of trade that enable us to take advantage of opportunities. As you mentioned, organic certification is one of those regulations we would need to meet to expand our growth there.

When we see the opportunity in China, it's very much a priority for our membership to be prepared to send product to that market by having our regulations match or having agreements that allow us to access those markets. In the case of organics, as you describe, it's about that certification, and about the recognition and validity of that certification.

Equally, it's the things that Martin was describing in his presentation. Let's take canola as an example. We need our canola oil to have the required health certification when it reaches Chinese soil, for example. That requires that our regulatory agencies talk to each other. There are many different examples in food and agriculture where it's a highly regulated sector and we need those close regulator-to-regulator ties. Organic is a good example where, if there's an opportunity to meet that, we need to have that alignment between regulators in our countries.

Mr. Joe Peschisolido: Mr. Rice, earlier this morning, someone mentioned a country that we don't discuss much here, and that was Brazil. What are your thoughts on the possibility of enhancing our links with Brazil, both on the trade side and on the investment side, and in particular on cattle?

Mr. Martin Rice: From my time spent in the pork industry, we did have some linkages with Brazil, and in just a few years they became a fairly significant competitor of Canada, particularly in the Russian market. They certainly have some considerable advantages in climate, which allows them to not have to invest as much in the buildings that we have to invest in. On the other hand, we have some advantages in managing animal health issues because of our climate, not moving animals around as much as they do in Brazil. I think Brazil has 13 different countries on its border, so it has some advantages and disadvantages.

In the agrifood industry it is increasingly important to be able to demonstrate the rigour of food inspection systems and so on, and we have had co-operation between Canada and Brazil in that respect. It is still an area Brazil is needing to focus on in maintaining its world access, and perhaps this is an area of advantage for Canada.

● (1240)

The Chair: Thank you, Mr. Rice.

Thank you, Mr. Peschisolido.

[*Translation*]

Ms. Brosseau, you have the floor for six minutes.

[*English*]

Ms. Ruth Ellen Brosseau: I'd like to thank the witnesses for their presentations today and their participation in this study.

We will be winding down the study on non-tariff trade barriers, and I'm really hoping that when we do get together as a committee we can put forward some recommendations and hopefully put some pressure on the government to act and maybe adopt some of these recommendations.

I'll start with Mr. Paszkowski.

I want to talk about the excise tax, which has been talked about quite a bit. The federal budget announced an excise duty increase on wine and spirits, so this will have an impact on the industry, on businesses, restaurants, hotels, a broad range. I wonder if you could talk about the negative impacts of this excise duty on the industry, and maybe make a recommendation to the committee.

Mr. Dan Paszkowski: We've always paid excise tax on wine. As you may know, it is a flat tax at the front of the pricing chain of 63¢ per litre, but since it is at the front of the pricing chain, it accumulates as it works its way down to the consumer price.

We already add inflation to our producer costs every year. Then you add the excise tax. If that is indexed to inflation on an annual basis, it is then fed into the liquor board markup, which ranges from 70% in Ontario to 160% in Nova Scotia, which then picks up the 5% GST on top of that, which then picks up the 8% PST beyond that. Then it gets to the consumer level. In the case of wine, that increase in excise will double by the time it hits the consumer. Then you have to think about the fact that we have to retail this at the liquor store, and the liquor store typically rounds off the price to the nearest nickel or the nearest dime. It adds a significant cost, which somebody has to take, either the producer or it is shared with the consumer, or it is given completely to the consumer.

The problem we face is we have a 32% market share in this country. We're not the lowest cost producer in the world. We aren't the biggest wineries in the world, so if we do increase the cost and it's passed on to the consumer, the consumer typically has a line in the sand they will not cross. If it's $9 a bottle and they're not crossing $9 a bottle, they'll find an alternative brand, which may be an imported brand. It's a real concern to us.

It's not the fact that government can increase tax. We've faced increases in excise tax in the past, a 125% increase in excise tax over the past 30 years. It's the fact that it is legislated, and inflation is not the only factor we face. Numerous business factors face the industry, and therefore, it's too rigid.

If the government is going to increase the excise tax, it should be increased in the budget every year, or every other year, whenever, and then allow the opportunity to debate that to make sure it doesn't have a negative impact on the industry, especially at a time when we are trying to adjust to the Canada-EU trade agreement when import tariffs will be eliminated. We're about to renegotiate NAFTA. We still don't have interprovincial access across the country. Our only ability to access the export markets is if we can own our own market at home to a larger extent than we do.

We need help to take advantage of these trade agreements to enter into the export market. Annual indexation of the excise tax will not allow us to invest back into the industry, which means we won't be able to expand our export opportunities or our domestic opportunities.

Ms. Ruth Ellen Brosseau: I cannot wait for the day we move forward on a lot of the barriers we have interprovincially so we could buy wine or other products from across the country. More and more I find Canadians are very proud of the work and the food that is produced here. The quality is known worldwide. It's frustrating to have these barriers in place when it's easier to buy from the United States when we'd love to buy from B.C. and Quebec. I'd love to see that improved one day.

Because it was brought up quite a few times in committee, I want to touch on funding for Global Affairs and CFIA, people on the ground in our embassies, in diplomacy. I would like to get some comments around that.

Also, the Senate committee made a recommendation asking the government to consider establishing a national committee with a mandate to monitor non-tariff barriers faced by the Canadian agriculture and agrifood sector in the international market. I guess that question will go to Mr. Rice or Mr. Innes, too. Could I have your thoughts around the importance of a committee like that? Do you think that is a good suggestion for a way to get rid of or reduce non-tariff trade barriers?

● (1245)

Mr. Brian Innes: I'd like to start, and then perhaps colleagues would like to add.

On your first question around adequate resources, it's important to recognize that some of the funding for these functions comes through the agricultural policy framework that's now in the course of being renewed and will start April 1, 2018. The message has been put out that there will be no new funding for the agricultural policy framework.

If we think back to our comments about inflation, certainly it hasn't been zero over the last five years. Despite the fact that we have doubled agrifood exports in the last 10 years, that we have an export target of increasing those exports to create more growth in Canada, we're talking about providing the same amount of funding for the policy framework as we did five years previously, despite the fact we all know costs go up and salaries go up.

When we look seizing that opportunity, these non-tariff measures really do require investment and resources across government. I'll give you a specific example. We talked about Health Canada. The Pest Management Regulatory Agency within Health Canada is responsible for regulating pest control products. It also is the regulator that engages with international counterparts to establish common maximum residue limits in our export markets.

The Chair: Thank you, Mr. Innes. I'm going to have to cut you off here.

[*Translation*]

Mr. Drouin, you have the floor for six minutes.

[*English*]

Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.): I want to thank the witnesses for being here. There are three witnesses but two organizations.

To the Canadian Agri-Food Trade Alliance, I think part of your previous testimony is the reason that we're doing this today, if my memory serves me correctly. I could be wrong, but you had mentioned that the market access secretariat had a list of 300 priorities, which to me and probably to all of us, meant they had no priorities. That's part of the reason we're here today.

I'd like to talk about the market access secretariat and your dealings with them. I've heard some great stories, but, Mr. Rice, in the last few seconds of your testimony, you said “adequate funding”. Is that something you'd see for the MAS to address some of those problems?

Mr. Martin Rice: Indeed, the MAS was an innovation, I'm not sure if it was even as many as 10 years ago, to try to bridge across the different segments of the federal government. I think at one time it was felt that maybe we could have a single department of agrifood, which would bring in the responsibilities of health, CFIA, and agriculture, but that isn't the way it went.

I think they've done, in my experience, a considerable job, but as we have increased the number of countries that we export to—and I think this also maybe addresses Madame Brosseau's question—there don't seem to be the economies of scale in dealing with a lot of these issues, the technical issues. You'd think that maybe, if we doubled the number of countries we export to or doubled the number of exports, we would gain the economies of effort.

Each country has its own issues, and the market access secretariat has to deal with China today and India tomorrow, etc. When we see more progress in this area of harmonization, if we have more countries subscribing to a codex MRL, for example, maximum residue level, then we don't have to deal with each country's issues; we can deal with them through a more collective process.

Mr. Francis Drouin: Do you believe that some of the other countries are using.... We'll talk about one technical barrier, but I'm sure they also have some issues with Canada, with some technical barriers their industry is facing. It's just the way it works. Do you think they are using that as leverage, saying, “Sure, we'll do this, but you guys have to do that”? Do you get that sense?

● (1250)

Mr. Brian Innes: I'll comment from our previous involvement in trade negotiations and from members sharing their experiences in resolving market access issues. Certainly, there is always interplay between different governments. There is an expectation that if we, as Canada, want a government to solve a problem in another market, they are going to want a problem solved for their products coming into Canada, or potentially another interest they have. Sometimes that does enter the equation. It's not always the case.

We have a lot of cases where we have co-operative multi-country discussions. For example, in the crops sector, and generally in the livestock sector, there is a like-minded approach among countries like Australia, New Zealand, the United States, and Canada, which generally try to work together to solve these types of problems.

Mr. Martin Rice: I would add one quick thing. From my experience in the pork industry—and I know this is in cereals, crops, and other sectors as well—I know that we have this high reputation, deservedly so, for health and safety. We sometimes find ourselves having to show that we have done work to demonstrate that we have freedom from certain diseases. Industry often has to support its government in these discussions, when its industry counterparts suggest, “Come on, you probably aren't clean of that, are you? You're not free of that disease.” Indeed we are, and we need to be able to demonstrate it through surveys and surveillance, and not be shy to say that we are free of those things.

Mr. Francis Drouin: The other question I want to touch on is the Regulatory Cooperation Council. I'd like to get your opinion on that and see whether you've had any dealings with them, whether you are content, and whether you believe there could be some improvements in dealing with the RCC.

Dan, feel free to jump in. Francis, Dan—we're on a first-name basis.

Mr. Dan Paszkowski: Thank you.

We really don't have any experience with the Regulatory Cooperation Council, and that's largely because we participate in the World Wine Trade Group, of which the United States is a member. Together with a number of countries, we've had agreements done, acceptance of winemaking practices, and things of that nature. Given that wine is really a low-risk food product, these regulatory issues have been developed, which has taken care of many of the concerns that other sectors may face. Over the past 20 years, we've attempted to eliminate those.

It's not that we are a large exporter of wine around the world, but roughly 66% of the value of our wines goes to the United States, which represents about 97% of all the volume we export. We've been able to successfully deal with those issues through the World Wine Trade Group developing these types of agreements, the genesis of which was incorporated into an annex in the trans-Pacific partnership agreement. I believe it creates a really good working example for other agreements, including possibly the renegotiation of NAFTA, to get down there in text these types of regulatory harmonization efforts that would support the free trade of wine in the United States and other parts of the world.

The Chair: Thanks, Mr. Paszkowski.

Now we go to Mr. Longfield for six minutes.

Mr. Lloyd Longfield: Mr. Chair, I'll be sharing some time with Alaina.

I want to focus on the wine a bit. The 32% number hits you: Canadians aren't drinking Canadian wine. I'm reading a book right now by Terry O'Reilly, *This I Know*, which says that, to increase VQA wines, the strategy was to have each person have one extra VQA bottle a year. That was a very successful marketing effort to increase the consumption of VQA wines.

This has nothing to do with trade barriers, but I'm wondering whether the external market or the internal market is where we need to be. We touched on that a bit. Would we have success in CETA? Is Europe something that the Canadian government should be focusing on? Where does the industry want us to be spending our time?

Mr. Dan Paszkowski: I alluded in my remarks to the 32% market share in our country as compared with Argentina, let's say, which is at almost 100%. Of that 32%, our super-premium wines are roughly 10%. Our other ones are blended wines, at typically less than $10 a bottle. We produce those because 85% of the Canadian population drinks wine under $10 per bottle.

There are opportunities in the export market. It is important to get your brand out there to get the global recognition, which will build your brand. Only about 50 wineries right now are in a position to export. The whole wine-producing world is looking at Canada because of the large growth in interest in wine. We can't turn our back on the domestic marketplace. We have to grow the domestic marketplace and slowly enter into the export market.

If we took full advantage of what the European Union had to offer —that's not to say we could sell all of our wine there—we'd be turning our back on the domestic marketplace, and all the Europeans and the Americans would be hovering to capture more shelf space from us. It's important to grow domestically and then grow into the export market. It won't work the other way around, because we'll continue to lose market share in Canada to the point where we have nothing left.

● (1255)

Mr. Lloyd Longfield: So distribution restriction is something to focus on in terms of our report, but then the timing is one of the subtleties that we have to consider as well.

Mr. Dan Paszkowski: Yes.

Mr. Lloyd Longfield: Thank you.

Over to you, Alaina.

Mrs. Alaina Lockhart: Thank you.

In terms of processes, Mr. Rice, you mentioned the importance of transparent, predictable, and science-based, with a few other adjectives in there. As we're looking for these things from our trading partners, how are we doing with regard to having processes that meet these qualifications?

Mr. Martin Rice: Brian, you've maybe had more experience with this.

Mr. Brian Innes: Sure.

I think it depends on which particular instance we're looking at. There are some great examples of where Canadian regulators have worked very well with their international counterparts around alignment. One example in the case of a trade agreement is NAFTA. We have a technical working group on pesticide regulation, for example. It's been one of the most successful examples in a trade agreement of solving non-tariff barriers by aligning our regulators. In that case, the Canadian regulator is meeting those standards that you describe.

When we look at other trade agreements, I think there's a real question in there, coming back to the earlier question about the Regulatory Cooperation Council, about how we can encourage that type of interaction between regulators in countries that are party to a trade agreement. What we've seen in the 20-plus years of NAFTA is that alignment has really prevented, to go back to Dan's comments, a lot of those trade barriers, because they've been interacting closely.

Mrs. Alaina Lockhart: Okay.

I'm not sure if you'll be able to answer this, but I have a really specific question. It's about the peanut quota. Is that something you're familiar with, the peanut quota system in Canada and how that's divvied up?

Mr. Brian Innes: I am not.

Mrs. Alaina Lockhart: Okay. It's an issue. No, it isn't a joke.

I will ask you about labelling though. We know we have several initiatives going on through Health Canada and CFIA. I've heard from some food processors that the timing of those initiatives could be costly if they are not aligned properly so that they are having to print multiple different labels over time.

Is that something you're hearing as well, and does that have any trade implications?

Mr. Brian Innes: That's not something our membership has been engaged in, so it's not something I can comment on.

Mrs. Alaina Lockhart: Okay.

The Chair: Do you want one quick question, Mr. Shipley?

Mr. Bev Shipley: In terms of the agricultural policy framework, we spent time on that, and it carries a lot of significance. We all agreed with some of the additions, particularly those around the further processing and our industry taking it right through and including the processing. The other large part has to do with how we work with that industry to develop public trust. I think we agreed that if we don't have public trust with regard to what we produce, then some of the other issues to do with the agricultural policy framework and the business risk management lose their effect.

You made the comment that it's a big concern because now we've added a whole new dimension of three or four components to it with the same number of dollars. We have the Barton report which says that by 2030 we're going to produce, I think, a 75% increase. It's a huge issue. I think we're concerned that it's talked about, but we don't have any money or resources.

That takes me to the question. My colleague talked about the human resource requirement. The other thing we're hearing about is the expertise. That has come to us three or four times—having not only the resources but also the expertise in it. What areas of the expertise are we missing or do we need to focus on more?

Martin, Brian or Dan can answer.

• (1300)

Mr. Martin Rice: We're finding that in some sectors—and I guess this is happening a lot in our economy—as the generation that I'm part of is retiring and so on, finding the replacements for these people.... Regulatory veterinarians are not quite as common as they once were coming out of veterinary schools. Most are going into practice.

That's why there has to be a concerted effort to attract people who want to work in our federal regulatory systems and other areas that would utilize these skills that used to be a little more easy to attract into federal departments.

Mr. Bev Shipley: What would be the barrier if we're talking about veterinarians who would go into private practice and not into government?

The Chair: We're going to have to end it here, unless there is consensus to go past the time.

Mr. Bev Shipley: No, I'll catch up with them.

The Chair: I want to thank Mr. Innes, Mr. Rice, and Mr. Paszkowski for being here. It was very informative, and we will certainly take that input into consideration.

Thank you.

The meeting is adjourned.