



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on International Trade

CIIT • NUMBER 067 • 1st SESSION • 42nd PARLIAMENT

EVIDENCE

Thursday, May 11, 2017



Chair

The Honourable Mark Eyking

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• (1525)

[English]

The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)): I would like to call this meeting to order.

Good afternoon everyone. Welcome to the international trade committee. My name is Mark Eyking, and our study is on Canada's future trade relationships with our North American counterparts, Mexico and the United States. We started this study a couple of months ago.

We've already visited many states in the western United States. They were very receptive there. We felt it was very good to get outside of the Washington bubble and to visit the states, especially the ones that do a lot of buying from us. We had good dialogue and met many people and are going to continue those visits, ending up in Washington. We might even travel down there in the fall. We're also trying to visit our counterparts in Mexico.

I see that today we have quite the agriculture panel. Welcome.

I recognize many of you from having been on the agriculture committee previously. Farmers are having a rough time across this country with the land being so wet, but let's hope some sunshine will come out and people can get their crops in.

We have a slew of witnesses here, and I'm going to start with the Canadian Agri-Food Trade Alliance. I think we have Brian Innes, the president, here.

I'll just let everybody know that we try to keep it to five minutes so that we can have lots of time for dialogue with MPs.

Without further ado, Brian, you have the floor, sir. Go ahead.

Mr. Brian Innes (President, Canadian Agri-Food Trade Alliance): Thank you very much, Mr. Chair, for the invitation to be here.

The Canadian Agri-Food Trade Alliance is very interested to talk with you about how critical North American trade has been for our agrifood exports. First I'd like to explain a bit about CAFTA and how agrifood exports have grown because of improved market access through NAFTA. The agrifood sector has tremendous opportunity for growth, and I'd like to finish off with a few examples of how changes to NAFTA could bring even more growth.

First I want to explain a bit about CAFTA. CAFTA is a coalition of organizations that all seek a more open and fair international trading environment. Our members represent producers, processors,

and exporters from the beef, pork, grains, cereals, pulses, soybeans, canola, as well as the sugar and malt sectors. Two CAFTA members are here with me today. Together, CAFTA members represent about 80% of Canada's agrifood exports, or about \$55 billion in exports every year. That supports hundreds of thousands of jobs in communities right across the country.

Competitive access to international markets is critical for our sector. As an example, more than 90% of farmers rely upon international markets for their livelihood. The free and fair trade ushered in by NAFTA has been an incredible success for Canadian agriculture and indeed for agriculture throughout North America. Over the 25-plus years of NAFTA and the Canada-U.S. Trade Agreement, Canada's agrifood exports have grown by five times, from \$10 billion in 1988 to \$56 billion in 2016—a five-fold increase since the beginning of NAFTA.

Together, the U.S. and Mexico represent a little over half of Canada's agrifood exports. Of course, because trade is a two-way street, it has been good for the U.S. and good for Mexico as well. Indeed, Canada's imports from the U.S. have increased by six times since the beginning of NAFTA, and imports from Mexico have increased by ten times since NAFTA came into effect.

NAFTA has allowed us to take advantage of our strengths and to be more competitive. It has encouraged highly coordinated supply chains across all three countries. For example, we export live piglets from Canada to the U.S. They're fed corn and soybeans that are locally produced, and then the meat is processed, and some of it comes back into Canada for further processing and export around the world and indeed throughout North America. It's been clear, then, that NAFTA has been a success.

The first priority for the Canadian government must be to maintain this success by keeping the fair and free access that we currently have. This means we must have access that is free from tariffs, free from border taxes, and free from protectionist non-tariff measures and regulations. That's not to say that NAFTA can't be improved; we've identified several areas in which we could have even more growth coming from agriculture in this country.

Here are some examples.

For all agrifood products, greater regulatory alignment in plant and animal health products would provide producers equal access to these products and would remove barriers to trade. This alignment would include closer co-operation on new breeding techniques, new product approvals, maximum residues limits, and policies that accommodate a low-level presence of biotech crops.

For meat, despite Canada and the U.S. considering each other's systems equivalent, Canadian meat sent to the U.S. still faces greater barriers than U.S. meat coming to Canada. For example, after clearing U.S. customs, Canadian meat is sent for a second inspection after it has already been inspected once here in Canada.

For sugar, as the committee has heard earlier this week, the U.S. has a significant protectionist regime in place. Canada has a competitive advantage for sugar as an ingredient for food processing, but U.S. protectionism has blocked our export opportunities. In fact, U.S. import quotas have steered manufacturing of sugar-containing products away from Canada.

For canola, despite having a globally competitive industry on both sides of the border, further-processed products, such as margarine and shortening, can't cross the border without tariffs. This should be fixed.

• (1530)

For wheat, significant changes to the Canadian system over the last 10 years have substantially addressed the long-standing concerns of the U.S. around cross-border trade. While many of these concerns have been addressed, there are remnants of the former system in the Canada Grain Act. Industry supports the reintroduction of legislation to amend the Canada Grain Act, so Canadian grades can be given to wheat varieties registered in Canada, no matter where they have been grown.

In closing, we couldn't agree more with the advisory council to finance minister Morneau on how the agrifood sector has a tremendous opportunity for growth that can contribute to Canada's economy. The vast majority of this growth will come from exports.

As I've described, we've shown how international access to markets can really allow us to be competitive and to grow. Maintaining the free and fair trade we have in NAFTA, improving it, and achieving and implementing agreements with countries in the Asia-Pacific, like Japan and China, will help us achieve the \$75-billion agrifood export target set in budget 2017.

I thank you for the opportunity and look forward to your questions.

The Chair: Thank you, sir.

We're going to move over to the Canadian Cattlemen's Association. They are no strangers to our committee, and we're always appreciative when they come forward. We have Mr. Masswohl and Mr. Darling. Go ahead, you guys have the floor.

Mr. Dan Darling (President, Canadian Cattlemen's Association): Thank you very much for the invitation to appear before the committee and for your continued attention to international market access for Canadian beef.

The last time we were here talking about implementing the Canada-Europe agreement, we advised that the establishment of new market access through trade agreements is now our top priority, and that Europe and Japan are at the top of our priority list. Little did we imagine, that short time ago, that we would soon be preparing for a NAFTA renegotiation. My advice is that the Canadian beef producers strongly support keeping the NAFTA provisions on beef trade exactly the way they are.

In 2016, we exported 270,000 tonnes of beef and 760,000 head of live cattle to the United States for just over \$3 billion. A further 16,000 tonnes of Canadian beef went to Mexico for \$109 million. The U.S. is always our top export market, usually taking about 70% of our beef exports and nearly all of our live cattle exports.

Last year, Mexico was our number four beef export market. Sometimes they are number two or three. Mexico jockeys with Hong Kong and Japan for the numbers two through four spots. On the import side, Canadians bought \$978 million of U.S. beef and \$19 million of Mexican beef in 2016.

We currently enjoy unlimited duty-free beef trade between Canada, the United States, and Mexico. We can access those markets without any tariffs or quotas for either beef or live cattle trade. They can do likewise for the Canadian market. This is how free trade should work, and such access should be preserved.

NAFTA contains extensive product-specific rules of origin for determining which products are eligible to be traded duty-free amongst the NAFTA countries. Under these rules, either beef that is wholly produced in a NAFTA territory or transformed from a live animal into beef in a NAFTA country is eligible for NAFTA treatment. It also means that importing beef from a non-NAFTA country and shipping it to another NAFTA country does not provide a back door. These rules of origin should be maintained just as they are.

We also advise maintaining dispute settlement provisions in NAFTA and seeking to improve enforceability of NAFTA panel decisions. The Canadian beef sector has from time to time relied on dispute settlement, more so under the WTO, but strengthening the NAFTA option would provide a meaningful alternative to the WTO.

We understand that at least one protectionist group in the United States is advising the Trump administration that a renegotiation of NAFTA is the ideal forum to reinstate country of origin labelling, or COOL, for beef and pork. Our adversaries state:

The reinstatement of COOL would be a relatively straightforward negotiation.... The United States should first require in the NAFTA renegotiation that both Canada and Mexico formally withdraw their COOL complaints that are pending before the WTO as well as their WTO-sanctioned authorizations to impose retaliatory tariffs.... The United States should then prepare a NAFTA Renegotiation Implementing Act...that includes the restoration of the previously repealed COOL statute....

Such a demand is not only counter to Canada's interest, it's a harmful policy for the United States, and it jeopardizes American jobs.

If the Trump administration should formally include such a demand in the NAFTA position, Canada should reject it unequivocally and work with U.S. allies to demonstrate how U.S. jobs depend on livestock trade with Canada.

CCA has been working with U.S. counterparts to develop a list of actions that could improve the Canada-U.S. beef trade. While most of these are of a regulatory nature and therefore not likely to fit as part of a NAFTA negotiation, we do feel that they are consistent with the spirit of NAFTA.

Specifically, we should eliminate the reinspection of meat at the border. Since Canada and the U.S. deem each other's meat inspection systems to be equivalent, inspection at the point of production should be sufficient.

We should enable Canadian beef exported to the U.S. to receive a U.S. beef grade and eliminate the requirement for Canadian cattle to bear a permanent identification in the United States while there's no such requirement for U.S. cattle.

• (1535)

We should eliminate the requirement to prove that live cattle exported to the U.S. were born after March 1999.

In closing, I would note that we have consulted with our U.S. counterparts on these objectives, and I am pleased to inform you that we are in alignment with the mainstream cattle producer organizations in the United States.

Thank you for your time. John and I would be happy to answer any questions later.

The Chair: Thank you, gentlemen.

We're going to move over to the Canadian Pork Council. We have Mr. Kristensen and Mr. Stordy.

Go ahead, please. You have the floor.

Mr. Hans Kristensen (Director, Board of Directors, Canadian Pork Council): Good afternoon. My name is Hans Kristensen. I'm a producer from New Brunswick and am the Maritimes representative on the Canadian Pork Council board of directors.

I'd first like to thank the members of the committee for the invitation to appear before you this afternoon.

The hog industry is extremely important to the Canadian economy, contributing 103,000 direct and indirect jobs across the country. These in turn generate \$23.8 billion in economic activity. With well over 70% of our industry's output now exported to almost 100 countries, the Canadian pork sector is the classic example of what positives can occur with improved terms of trade.

Over the years since the implementation of the Canada-United States Trade Agreement, followed by NAFTA, the completion of the Uruguay round of multilateral trade negotiations, and ratification of several bilateral and regional trade agreements, we have increased the amount of exported pork and pork products by 387%, from \$700 million to just over \$4 billion in 16 years.

The U.S. is our strongest market, purchasing 408,000 tonnes of pork worth \$1.4 billion. Mexico is our fourth-largest market, to which we ship 314,000 tonnes valued at \$587 million. In 2016, we also shipped 4.8 million feeder pigs to U.S. producers to raise and 848,000 market hogs direct to slaughter.

This is an excellent example of each country focusing on its strengths and of the strengths of each country complementing the other's. Canada offers an advantage in swine health, since its cooler climate and lower herd density significantly reduce the development and spread of swine diseases. On the other hand, the U.S. industry has an advantage in finishing hogs, due to the abundance of low-cost and easily-sourced U.S. corn and soybean meal, which gives the U.S. an advantage in finishing the hogs.

There is no doubt that Canada and the U.S. have both benefited from a long trading relationship, the integrated nature of which enables both countries to remain competitive internationally, supporting jobs and exports on both sides of the border and enhancing our potential to increase our respective contributions to the Canadian and American economies even further.

The Canadian Pork Council takes the U.S. and Mexican market relationship very seriously. We invest a great deal of time and money to participate in trade missions whenever possible. We regularly meet with our U.S. and Mexican counterparts to discuss areas of common interest and concern. We have a strong relationship, since Canada, the U.S., and Mexico share many of the same animal health and trade policy goals in opening new markets together. We are natural allies, which helps in advocating our messages in various multilateral trade forums, including the World Trade Organization.

The North American meat and livestock industries have benefited from trade under NAFTA. Our counterpart in the U.S., the National Pork Producers Council, has publicly stated that their producers benefit from North American trade. Mexico and Canada are the number two and number four export markets respectively for U.S. pork. Canada alone imports close to \$1.2 billion of U.S. pork, and disruption in that trade affects producers on both sides of the border negatively.

The U.S. industry knows that tariff-free trade is essential. Needless trade barriers provide no benefit to either country's economy. In Canada, we know what it's like to deal with disruptions in the marketplace. We are concerned when the issue of COOL keeps creeping back into the news and into trade negotiations. Challenging the U.S. COOL was a long and expensive fight for Canadian producers, and I encourage the federal government not only to protect it but also to retain its retaliatory rights to action in the future.

Canada and the U.S. serve customers with similar preferences for food safety, animal health, and risk profiles. Both countries follow almost identical science-based risk assessment frameworks for managing food safety and animal health, and both countries require very similar HACCP-based food safety programs in federally registered meat plants.

That said, although we speak frequently of an integrated North American market, the unfortunate reality is that the Canadian meat entering the U.S. is subject still to substantially greater bureaucratic requirements and cost than U.S. meat coming into Canada. We are disappointed that Canadian meat entering the U.S. must still proceed to privately owned inspection houses that set their own fees, while U.S. meat entering Canada can proceed directly to a federally registered establishment.

There is an opportunity here to smooth the flow of pork between Canada and the U.S. by reducing regulatory barriers and further aligning our regulatory processes. We support the work of the Canadian government as it works towards this end.

I welcome any questions you may have.

● (1540)

The Chair: Thank you, gentlemen.

Mr. Kristensen, are you a hog producer yourself?

Mr. Hans Kristensen: I'm the general manager of Metz Farms Ltd in New Brunswick.

The Chair: Where's your farm?

Mr. Hans Kristensen: In New Canaan, New Brunswick.

The Chair: Thank you.

I know the area. I just didn't know exactly where it was from. Thank you for coming.

We're going to move over to Mr. Levi Wood.

You're not a stranger to this place. It's too bad you couldn't be here, but I'm sure you're going to do a great job through the video. It's good to see you again.

Go ahead. You have the floor, sir.

Mr. Levi Wood (President, Western Canadian Wheat Growers Association): Thank you, Mr. Chair, and I do thank all committee members for inviting the Western Canadian Wheat Growers Association to this discussion on the critical matter of trade in North America.

Going back to what you said, I would have liked to join you in person, but we're seeding canola and lentils here right now, just west of Regina, so I hopped off the tractor and came in right here, right now. It's good to have a little break anyway. Thank you very much.

Founded in 1970, the Western Canadian Wheat Growers Association is a voluntary farmer-run advocacy organization dedicated to developing public policy solutions that strengthen the profitability and sustainability of farming in the agriculture industry as a whole.

Without going into a variety of stats, which I believe Brian covered very eloquently and which everyone is fairly aware of, the

bottom line for us and for western grain farmers is that trade and market access are absolutely essential, especially with the United States and Mexico.

In North America, and specifically in the crop sector, we're sending more and more of our products south as Canadian and U.S. markets continue to grow individually—but also, as a result, to become more integrated.

As we work to become more integrated in our markets, which we western farmers think is a really good thing, our growers and industry colleagues in the agriculture value chain continue to work closely together on both sides of the border. In my mind, this provides a great example or template of sorts of how we can improve and modernize NAFTA in a renegotiation of the trade deal, which would improve the flow of trade, not just specifically for agriculture but for our country as a whole.

Our counterparts in the United States, the U.S. Wheat Associates and the National Association of Wheat Growers, recently said “there are several elements of the trade agreement that could be re-examined and modernized. However, we believe withdrawing from NAFTA would be a serious mistake.” We agree with their position.

The Western Canadian Wheat Growers Association, in fact, wrote a joint op-ed in February with the U.S. Wheat Associates, in which we highlighted specifically how we could improve trade. I would like to talk to you today about one concrete example, which I'll summarize.

Currently, Canadian farmers delivering wheat into the U.S. receive equitable treatment with grain grown south of the border. However, because of legislation and regulations that have existed for years before the changes to the Canadian Wheat Board came to western Canada, U.S. producers who currently deliver into Canadian markets automatically receive the lowest grade, regardless of quality or variety of grain, even if the variety is currently registered here in Canada.

Our organizations have been working together to urge the House of Commons to address open, cross-border wheat trade, and we support updating the Canada Grain Act to ensure that wheat is treated consistently on both sides of the border. As a farmer, I want access to the most competitive wheat markets, but it's often not the case for U.S. farmers living near the Canadian border.

This inequity has started to create significant concerns in both the Canadian and the U.S. industries, especially given the potential of renegotiating NAFTA. A free flow of grain in both directions will improve the efficiency of our grain handling system and eliminate artificial price distortions that frustrate farmers and have caused ill will. Grain producers in both countries have worked hard to maintain a good relationship, and these ongoing concerns need to be addressed to prevent any future trade restrictions, which would be bad news for farmers and industry on both sides of the border.

Our organizations, and farmers in Canada and the U.S. strongly support co-operating to ensure an open market. Last year we also worked together to recommend that the Canada-United States Regulatory Cooperation Council and the Pacific NorthWest Economic Region Foundation, whom you had here this week, work to address this trade disparity. We hope that the work on this subject in the House of Commons can result in a free and equitable wheat trade across the Canada-U.S. border. That would be good news for grain growers, the wheat value chain, and consumers in both countries.

Two weeks ago, the Western Canadian Wheat Growers Association asked the Government of Canada to take action to harmonize regulations and to ensure the free flow of wheat between Canada and the U.S., as we're growing concerned about the open wheat market and cross-border trade with the U.S. with the prospect of the renegotiation of NAFTA.

• (1545)

A U.S. senator moved a resolution last month with respect to "supporting fair and equitable grading treatment for exports of United States wheat products to Canada", which has now been referred to the U.S. Senate Committee on Finance. If not remedied, the action suggested in the resolution would potentially have very devastating effects on our industry, especially to wheat farmers and the whole ag sector. We see this as an area for greater harmonization in a renegotiation. It's very timely that this has come up now.

Western farmers have a good news story to tell. We're innovative and entrepreneurial, we're helping create jobs throughout the value chain, and are growing the Canadian economy. Open markets and freer trade are absolutely essential for us to continue going down this road in the agrifood sector.

I thank you again for the opportunity to be here and for allowing me to speak with you. I look forward to entertaining any questions you might have.

The Chair: Thank you, Levi.

How's the planting going out west?

Mr. Levi Wood: To be honest with you, right in my area, which is very close to Regina, we have really quite good conditions. We haven't had the significant rain or the snow that many other areas have had lately. I would say that to my mind, we may be about one-third or coming up to one-half done with our seeding, which is a pretty good time frame for right now.

• (1550)

The Chair: That's good.

To all the witnesses, these were good presentations, and it's good to see you coming back again. Our committee seems to draw on you quite a bit. You're the stakeholders, and it seems that every time we do a trade deal we have to have you guys give us some advice. Thank you for coming with those presentations.

We're going to open up with some dialogue with the MPs now. We're going to go to the Conservative Party and a gentleman who's no stranger to you guys.

Mr. Ritz, you have the floor for five minutes.

Hon. Gerry Ritz (Battlefords—Lloydminster, CPC): Thank you, Mr. Chair.

Welcome, everyone. It's good to see you again. I'm sure we'll be talking to you again and again and again. Trade is one of those ongoing targets that are never really settled; there are always irritants.

As you rightly point out, Levi, we've had a lot of discussions around grain trading back and forth across the border. It's more an irritant from the American side; it's not a lot of bushels, I know that. There are changes that have been made. Most of it is done on spec. The Americans have—what will I say?—an iron in the fire that really isn't that hot, but at the end of the day it's just one of those things. It's not hard to fix, and I think we should do it.

How many acres are you guys putting in this year, just as an aside?

Mr. Levi Wood: On my farm, it's 22,000.

Hon. Gerry Ritz: Yes, that's what I thought.

Anyway, say hi to your dad. It's always good to chat with you guys.

On the beef side, we've learned a lot about NAFTA and about the WTO with COOL. It really gives us a bit of an edge as we go into renegotiations on this, to try to make sure that things like that aren't in our future. It comes down to regulatory co-operation, tax harmonization, and a lot of different levels that need to be adjusted so that we can still have the free flow of product back and forth across the border.

One thing that I think is paramount to keep the Americans honest is to have diversity in our trade. I'm a firm believer in having a bit of a hammer going into these NAFTA negotiations by ratifying the TPP, especially since the Americans aren't doing so.

Have you guys given any thought to that with your Mexican counterparts? I've been speaking to the Mexicans at the trade level. New Zealand and Japan have both ratified it. Of course, Japan is the crown jewel in it. I'm a firm believer in getting the TPP done even before we get serious discussions on NAFTA going.

Mr. Dan Darling: Yes, we agree with you 100% on that. We see no reason that the TPP shouldn't be a done deal. We're big supporters of it. Certainly the Japan market is a brass ring at the end of the rainbow, and we need access there. To be competitive for our producers moving forward, we certainly need to catch up with the Australians right now.

If you talk to our American counterparts, you find they would love Canada to send a signal that we're on for the TPP, because it would put the pressure on their government. I agree 100% with you on that.

Hon. Gerry Ritz: One thing that I think is important, and you guys outlined it in your presentations here today, is the interoperability of the North American market, including Mexico. Joint submissions, such as we made throughout COOL, in which everybody lines up on the same side and takes the U.S. administration to task, I think are so important.

Are you contemplating that again as we renegotiate NAFTA, making sure that the Mexican, American, and Canadian cattlemen—and the same thing with pork—are all putting in submissions jointly?

Mr. Dan Darling: Yes, we've been talking to our counterparts in the United States and Mexico, and they're all on the same page. They're all big supporters of free trade and NAFTA and know how important it is to all of our countries. I can't completely speak for the Mexicans—they're getting a little bit harder time over it so far than we are—but certainly they are supportive of things moving forward, and I think you'll see that support continue.

Hon. Gerry Ritz: Sure.

It would be great, if you make presentations to the U.S., that we get a copy of them too so that we can follow up at the political level and, as we did with COOL, hit them on all the different levels. It certainly has a better effect. That way, when their own people are saying we have to do this—

I know Pat Roberts, who chairs the Senate committee, and Mike Conaway, who chairs the House ag committee, are both very much on side with getting NAFTA reinvigorated and continuing to make it work. They see how important the integration is.

Mr. Dan Darling: We've made frequent trips down to Washington to talk to our counterparts and their trade authority. Now that they finally have, it looks like, most of their administration intact there, we may get some answers when we're there the next time.

Hon. Gerry Ritz: Yes. The state level is very important too. As the chair said, we made one swing down through the west coast. There will be other ones coming up as well. Getting them onside at the state level is important. Everything in the U.S. is local politics, and getting people one by one picked off...

The American Meat Council and NCBA are great at knowing who's on what side and whom you should tweak. If you guys get some inside information on who you think is waffling or needs a push, by all means give us those names too.

• (1555)

Mr. Dan Darling: I appreciate that. The U.S. cattlemen's president, Craig Uden, is a huge supporter. If you walk through his feed yard, a lot of those CAN brands—

Hon. Gerry Ritz: Is he in Nebraska?

Mr. Dan Darling: Yes, he is. He is a supporter of the Canadian products.

Yes, absolutely we can do that.

Hon. Gerry Ritz: That's good.

The Chair: Thanks, Mr. Ritz.

We're going to move over to the Liberals now.

Mr. Peterson, you have the floor.

Mr. Kyle Peterson (Newmarket—Aurora, Lib.): Thanks, Mr. Chair, and thank you, gentlemen. It's good to see you again. Thanks for your information. It's always very valuable to us.

I have a few questions, following up on some of your presentations.

I think, Mr. Innes, you mentioned that meat in particular still faces some barriers on the borders. Can you elaborate on what some of those are and how any new negotiations within NAFTA might be able to address them and improve that situation?

Mr. Brian Innes: Certainly I'll start, and I would like my meat colleagues to contribute as well.

The trade in agricultural products is in a highly regulated sector, with food and feed safety regulations on both sides of the border essentially looking to accomplish the same thing. When product crosses the border from one country to another, however, you're not just meeting the Canadian regulations but also need to meet the U.S. regulations and the inspection that comes with them.

When it comes to something like meat, which is highly regulated in the same way that many other agricultural commodities are highly regulated, there is an additional inspection required for meat products when they cross the border. Even though none of us, when we travel to the United States, would think that any meat we eat is unsafe, and I'm sure no American coming to Canada would think the meat they might eat would be unsafe, it needs to go through that extra inspection process in order to meet the regulatory requirement.

Maybe I can turn it over to my colleagues to provide more detail.

Mr. John Masswohl (Director, Government and International Relations, Canadian Cattlemen's Association): In that process, after clearing customs the truck moves to something called an "I house", an inspection house. The inspection house is usually not right at the border. It's usually not far from the border, but nearby. These are privately owned, but they have USDA inspectors at them.

When the truck arrives at that I house, it will be told what kind of inspection is necessary. Sometimes they might just open it up, look at the manifest, and see that the boxes in the truck are the same as what's on the manifest. Sometimes they might open the boxes and start taking samples to be sent away for tests.

Let's say a company such as Cargill is going to export meat to the United States. If one of their trucks is opened up and the inspectors take samples, Cargill will immediately return that truck to Canada, because either way, whatever the test result is.... If it proves that it's okay, they have probably lost several days of shelf life on the product; if it proceeds and the test ends up turning negative, because there was some issue with it, then they have a recall on their hands.

They can figure that usually about one in ten loads is going to have a test. If they have a customer who is ordering 10 loads, they ship 11, because they know one of them is coming back.

A voice: Do you have anything to add from the pork side?

Mr. Hans Kristensen: It's a very similar situation. We face the exact same situation. Once we clear the border, we still go to the independent houses. Those are independently owned, with USDA inspectors, and it's exactly the same situation.

Anything we can do in negotiations to further align our regulatory environment so that we're recognizing their inspection process more fully and they are recognizing our inspection process more fully and allowing our product to flow from buyer to customer more freely would be greatly advantageous.

Mr. Kyle Peterson: Okay. Thanks for clarifying that. I had no idea it was that high a ratio. That seems like a very inefficient way of doing it, and there's room for improvement, in my opinion.

I think I have a minute or two left, so I'm going to talk a bit about the dispute settlement provisions. You mentioned in your remarks that you wanted to either leave them as they are in NAFTA or strengthen them.

How would you see them improved, if we were to strengthen them? What works in it, and what could we do better?

Anyone who has an opinion on this and is happy to do so can pipe in.

Mr. John Masswohl: As an example, we went through that very lengthy dispute settlement panel on the country of origin labelling. We started it in 2008 and we finally got the authorization to retaliate in 2015.

We knew that law was coming, and as we started looking at how to address it, working co-operatively with the trade and agriculture departments at the time, we evaluated the options of taking the panel under NAFTA or under the WTO.

Our feeling at the time was that NAFTA probably would have given a more expeditious result. We could have started earlier, because under the NAFTA you can challenge a prospective measure to try to head off something from coming into effect, but under the WTO you have to wait until it's in effect. We balanced that off, but looking at the history of the NAFTA panels and the decisions, there really isn't a strong enforcement mechanism, such as exists with the WTO and the authorization to retaliate.

In the end, even though we felt that the WTO process was going to be the more lengthy, it was the one that would give us the hammer, so to speak, at the end.

•(1600)

Mr. Kyle Peterson: Thank you. I think I'm out of time.

The Chair: Thank you, Mr. Peterson.

We're going to move over to the NDP.

I welcome Mr. Choquette, from Drummond, Quebec.

Welcome sir. You have five minutes.

Mr. François Choquette (Drummond, NDP): Thank you very much, Mr. Chair.

Thank you to the witnesses today.

[Translation]

According to an *Inside U.S. Trade* report, Mexico's Secretary of Economy believes that NAFTA will be renegotiated. There should be a trilateral agreement. The United States is rather leaning toward a bilateral agreement.

What do you think is the advantage of having a bilateral Canada-U.S., Canada-Mexico agreement, rather than an agreement like the one we currently have, the North American Free Trade Agreement, or NAFTA?

Mr. Brian Innes: Thank you for the question.

The signatory countries of CAFTA—the agreement between Central America, the Dominican Republic and the United States—support the current trilateral agreement, NAFTA.

[English]

What that means is that if we like the agreement as it is now, there's no need to rip it up and create new agreements bilaterally between Canada and the U.S., between the U.S. and Mexico, and between Canada and Mexico.

From the perspective of agrifood exporters, the agreement we have is working particularly well. Yes, we see opportunities to improve the agreement, but when it comes to thinking about new frameworks, we understand that in keeping what we have now there is no need to tear it up and create new agreements.

There are opportunities to make it better. We have articulated some of those today. However, when we look at the world, as agrifood exporters we see major opportunities in other countries, such as through the negotiations that potentially may happen with China and through the trans-Pacific partnership agreement, whereby we have an agreement among 11 countries and an opportunity to get major benefits in countries such as Japan and create new frameworks to enable us to trade in the Asia-Pacific region more broadly.

The concept of ripping up an agreement has been roundly denounced by U.S. agriculture, and we share that stance. I am sure the members of the committee have seen the remarks by U.S. agriculture, but just to give you a sense, here are some quotes. The National Corn Growers Association says it would be disastrous for North American agriculture. The American Soybean Association says it's "a terrible idea". The U.S. Grains Council says they are "shocked and distressed" to see the concept of NAFTA being torn up.

I would say that from the standpoint of the Canadian agriculture sector and from the perspective of CAFTA members, we would agree with those comments and recognize the value of what we have in taking a North American approach.

Mr. François Choquette: Thank you very much.

Are there specific barriers that are preventing further trade in agriculture and agrifood products between Canada and the United States?

Mr. John Masswohl: I think that one we mentioned, this reinspection at the border, is certainly a very significant one.

We also mentioned the inability to use the U.S. grades on beef that we export to the United States. It's very similar to what Levi mentioned about grains coming into Canada. American grains exporters very clearly have the issue that their grain that comes up here gets the lowest grade.

When we export beef to the United States we can't use a U.S. grade at all. Essentially, it goes as ungraded, which is a problem in the marketplace. We could grade it as Canada AAA or Canada AA. American consumers have no idea what that means, so we don't use that grade. That is something we would like to see.

We have a couple of little issues left over from the BSE era with the United States. Right now we have to prove that all live cattle we export to the United States were born after March 1999. They all are, but we have to prove it.

• (1605)

Mr. François Choquette: Is it complicated to prove it?

Mr. John Masswohl: It's costly to prove it. It's like proving that you breathed air today: show me the documentation that you did.

We have to brand all of the live cattle that are going for other than immediate slaughter. They have to have the CAN brand or a tattoo in the ear. That's a sort of leftover, a cost that we'd like to see eliminated.

Mr. Brian Innes: I would add one thing, just to build on the remarks I made earlier, concerning our ability to export further processed products, such as margarine and shortening.

Think back to the creation of NAFTA in 1993; we're many years after that, and many things have changed. The same thing applies in such processed products as margarine and shortening. For example, with the ban on trans fats in the United States, you need imported palm oil to make processed products such as margarine and shortening. At the time NAFTA was created, that wasn't envisioned. As a consequence, we both import palm oil, into Canada and the United States, to make margarine and shortening, but once you put it into a processed product, you have a tariff on that margarine or shortening going back across the border.

It's things such as this, on which the world has moved significantly since NAFTA was brought in. The rules of NAFTA can be updated in very targeted areas to enable modern commerce to take place. That's one example.

The Chair: Thank you, sir.

We're going to move back over to the Liberals.

We have Madame Lapointe.

[Translation]

Ms. Linda Lapointe (Rivière-des-Mille-Îles, Lib.): Thank you for joining us.

If I have understood correctly, when beef arrives here from the United States, we cannot use their AAA classification. It seems to me that the Americans use their A, AA and AAA classifications when they export beef to Canada.

Am I mistaken?

[English]

Mr. John Masswohl: When they export beef to Canada, they can use their grade.

[Translation]

Ms. Linda Lapointe: From what I understand, we cannot, however, use ours.

[English]

Mr. John Masswohl: When we export our beef to the United States, we can use our grading system, but our system doesn't mean anything to American consumers or American retailers, and they're not interested in seeing our grade. Therefore, it essentially goes ungraded.

[Translation]

Ms. Linda Lapointe: That's still pretty different.

[English]

Mr. John Masswohl: Yes. A U.S. grade can only be applied by a U.S. grader who is an employee of the U.S. Department of Agriculture. The Canadian packing companies would be glad to pay to have U.S. graders here in Canada, very much as there is U.S. Customs pre-clearance at Canadian airports. They'd have to pay for that service and they'd be glad to pay for it.

[Translation]

Ms. Linda Lapointe: That is a good solution.

You talked about rules on either side of the border and said that you have had discussions with your counterparts.

Do the Mexicans and the Americans want customs clearance to be easy, with no rules?

[English]

Mr. John Masswohl: Yes. On these issues that we've outlined we've talked extensively with our U.S. counterparts, and we're all on the same page with these.

[Translation]

Ms. Linda Lapointe: We talked earlier about borders, but when it comes to animal health, food safety and risk assessments based on scientific criteria, are the same harmonization rules between the United States, Mexico and Canada applied?

[English]

Mr. Gary Stordy (Public Relations Manager, Canadian Pork Council): Actually, that has been one of the successes of NAFTA. It has basically been encouraging governments to align some of their regulations and processes over the past several years. This is one of the dangers if NAFTA is essentially dismantled or if we come to have an agreement with the U.S., and the U.S. has an agreement with Mexico, or Canada has an agreement with Mexico, separately. It's the co-operative working relationship to align regulatory bodies to encourage the trade among the three countries.

Moving forward, we talk about an integrated market in the pork sector. Because of NAFTA we've been successful, both in terms of our exporting pork to our two NAFTA partners, and their exporting pork products that we need here. It's that co-operative working relationship that is helpful, and NAFTA encourages and supports that part.

•(1610)

[Translation]

Ms. Linda Lapointe: From what I understand, the harmonization rules are working well, except in the case of customs.

We have studied the Trans-Pacific Partnership and the Comprehensive Economic and Trade Agreement, or CETA.

If the NAFTA negotiations were resumed, would you like certain elements of CETA to be included in a future agreement?

[English]

Mr. Brian Innes: Maybe I can start.

When we think about what we achieved in the trans-Pacific partnership among 12 ambitious like-minded countries that were looking to make trade easier in the Asia-Pacific region, we saw some major advances made in that agreement on things such as sanitary and phytosanitary measures, which include food and feed safety and things around plant health that are so critical for the trade of agricultural products.

If your question is what are some of the things we could include in a modernized NAFTA, certainly some of the provisions on sanitary and phytosanitary measures are much more ambitious and would serve our sectors better than what we have on the books right now.

To give you an example, just as in 1993 there was no ban on trans fats, there was no biotechnology in agriculture. The trans-Pacific partnership included provisions on biotechnology, recognizing that plant biotechnology should not be a barrier to trade and that transparency and openness in regulation are extremely important to enable trade to happen among members of that agreement. We have, then, an opportunity to align our approaches in regulating those products.

[Translation]

Ms. Linda Lapointe: Thank you.

[English]

The Chair: Madame Lapointe, you're always on time.

We're finished that round and we're going to go to the second round.

We're going to start with the Liberals.

Madam Ludwig, you have the floor.

Ms. Karen Ludwig (New Brunswick Southwest, Lib.): Thank you.

It's nice to see you guys again. Thank you for joining us.

I'm going to start with Mr. Kristensen, because I have to give you my bias. I'm the MP for New Brunswick Southwest, so I'm wondering whether you could help us envision the route you would take, going from New Canaan into the States. I'm assuming that you're trucking your...

Mr. Hans Kristensen: I have a lot of experience dealing with the United States. For the period 2005 to 2016 we exported animals into the U.S. and raised them ourselves on contract facilities in Indiana and Ohio. I have thus been on both sides of the border as a producer

and have also been both an exporter of live hogs into the U.S. and an importer of live hogs from Canada into the United States.

Also, our production today in New Brunswick is predominantly feeder pig, SEW production. That is all shipped and finished now in Quebec through the F. Ménard system. They in turn export a lot of the finished product into the United States.

Ms. Karen Ludwig: Okay. Thank you.

The next question I have is about backhauling. If you're shipping livestock, for example, from New Brunswick to Quebec and then the Quebec producer is exporting it directly to the United States, are the trucks coming back empty or are they working on another contract to import something else back into Canada?

Mr. Hans Kristensen: I can only speak for our own organization, but our organization was very strict on biosecurity and we did no backhauling of any type whatsoever. We were completely, 100%, our own transportation, our own biosecurity, and our trucks only transported our product one way.

Ms. Karen Ludwig: Okay. Thank you.

This is for all of you, actually.

Earlier this week I attended the Can/Am Trade Border Alliance conference. Obviously the issue of border security was a common theme, but everyone was on the same page. It wasn't to thicken the border or thin the border; it was about a smarter, more efficient border.

One theme that constantly came up was the issue of pre-clearance and why we can't have pre-clearance here in Canada. They used the example, Mr. Kristensen, not of pork but just a better...that has to be sometimes double-, sometimes quadruple-checked when it gets down there, and the time frame in which that takes place.

I will also say that I am very pleased to hear about the great successes with NAFTA and that we can be a launching ground for a new negotiation, because I believe it's one of the true values of our North American relationship.

I'll start with Mr. Innes. In terms of a more integrated North American supply chain, how can we be better integrated and maybe work together, between the CBSA and the CBP, the U.S. border patrol?

•(1615)

Mr. Brian Innes: Thank you for the question.

When we look at the trade in agricultural goods back and forth, one of the major regulatory agencies overseeing us is the U.S. Food and Drug Administration, on both food and feed safety on the grain side, and certainly on the meat side. There are other agencies involved on the animal health side and in regulating meat health safety as well. When we look at the opportunities you describe to make the border more seamless, it really is about recognizing that we're both achieving the same thing with our systems and about not requiring inspections or testing times two. All of the work that goes into meeting regulatory requirements is essentially doubled because you have two systems.

It's thinking about how to recognize each other's systems, as has been recently undertaken by the Regulatory Cooperation Council in looking at food safety, for example. That still isn't fully implemented. We say we don't necessarily need to do everything twice, but let's recognize each other's systems and then avoid double-testing, double-inspecting, double-certifying.

Ms. Karen Ludwig: All right.

I have a question for Mr. Darling.

Mr. Darling, concerning the work you're doing and the communication you're having with your American colleagues, while I know that from our end what we often look at is how many jobs would be impacted here, what would it mean to a local economy? At the level you're working with or that all your associations are working with in the United States, are your counterparts discussing this with their local Congress member in their areas?

Mr. Dan Darling: Yes, for sure that's what they're doing. Just as when COOL was in play, they're basically telling their state representatives what's at risk. What is at risk is jobs and trade. What's frustrating for us, if you look at the U.S. economy, is that it's very dependent on trade, and it doesn't make sense to make things harder. So that's a message that you're—

Ms. Karen Ludwig: Do average Americans realize how dependent their economy is on trade with Canada?

Mr. Dan Darling: They probably do not, and that's the issue. The Trump administration seems to be getting across that trade that is equal is not good for them because they're losing jobs, but I don't know how you have worthwhile trade that is not equal. Yes, absolutely that's the problem. They have to get that message across, and I think many of our counterparts are trying to get that message across not only to their producers but to the public as well.

Ms. Karen Ludwig: Thank you very much. Thank you all.

The Chair: Thank you. We're going to move over to the Conservatives.

For five minutes, Mr. Hoback, you have the floor.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Chair.

Thank you all for being here. I think it's great that you guys are working with your colleagues across the line, because two weeks ago, when there was this talk of pulling out of NAFTA, I understand that Sonny Perdue went over to the White House and did a lot of talking. That's probably why they didn't pull out of NAFTA. It's because of the ag sector and what it meant to them.

I'll use the example of corn out of the U.S. not going to Mexico. That's huge. It's a big problem if they don't have that market. I think that having Mr. Perdue there will help them understand just how important the ag sector is to them and will hopefully make them understand what NAFTA means to them and keep NAFTA renegotiated as a three-country agreement.

I'm rather curious, though. You're down there quite a bit. We had the TPP sitting there. It's ready to be signed, we've gone through the committee, and I'm waiting for legislation to come forward saying that we're going to ratify this and move it forward. I'm not sure when that's going to happen.

But then I also see the current government talking about going into China and holding a new type of trade talks with China. I don't necessarily have a problem with that; I'm just looking at the relationship with the U.S. at this point in time and how anti-China the U.S. versus what we're doing with China. I'm curious why we wouldn't sign the TPP and have access to Japan and the Asia market and get the rules in place. The concern I have is that if we start pushing too hard with China we're actually going to do more harm than good to our relationship with the U.S.

Are you hearing any of that when you're down there? Do you have any comments on that?

Mr. Dan Darling: No, we're not hearing anything other than that the U.S. doesn't like to be the last one in any deal, and it bothers the Americans when Canada or some other country is going forward on potential deals with other countries. China is a difficult country, I think I'm politically correct in saying, to do any deal with. But no, we're not hearing a whole lot from them.

As I mentioned before, I know our U.S. counterparts would really like Canada to finalize the TPP. That would send the message, and then we wouldn't have to have all these sideline conversations. I think we would be in favour of that as well.

• (1620)

Mr. Randy Hoback: You'd be in favour of seeing that done, putting the priority there, and—

Mr. Dan Darling: Absolutely.

Mr. Randy Hoback: Mr. Innes, before you jump in, let me say that we hear a lot of talk about sensitive products. I'm curious. Are you hearing any talk in the U.S. about more access for sugar? Are they willing to accept a change in the amount of sensitive products in NAFTA, or what are you hearing?

Mr. Brian Innes: What we've continually heard from the U.S. is that they have their sensitivities, but they would like our sensitivities to allow access for their products. No, we're not hearing an offer on sensitive products such as sugar.

What we are hearing internationally, though, is a recognition that Canada has an ability to achieve trade outcomes in the world. Yes, we certainly see opportunities to implement what was agreed to in the TPP and we're fully supportive of it. We also recognize that competitors have access to China that we don't have.

Mr. Randy Hoback: Would you jeopardize a trade deal with NAFTA, though, just to do a trade deal with China?

Mr. Brian Innes: We don't see the two as being contradictory.

Mr. Randy Hoback: But in the U.S. they do. I've been down there substantially, and this comes up quite often. If you had the choice, then, what would you choose?

Mr. Brian Innes: We see a lot of opportunity for growth in China, with incredible—

Mr. Randy Hoback: You would take China over NAFTA, then?

Mr. Brian Innes: What we recognize is that we have a fantastic opportunity in North America with the existing agreement.

Mr. Randy Hoback: Okay, so you would do NAFTA, then.

I'm asking a very straight question. If you had priorities, if you wanted to get one thing done first, which would you choose, NAFTA or China?

Mr. Brian Innes: We've heard Secretary Ross, for example, talk about the importance of doing something quickly with NAFTA over the course of the next six to seven months before Christmas. I think we all recognize, if we look at the experience with Australia and China, that it takes some years to be able to achieve an agreement.

I'd like to think and I certainly think from an agriculture perspective, as we've heard concerning the importance of diverse markets, that we're looking to grow our opportunities in the world, and we recognize that growing incomes and a growing ability to import food are coming in the Asia-Pacific region.

Mr. Randy Hoback: I think it took Australia nine years, so China definitely wouldn't be something that's going to provide immediate relief, if something should go south with NAFTA, but the TPP could be. Is that fair to say?

Mr. Brian Innes: We certainly see the TPP as an incredible opportunity, one that 12 countries agreed to and 11 still see as a venue to move forward. We've been fully supportive of implementing it.

Mr. Randy Hoback: When we talk about grading—

The Chair: Mr. Hoback, you only have 15 seconds left.

Mr. Randy Hoback: Well, you interrupted me, so I get 30 seconds then, right? Let me ask one quick question.

When you talk about grading, Mr. Masswohl, do you think we need to go to a North American grading style? Is this something we should look at and be done with it, getting rid of Canadian and U.S. grading and just saying that this is North American grading?

It is North American beef, but the reality is that the cow may come from Montana, go to Lethbridge, and come back into the U.S. to be slaughtered. Shouldn't we look at something—?

The Chair: Make it a short answer, sir.

Mr. John Masswohl: We think there is still some advantage to having a Canadian grade for what we market in Canada, so I don't know that we're prepared to take that step just yet, but maybe we could harmonize the standards a bit more. There has been some effort towards that goal over the years and some success with it. Really, though, the ability to sell graded product in the United States would be of benefit.

The Chair: Thank you, sir. We're going to move to the Liberals now.

Mr. Fonseca, you have the floor for five minutes. Go ahead.

Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.): Thank you, Mr. Chair.

Thank you to the witnesses.

My riding of Mississauga East—Cooksville probably hasn't seen a farm in just over 30 years, when there were a bunch of apple orchards in the area right by the Pearson airport. We have a lot of industry. We have automotive, medical devices, a lot of manufacturing, including advanced manufacturing, and aerospace, but we don't have any farms.

When I speak to the businesses, they're quite concerned about the tweaking or the modernization of NAFTA, etc. They talk about most of their business being with the United States, not so much with Mexico, although yours is quite intertwined.

Because you're all in the agriculture sector, I want to ask whether you have had the opportunity to visit farms in the United States or Mexico.

Has everybody had the opportunity to do that?

We hear a lot of criticism about not having a level playing field when it comes to the three countries. You have Canada and the United States with pretty high standards, and then in Mexico....

Can you—and this is open to the panel—inform us maybe, so that we have an understanding, what those farms are like? Do they have the same health and safety standards? What kind of labour wages are they providing? What kind of standards do they have?

What we heard during the election down in the United States is that they're undercutting American workers and syphoning off jobs, not necessarily in agriculture but in all industry. Because NAFTA is being looked at as a whole, I'm asking you, being experts in the field.

• (1625)

Mr. Gary Stordy: There are some differences in the three countries. One example is building codes. We have a winter climate here, so we have more robust farm structures compared to what may be available in other countries. At the same time, we do rely on the CFIA and their food inspection to ensure that the process they adhere to is similar to or adheres to our expectations of food safety. If a product comes from a Mexican farm and I'm eating it here in Canada, I wouldn't have any concerns, the same as they shouldn't have for ours. We have a number of safeguards between the countries to deal with that aspect of it.

When it comes to labour or labour availability, I guarantee you that in the U.S. they pull a number of employees from Mexico, just as Canada does. We pull employees from Mexico as well as other countries. Labourers move around. We certainly are looking for more employees and labour here in Canada, but—

Mr. Peter Fonseca: Getting at the standards, do you feel that Mexican standards, their health and safety standards and their labour standards, for workers on farms in Mexico would be at our level for workers here in Canada?

Mr. Gary Stordy: Fortunately, there are a number of standards on how hogs are raised, so there wouldn't be very much of a difference between the three.

Mr. Dan Darling: As for the cattle operations that we visited in Mexico, we certainly never got into a conversation on how much they're paying their employees. They seem to be well looked after.

From our perspective, we like to look more at the positive things than the negative things. Mexico takes a lot of our genetics. When we were down in Mexico a couple of years ago, we visited several ranches where Canadian genetics—more specifically, western Canadian genetics—on their cattle were very prevalent. In fact, when we came back and were at the Agribition, we saw cattle there that were owned by Mexican ranchers. They buy those genetics because we have a high quality. I like to look at the positives rather than the negatives, because it's not really our place to judge them.

The comment was right. The CFIA is there to make sure the standards for products coming in from Mexico are similar. I might want to add, though, that we are so integrated in the U.S. and Canada that a lot of the packers are owned by the same companies, right? We can't forget that. Those products are sent from either Canada or the U.S. into Mexico. It's a completely integrated system.

I would go further and say for sure that maybe our CETA deal could take a few glimpses at NAFTA and its successes. There seems to be a little protectionism on the CETA at this time, and they could take a page out of NAFTA.

Mr. Hans Kristensen: I'll be really quick. I've never operated farms in Mexico, but I have operated hog production facilities in both Canada and the United States, and yes, there are differences. There are certain cost advantages in the U.S., and there are certain cost and health advantages in Canada. To start comparing labour codes and everything, including building codes, becomes a bit protectionist, in my opinion.

The regulatory environment is very similar. I rely on the quality of the finished product to be similar. I know that for a fact. I rely on the CFIA for any product that's moving back and forth; I know it's similar.

I'm not that concerned with the cost of labour in Illinois versus Ontario or the cost of a building here versus there. You give a Canadian hog producer an equal regulatory environment and a non-tariff border and we can compete with anybody in the world, and I'm happy to do so.

The Chair: Thank you, sir. That's a good comment.

We're going to move over to the Conservatives now.

Mr. Van Kesteren, you have the floor for five minutes.

Mr. Dave Van Kesteren (Chatham-Kent—Leamington, CPC): Thank you, Chair.

Thanks to all of you for being here.

Mr. Innes, you're not allowed to sell the processed margarine in the United States. What do they use? Do they use a lot of canola for their margarine or is it palm oil?

• (1630)

Mr. Brian Innes: Certainly, you need both. To have a spreadable product that's solid, you need solid fat like palm oil—

Mr. Dave Van Kesteren: Before canola came around, they didn't have.... What did they use then?

Mr. Brian Innes: You can make it not just with palm oil, but you need other oils as well, such as canola oil or soybean oil that you use together to make that product, so—

Mr. Dave Van Kesteren: That's a pretty big market, though, isn't it? That's a huge market, and if the butter market is sizable, margarine must be twice what butter is.

Mr. Brian Innes: There are certainly significant opportunities. Right now, we have a pretty thick border when it comes to being able to move those products back and forth.

Mr. Dave Van Kesteren: They're protecting that piece of the pie. Is that safe to say?

Mr. Brian Innes: I think what we saw in the TPP, for example, was that both countries agreed that this is an artifact of history that we don't need any more, but the TPP has not been implemented right now, of course, so there is an opportunity to be able to fix it within NAFTA. Sometimes these issues aren't necessarily about protectionism. In this case, it's about things that have changed since NAFTA was brought in and that are a little difficult to change on their own. Once you have an opportunity to talk about things more holistically, you can enable that to happen.

Mr. Dave Van Kesteren: Getting to beef, they don't grade it. It just comes in. That's probably to their advantage, isn't it, Dan and John? This way, they can just buy it at whatever price. If the AAA grade is \$10 a pound, let's say, what are they buying it at? Is it \$6 or something, where they're saying they're going to buy it all...?

Mr. John Masswohl: There does end up being a price difference because of that, yes, for sure.

Mr. Dave Van Kesteren: It's fair to assume that they like this arrangement. This is not a bad deal for them.

Mr. John Masswohl: It's also been suggested that this is almost a substitute for country of origin labelling. The same people who advocate for country of origin labelling also advocate for preventing

Mr. Dave Van Kesteren: That's where I was going. We hear a lot about.... We took the tour in the States. In the Midwest especially, the people there are pretty upset because they've lost all their jobs. I say this gingerly, but the truth of the matter is that it's the elephant in the room. When we talk about the auto industry, most people just.... If you're living in that environment, then we've just kind of said that they've priced themselves out of a job. As for what happens eventually, car manufacturers have to be competitive, so they're going to find somewhere where they can produce those cars at a better rate.

I'm going to go to you, Levi. I'm going to ask you a right straight-out question: are Canadian farmers better than American farmers?

Voices: Oh, oh!

Mr. Levi Wood: No, I wouldn't say so. I think they're very much equal. On either side of the border, I think Canadian and American farmers both are very prosperous, very entrepreneurial, and extremely productive. I think there are a lot of similarities between us at a farmer level. I think there's obviously a very different agricultural experience at play in terms of whether you're a Canadian farmer or an American farmer, but at face value, I would say that generally, in terms of technology and the use of modern practices, the Canadian farmer and American farmer are very much equal.

Mr. Dave Van Kesteren: I'd say that's a good thing, because from what I'm hearing—experience has taught me this—in so many other industries and so many other segments is that once we get the edge, that's when these other things start to happen. Is that a fair assumption? Or am I going out on a limb that nobody wants to tackle? Nobody wants to climb that tree.

Hans, you said something about the pork industry and how you can compete in any.... I know that in the States there are some pretty big operations that produce pork. You would think that they'd be able to just obliterate us. Is that the truth or do we...?

Mr. Hans Kristensen: The pork industry is a very complex and integrated industry. I'd say that I can hold my own in any market in the world, as any Canadian pork producer does. When you look at the total volume of pork we produce and export into the United States compared to the total volume of pork produced and consumed in the U.S., essentially we are supplying a niche market in some cases. Our exports to the U.S., while hugely economically significant to us, are but a very small drop in the bucket in terms of U.S. consumption and production of pork. When we look at the potential in China, Japan, and other areas, it's the same idea.

There are very large integrated companies in the U.S. that can produce a pound of protein maybe cheaper than I can, but there are not companies in the U.S. that can produce the quality of product and the marketing, the branding, and everything wrapped into one. There are markets there for us. I'm not trying to sell the cheapest cut of pork in the world. I'm trying to help Canada's pork become a desired cut of pork so that I can sell to the higher-priced customers in the emerging markets.

• (1635)

Mr. Dave Van Kesteren: Levi, I'm in corn country in southwestern Ontario. I have just a quick question.

The Chair: You might be in corn country, but you're over your time. Go ahead. You just have to be quick.

Mr. Dave Van Kesteren: All right.

We're pretty proud that we're hitting about 300 bushels an acre in some places, but then you get to places like Iowa, where the topsoil is 13 feet deep and those guys are cracking out, what, 400 or 450 bushels? We must be doing something right if we can still compete on a world stage if they have that advantage over us. Maybe you can help me with that. How—

The Chair: It's going to have to be a very short answer.

A voice: It's the cost of production.

Mr. Levi Wood: Yes, absolutely. I think you've made a good point. In outright production, I think you can see, especially with western Canadian farmers, that Canadians are very forward thinking. We've had some challenges that we've had to overcome, and I think that experience has contributed to making western Canadian farming the success it has been and will contribute to its success going forward.

I personally believe that one of the true advantages the western farmer has developed or has used in their tool box has been diversification. Typically, especially on the Prairies, we are at this point basically of competing directly with the American farmer in the corn and soybean markets. In the west, there's a very big

diversity of crops that wouldn't necessarily exist in the U.S. Midwest. In many ways, I think, that's what we've done to adapt to some of our challenges in many of the opportunities we've had, and that has made western Canadian agriculture very successful and somewhat different than it is in the U.S.

The Chair: Thank you, sir.

We're going to move over to the NDP.

Mr. Choquette, you have three minutes. Go ahead, sir.

Mr. François Choquette: Thank you, Mr. Chair.

The February 2017 report by Canada's Advisory Council on Economic Growth recommended that Canada should “[i]nvest in trade infrastructure to improve our physical access to global markets”.

Is the Canada and U.S. trade-related infrastructure adequate in quality, quantity, type, and location to accommodate current and future trade between these two countries?

Mr. Gary Stordy: Certainly, I would say, one piece of infrastructure that is in the process of being developed is pre-clearance and e-certification. That's moving forward.

We're an industry that does ship—basically meat and live animals—across the border. There are some steps already in place to facilitate that or to improve the time it takes to get from A to B. It can be improved even further by matching up our system with what's being developed in the USDA.

The work has started. It just needs to continue. Unfortunately, it may require some heavy investment, just because we are dealing with technology, and that changes. That is one aspect. It's a kind of hidden piece of infrastructure that would help to facilitate thinning the border and easing the transportation aspect of it.

Mr. François Choquette: That's interesting.

Mr. John Masswohl: Sometimes there's a requirement to unload cattle at the border and have them inspected—for example, to make sure they have the CAN brand on them—and the facilities at the border to do that are fairly limited. You have a very small number of border crossings that you go over. Rather than suggesting a program to build unloading facilities at all the border crossings, I would say to get rid the requirement so that you don't have to unload them at all.

A voice: Yes.

Mr. François Choquette: Yes. Okay. That's interesting.

The Chair: Do you want to get in a quick question?

Mr. François Choquette: Mr. Wood, do you want to add something to that?

Mr. Levi Wood: As it relates to the U.S. and what we're talking about, I think that in the last couple of years farmers in the west have had a tough time dealing with some of the challenges, namely around transportation, and obviously with some of the interactions with the grain companies that have gone on.

The fact is that for most of us out here in the west, as a farmer we're basically a price-taker. We really don't have the ability to pass on any of our costs, and how we recoup our costs is through our production. When you're talking about some of the regulation that has gone on, what we're a little concerned about in terms of the U.S. border, and why we would really encourage wheat trade, goes back to some of these transportation issues that we're seeing.

Basically, while this is not the case all of the time, you really have to be living very close to the U.S. to deliver into the U.S., especially for farmer-based deliveries. It's the same on the U.S. side if you're going to deliver into Canada. That's just because of the cost of freight by truck or, in some cases, on rail. When we look at that with what we're doing here, what we would like to say is that open access to the border is good on both sides. Realistically, it is our best form of ancillary competition in the absence of improved rail links and in the absence of potentially more rail service and those kinds of things. Really, it's access to the U.S. that is helping the Canadian farmer as a source of competition where one doesn't typically exist in the market, especially on transportation. From our standpoint in terms of infrastructure, we definitely support opening the border and also, obviously, any investments that we can have in further processing and the value-added industry here in Canada.

• (1640)

The Chair: Thank you.

We're going to finish up with the Liberals. I think they're splitting some time between Mr. Dhaliwal and Madam Lapointe.

Go ahead.

Mr. Sukh Dhaliwal (Surrey—Newton, Lib.): Thank you, Mr. Chair.

Thanks to you all for being here.

As I come from British Columbia, I would like to know how a renegotiation of NAFTA would affect prices and producers in British Columbia, and also how the influx of U.S. products could impact market prices.

Mr. Brian Innes: I can start.

Just briefly, certainly in northern British Columbia, in the Peace country, there's a lot of grain production up there. Canola, wheat, and a number of different products are produced up in northern British Columbia. We've seen through NAFTA that we've really been able to expand our exports into the United States of processed products and things like canola oil and canola meal. When we look at the impact on British Columbia's producers, it's really been a net positive for their being able to access the markets.

Maybe I'll let my colleagues answer further.

Mr. John Masswohl: British Columbia unfortunately doesn't have a federally inspected beef packing plant, so for any cattle harvested in British Columbia, that beef can only be sold in the province. That's a great disadvantage for cattle producers in British Columbia, one they wouldn't have if they only had the ability to send those animals to Alberta, say, and to have that beef exported out of one of the federally inspected facilities in Alberta.

I do know that there is another option they have, which is to sell animals into Washington state. There are two U.S. packing plants in Washington state that get used. They have that ability to have some bargaining leverage when they sell cattle by having that open border, so I think that trade and the open border are extremely beneficial to those producers.

Mr. Hans Kristensen: I'd like to add to that.

As far as the hog industry is concerned, British Columbia, while it doesn't have a large hog industry in production, does have in its possession a couple of smaller plants that have the ability to process product and to adapt to specialty products. On free trade, one of the things I mentioned earlier was niche marketing, so British Columbia can benefit hugely from continued and enhanced free trade in NAFTA simply by being able to process and move those products.

Also, our next biggest target—our desire—is ratifying the TPP. That's a huge potential benefit to British Columbia, both for the small independent producers who can do high-value specialty products for the Asian market and also just for its impact on the export facilities in Vancouver.

Mr. Sukh Dhaliwal: What sorts of infrastructure changes would you like to see that would be beneficial for conducting business in British Columbia?

Mr. Brian Innes: Briefly, in the grains and oil seeds sector, for example, most of our product that's exported goes through British Columbia, whether via Vancouver or Prince Rupert, so in fact the ports of Vancouver and Prince Rupert are one of the key pieces of infrastructure.

I'll give you an example. Canola oil, for example, is shipped by train into Vancouver, so there needs to be a port in Vancouver to handle that canola oil and ship it both to the United States and down to Mexico. It's the same thing for other grains, whether it's durum wheat or canola seed, which goes to Mexico as well. Having the Port of Vancouver and access for those commodities is critical.

Mr. Sukh Dhaliwal: Thank you.

Madame Lapointe.

[*Translation*]

Ms. Linda Lapointe: Thank you.

My next question is for you, Mr. Wood.

Earlier, you said that prices were artificially distorted. Can you tell us more about that?

•(1645)

[English]

Mr. Levi Wood: Yes, for sure. When I was referring to it there, I think I was talking mostly about how there are price differences between, say, wheat products in Canada and the United States, but some of those differences are very much based on the type of wheat grown in each place. What we've seen, though, is that if the access... The price distortion I was speaking to specifically is that the way our grading system has been set up, the price distortion generally has been a negative to a U.S. farmer wanting to export into Canada. For Canadian farmers going to the U.S., the price is based very much on more of a "spec-based" system, so it's based less on the class-and-grade system we have in place today in Canada and more on the different sorts of tests they have.

I wouldn't necessarily say that there is a price distortion for Canadians, outside of the usual effects of cross-border trade, namely, the cost of transportation, the exchange rate and, obviously, the demand and some of the markets that exist. Generally speaking, I think there's more of a price distortion for the American farmer coming to Canada, in that they receive that feed grade for their product in Canada, whereas we have better access to their system in the U.S. The price distortion for the Canadian farmer typically has

more to do with the differences in quality, in grade, and in the kinds of wheat.

[Translation]

Ms. Linda Lapointe: Thank you.

[English]

The Chair: Thank you.

That wraps up our dialogue and meeting.

Thank you, gentlemen, for coming and for all of your insights on your industry. It's a very challenging industry, especially when you're growing and producing a product. Our trade committee can't help you on that part too much, but we're going to do our best to keep your markets and to get your products some more markets.

Levi, good luck, and have no breakdowns. You have a couple hours of sunlight out there. So, full throttle....

We're going to suspend for a minute or two, folks, and then get to some future business.

[Proceedings continue in camera]

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