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Chair

Mr. Paul Steckle

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•(1110)

[English]

The Chair (Mr. Paul Steckle (Huron—Bruce, Lib.)): Ladies and gentlemen, I'm going to call the meeting to order. There are still documents being passed around, but they can continue doing that as we proceed through the meeting.

Welcome, everyone, to the committee. Those who are here to be witnesses, welcome. Those who are here to take notes on what is being done here this morning, also welcome.

I have a couple of housekeeping matters before we get into the thrust of our meeting this morning. First, since we've had the luck to get the 11 to 1 meeting slot, what are your thoughts about meals? There's a cost to it. Some committees bring in meals, others do not. How do you feel about it? Do we want meals brought in or do we not? It costs about \$200 per meeting to have meals brought in.

Mr. Kilgour.

Hon. David Kilgour (Edmonton—Mill Woods—Beaumont, Lib.): The farmers are having the worst year in history in our part of the country. Perhaps we shouldn't be eating at the taxpayers' expense.

The Chair: Okay.

Does anyone else on this side have any thoughts on this?

I take your direction, because it's a budgeted item that we have to deal with.

Mr. Angus, do you have a comment on it?

Mr. Charlie Angus (Timmins—James Bay, NDP): We will just be a little more cranky perhaps. Can we live with that?

The Chair: Sometimes we work best when we're a little cranky.

Do I sense a consensus that we will, at least for the time being, forgo meals? Okay. That will be the direction we give the clerk at this point.

We had last week, as everyone knows, an in camera meeting. A number of things leaked from that in camera meeting, and I think that's one of the things we hoped would not happen. It has. I don't know how, but anyway, let's be considerate of the matters that are talked about in privacy. I think all of us have matters we feel a little more at ease talking about if we know we have the confidence of the committee. So I would ask you to be aware of that.

The third thing is a matter I think all of us on both sides of the table have been advised of. Cargill wants a meeting with each one of

us individually. If we start allowing these people to do that, not denying access, but given the kind of privilege people would be perceived to be seeking in coming and meeting with members privately.... We've done some thinking about it. I've had some offers from my co-chairs, and I would, with your permission, meet with the co-chair from the Bloc party, the vice-chair from the Conservative party, and the clerk. That would be a way of dealing with it so that it isn't a partisan thing. There will be no concessions, but we would not be perceived as not wanting to hear them. I think we have to do that.

Mr. Angus.

Mr. Charlie Angus: I would think it's extremely partisan, as everybody will be meeting with Cargill except the NDP. I don't think there should be any private meetings with Cargill about anything, and I don't think they should be approaching anybody on the committee. I think they should come here just as we've requested, and I fully oppose any other way.

•(1115)

The Chair: I seek your guidance.

Hon. David Kilgour: Why don't we invite Mr. Angus to be at that meeting?

The Chair: Would you feel more comfortable if we invited you to be there? This is not a hard rule that we've established. If we included all parties and you were able to be there, would you feel amenable to that?

Mr. Charlie Angus: Yes, I will take that, but again, I find it really mistrustful of the whole process that they would want a prior meeting, because I don't think we should be offering any concessions at this point. I could say that to their faces, I don't have a problem with that, but I think they should be here like everyone else.

The Chair: Mr. Gaudet.

[Translation]

Mr. Roger Gaudet (Montcalm, BQ): Mr. Chairman, if he is asking for a private meeting with the four parties represented here, in Ottawa, that doesn't mean that we will not be able to meet him afterwards or that the committee will not be able to ask questions of him. I gather that he wishes to meet you first but will we then be able to have a meeting here in committee?

[English]

The Chair: For your benefit, Mr. Gaudet, we have already met with them in the previous parliament on a number of occasions. I think some clarity is what we're seeking. If we could provide clarity, it wouldn't come from me, it would come from our clerk, because the direction that was given was given to them earlier, as to the other people from whom we sought information. It would simply be to address a few questions. We shouldn't limit it. I'm not inviting anyone else, but I'm suggesting that if anyone else did come, we couldn't limit it to Cargill. I will not meet with anyone, and I agree with Mr. Angus that this is going down a slippery slope. This is maybe one way of accommodating them, but if this committee decides that we should meet with no one, that they should get their direction through the clerk on matters of question, I'll take that as a direction as well.

Mr. Miller.

Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC): Mr. Chairman, I think Mr. Angus's comments about being there are justified, I think he has every right to be, and if we can't meet with Cargill at a regular meeting of the agriculture committee, another meeting is appropriate. As long as every member of the committee is given the opportunity to be there, I'd support that.

The Chair: Are there any more comments? Do I gather we have consensus that the chair, the two vice-chairs, and Mr. Angus meet? Is that in your thinking, Mr. Miller? Okay, we will have the clerk, through Cargill, set up a time when we can meet. This is not going to take away from what we've asked, it's simply to bring clarity, if that's what they ask for. If it's anything other than that, the meeting will be terminated.

Mrs. Ur.

Mrs. Rose-Marie Ur (Lambton—Kent—Middlesex, Lib.): Mr. Chair, in future, if we have these discussions, I would prefer that we do it in camera.

The Chair: Yes, that would be in order, but I think this morning the fact is that the question has been raised, and if we had refused, we would read it in the paper anyhow, so it's best to do it this way this morning.

We want to welcome our witnesses this morning. For those of us who have been around this table and our new members, we have an agenda that includes in this session of Parliament looking at the strategy we might use in repositioning ourselves in the livestock industry, in production, the management of that production, and certainly in the capacity to slaughter that production, given the circumstances of closed borders. We want to continue that this morning, and we have with us from the Canadian Food Inspection Agency, Krista Mountjoy, executive director, and Cameron Prince, executive director; from the Department of Agriculture and Agri-Food Canada, Gilles Lavoie, senior director general, operations, market, and industry services branch—certainly, Mr. Lavoie is no stranger to this committee—and from the Department of Finance, Brian Ernewein, director, tax legislation division, tax policy branch.

We allow the various participants a maximum of 10 minutes. Try to contain it within that 10 minutes. We will expect one from Finance, one from CFIA, and one from the department, not everyone here, but one person on behalf of each department speaking.

Mr. Lavoie, are you the one speaking first this morning? We give you your time, and following that we will have a question period where you'll be able to further espouse the kinds of things you have spoken about.

• (1120)

Mr. Gilles Lavoie (Senior Director General, Operations, Market and Industry Services Branch, Department of Agriculture and Agri-Food Canada): Thank you very much, Mr. Chairman. Indeed, I am pleased to be back before this committee to discuss this important issue. Congratulations to the new people we have here.

All Canadians will remember May 20, 2003. This is the date the first diagnosis of BSE in a Canadian cow was confirmed. We all know also that the Canadian cattle and beef industry is an export-oriented industry. Sixty per cent of its production is sold to clients outside Canada. Within a few hours the majority of foreign countries that had imported ruminants and certain ruminant products from Canada closed their borders. In response, governments have taken initiatives to maintain the industry infrastructure through assistance that to date amounts to \$2.5 billion, in addition to what is available under the Canadian agricultural income stabilization program.

Within 100 days of the discovery of BSE the U.S.A. reopened its borders to boneless beef. Such a decision was unprecedented and was a good indication that U.S.A. authorities recognized the high level of integration of the North American market and the quality of our food inspection system. The market, however, is still not functioning adequately, given the restrictions on the export of live cattle and the lack of access for important beef products. Following consultation with the industry and provinces, it was agreed that downsizing the industry would not be an appropriate response and that the best solution was to reduce the industry's dependence on export of live animals to the U.S.A. and to reposition the industry as a world leader in high-quality beef production.

A broad strategy to reposition the Canadian livestock industry and to ensure its long-term viability was developed in consultation with the industry and provinces and was announced on September 10. The strategy consists of the following elements: the continuation of our intensive effort to reopen the border; measures to facilitate investment and increase domestic slaughter capacity; measures to sustain the industry until domestic slaughter capacity is in line with the number of animals available to be slaughtered; and increasing the international market share of beef by restoring and expanding Canada's position as a premium beef exporter.

[Translation]

Reopening borders remains our top priority. To date, 44 countries have reopened their borders and our exports of beef are close to 90 per cent of what they were before the BSE crisis. But this is not enough. We are producing more beef than before because of the growth in the herd and we still cannot export live cattle and other ruminants.

It should be noted that imports are down 68 per cent in comparison to this time last year. We are maintaining continuous interventions with U.S. authorities and continue to press for the adoption of new rules for the import of ruminants from Canada. A Canada-Japan technical working group has been created to address on a priority basis any issue that may accelerate the reopening of the borders of that critical Asian market.

The minister visited Japan, Korea, China and Hong Kong last week. Officials of AAFC, CFIA and ITC are maintaining constant dialogue and efforts with all beef importing countries.

In recent years, Canada has exported in excess of 1 million head of cattle per year for slaughter, fattening and genetic improvement. In 2002, we exported 1.7 million head. All borders are still closed for live cattle, creating a significant surplus of cattle ready to slaughter. This surplus exerts downward pressure on prices even if there is enough demand for beef to absorb current supply.

The packers have responded by increasing slaughter. They are at 10,000 to 15,000 head above the previous five-year weekly average. Even with many months of these higher slaughter rates, it is estimated that there is a backlog of around 175,000 head of fed cattle ready to be slaughtered.

The lack of slaughter capacity has become a bottleneck in the industry. It is estimated, however, that this backlog will be eliminated before the end of 2005. To eliminate the accumulated surplus and reduce our dependence on exports of live cattle, an estimated slaughter capacity of around 100,000 head a week would be required. Currently, in the month of October we are slaughtering about 78 000 head a week. To help the industry achieve this objective, a loan loss reserve program is being established and the CFIA has requested additional resources to increase inspection activities and to streamline processes for facility reviews and for the approval of new plans.

● (1125)

[English]

The third part of the strategy is composed of four elements: a special advance payment of up \$100 a head for producers having ruminants in their inventory on December 23, 2003; a fed cattle set-aside program to delay the marketing of finished cattle in order to relieve pressure while additional start-up capacities are developed; a feeder calf set-aside program to delay the sale for slaughter of a portion of the calves born in 2004; and assistance in managing older animals by removing from the herd a proportion of animals of little or no market value.

The expansion of markets will be supported by many initiatives, and my colleagues from the agency will outline many of them. We will continue to support the Canada long-term development strategy of the beef export federation. The beef value chain round table is developing a comprehensive beef usage strategy and an international market access strategy.

Mr. Chairman, these are key elements of the comprehensive strategy to reposition Canada's livestock industry. It is based on our collective faith in the future of the industry and will require, obviously, the joint effort of all partners of the industry.

Thank you.

The Chair: Thank you, Mr. Lavoie.

Ms. Mountjoy, you are going to speak for the CFIA? Thank you.

Ms. Krista Mountjoy (Executive Director, Canadian Food Inspection Agency): Thank you, Mr. Chair.

It is a pleasure for the CFIA to be here to speak with the committee. As committee members are no doubt aware, the Canadian Food Inspection Agency, the agency responsible for food safety inspection activities and animal health programs in Canada, began implementing BSE safeguards in 1989, long before the disease was first detected in Canada last year. We have been recognized internationally, both for measures in place prior to May of 2003 and for our response to last year's crisis. Within weeks of the discovery of BSE in Canada the agency, with Health Canada, developed a nationwide program to require that specified risk material be removed from all animals slaughtered in Canada. This action keeps BSE from entering our food supply and is internationally recognized as the most effective measure that can be taken to protect public health from BSE.

Once food safety was protected, the government focused its attention on animal health safeguards. In January 2004 the Minister of Agriculture and Agri-Food announced enhancements to the CFIA surveillance and cattle identification programs. We intensified Canada's surveillance program in cooperation with the provinces and industry, working towards an annual target of 30,000 or more samples from the higher-risk cattle population in 2005 and beyond. We are on track to exceed Canada's 2004 surveillance target of 8,000 samples. To date 7,200 surveillance samples have been tested. We have launched a reimbursement and producer awareness program in support of increased surveillance activities, and we have invested more resources to ensure that cattle are properly identified throughout the system.

For eradicating BSE, feed controls are internationally recognized as critical. That is why on July 9 of this year the government announced that it intends to require the removal of bovine SRM from the animal feed chain. The CFIA is well advanced in the development of a specific regulatory proposal, which will be published in the *Canada Gazette*, part I, this fall. There is also a parallel federal-provincial-territorial process, under the leadership of Agriculture and Agri-Food Canada, that is developing solutions for the safe and efficient disposal of SRM that will no longer be eligible for animal feed.

[Translation]

That brings me to the September 10 repositioning Canada announcement and the CFIA's role. As indicated in the announcement, we are working to ensure that the CFIA has the resources to streamline the processes for reviewing facilities and approving new plants, and to handle the increased inspection activities that are needed to increase slaughter capacity. Federal and provincial governments will be working together to identify areas where the regulations can be streamlined, without compromising food safety, to allow expansion, or construction, to begin sooner.

Our work in this area is well under way. New technical expert positions will be created to focus on strengthening relationships with regulatory counterparts in foreign markets. The agency will accelerate and complete a review of its BSE import policy to ensure that it is consistent with the risk-based approach Canada is promoting in its efforts to open markets to Canadian products.

Finally, the CFIA will provide increased technical and regulatory capacity related to the recognition of Canada's regulatory systems, to clearly demonstrate the high standards of animal and public health in place, and to perform foreign country assessments.

[English]

Mr. Chairman, my colleagues and I will be pleased to answer your questions.

• (1130)

The Chair: Thank you, Ms. Mountjoy.

We will now go to Mr. Ernewein from the Department of Finance.

Mr. Brian Ernewein (Director, Tax Legislation Division, Tax Policy Branch, Department of Finance): Thank you, Mr. Chairman.

I'm happy to say that I'm able to turn my time back to the committee, with the programs in this regard being put forward and proposed to be administered by my colleagues from the department and agency already having been mentioned. I'm really here in case any tax questions should arise. They may not, but I'll remain at the table in case they should.

Thank you.

The Chair: That puts us in line to start our question period.

We will begin with Mr. Ritz for seven minutes.

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

I'll start with Mr. Ernewein. A lot of the animals out there that were put down due to the BSE traces and so on brought a one-year deferral on the tax implications from those valuable animals. Why will the department not consider a three-year average? It's a hardship for these folks to have to pay this back within one year.

Mr. Brian Ernewein: The first comment would be that it's not up to me to decide whether to do that or not. That's a question for the consideration of the Minister of Finance and the Government of Canada.

The second point is that this type of proposal I know has been mooted, but I'm not aware of its having been presented as a formal recommendation to the department.

I don't mean to skip lightly over the question. It's an important one, and it deserves some comment. On the question with respect to a tax deferral, there are a couple of elements I'd like to mention. First, Mr. Ritz, you may be well aware of this, but for everyone's benefit, I'd like to remind everyone that the reason tax deferral is of importance in this issue is that farmers already enjoy cash-basis accounting under the Income Tax Act. That is, to the extent they generate income from farming, they're able to defer their tax on that income by re-investing it in their farming operations.

• (1135)

Mr. Gerry Ritz: Not breeding stock, sir.

Mr. Brian Ernewein: There is some depreciation with respect to breeding stock, but generally, the cost of inventory or of other materials consumed, feed, etc., they're entitled to write off against the income generated in that year. I believe that deferral does create a greater tax liability at the time you stop re-investing, in other words, when you sell to get out of the business or cash out. The question is whether the tax issue created by deferral is solved by adding more deferral to it. That response does not seem to me necessarily self-evident.

Second, I would raise with the committee for its consideration what objective we're seeking to serve by creating a deferral. If I might suggest, I would not think it would be to enable those already planning to get out of the business to retire because they're of that age to get the windfall of paying that tax over a period of time. Putting those people aside, you have the question of those who would have otherwise stayed in the business who might be induced to get out of the business or to reduce their herd because of the deferral. That would seem to have an effect on the supply of cattle. It would increase supply and reduce demand, and incidentally, possibly shrink the industry. I don't know that to be an objective of the government or the preferred course of members of this committee, but I believe it might have that effect, and with that possible effect, there's a question as to whether or not it would be intended.

Mr. Gerry Ritz: Thank you.

Mr. Lavoie, in your presentation you talk glowingly about the \$2.5 billion in addition to CAIS that's been made available to producers out there. That's both the federal and provincial moneys lumped together?

Mr. Gilles Lavoie: Yes.

Mr. Gerry Ritz: Can you give us a thumbnail sketch of how much of that has been triggered? Last spring, when we had Agriculture officials before the committee, less than half of it had ever left Ottawa, and fewer than 25% of producers had signed up for CAIS at that point, because of the cash-on-deposit. There have been some changes made there. I had a couple of producers who sent in their cash-on-deposit requirement. Now the deadlines have been changed and less than one-third is required, and yet they cannot get a refund on the full amount they've put in. That's cash they desperately need. Why would your department hang on to money that rightfully belongs to the producers when you've arbitrarily changed the requirements? How do they get that money back?

Mr. Gilles Lavoie: For the CAIS situation, I believe I have a colleague, Mr. Chair, who may deal with that.

Mr. Danny Foster (Director General, Farm Income and Adaptation Policy, Department of Agriculture and Agri-Food Canada): My name is Danny Foster. I'm with the Department of Agriculture and Agri-Food, and I have appeared before this committee before discussing the CAIS program.

First, I think what Gilles was referring to with that money was in addition to what the CAIS program has paid out to date. The CAIS program is paying out for 2003 and 2004.

With respect to your comment about the one-third deposit, ministers have recently agreed to extend the one-third deposit only requirement under the CAIS program for the 2004 year as well as the 2003 year. Also, they have extended the deadline for that deposit to March 31, 2005. What the honourable member is referring to is the situation where the deposit requirement has been reduced, but there were some producers who put in the full deposit, so the money is sitting in the account. Unfortunately, with our federal-provincial agreements, we cannot legally allow producers to pull that money out. We are seeking an amendment to the Canadian and provincial implementation agreements to allow the producers to pull out all the money above the one-third deposit requirement. We're moving forward to put that in place as soon as possible. We need seven provinces, representing 50% of production, plus Canada, to sign the amending agreement. They're all aware of it, and we're moving forward to get that amendment in place.

Mr. Gerry Ritz: Would you also know....? I asked how much was triggered, of that money. As I said, last spring less than half of it had been allocated, and some of it has since been clawed back. A lot of the other programs that have been topped up through CAIS are merely an advance on your advance and are not over and above other programs. A lot of producers out there don't realize that. They seem to think there have been three or four different...and it's been marketed that way by the minister and his minions, that this is all extra money. It is not, sir. It's coming out of the same wallet.

Mr. Danny Foster: We have put in place a number of programs over the last couple of years—the BSE recovery program, for one, and the cull animal program—and in March the minister announced the transitional—

Mr. Gerry Ritz: But it's not new money. That's my point.

Mr. Danny Foster: But the money has gone out over the last year. In fact, we just sent out 80,000 cheques to producers under the transitional industry support program, raising the payment per head from \$56 to \$80. That was the announcement that took place in March.

Mr. Gerry Ritz: A year ago.

Mr. Danny Foster: It took place in March of 2004, as a matter of fact.

So the initial payment went out. We got all the applications. The deadline was July 31. We've just issued to those cattle producers and producers of other ruminants the final payment to bring them up to, for the cattle producers, the full \$80 per head. That money has gone out.

Mr. Gerry Ritz: Okay. Can you—

The Chair: Thank you, Mr. Ritz.

I would ask you to stay at the table, Mr. Foster. You may want to pick up on this later, but basically, Mr. Foster, what you've just said is that those cheques have gone out. The farmers can expect those cheques in the next ten days.

Mr. Danny Foster: They were issued in the mail on October 15.

The Chair: Directly to the farmers?

Mr. Danny Foster: Yes.

The Chair: Okay.

The next person would be Ms. Poirier-Rivard. Would you care to begin your line of questioning, for seven minutes.

• (1140)

[*Translation*]

Ms. Denise Poirier-Rivard (Châteauguay—Saint-Constant, BQ): Quebec steer producers have, since the spring, been deducting \$10 for slaughtered steer in order to fund a slaughter and processing project. What is the tax treatment of these deductions?

I haven't seen anything for cull cows. Can you tell me what there will be to provide assistance to dairy producers with cull cows?

Mr. Gilles Lavoie: My colleague from finance will probably answer the first part of your question. I can start with the second part dealing with cull cows.

As I mentioned very briefly, among the four programs for the repositioning phase, there is the set-aside program to delay the slaughter of finished cattle, feeder calves and cull cows. It is a matter of disposing of the accumulated surplus so that these cows are slaughtered humanely and in a way that respects the environment. That is an important aspect.

Quebec and the dairy producers of Canada have asked for further negotiations on the details of these programs. They are underway. A committee with our department and the dairy producers of Canada was set up following a meeting they had with Mr. Mitchell last week. The committee has already met twice. Further talks will take place tomorrow. Mr. Mitchell also had a conversation with Ms. Gauthier yesterday in which this particular issue was raised. Discussions are still continuing about the cull cows.

Ms. Denise Poirier-Rivard: Have any measures been taken? They have had meetings, but did they reach an agreement?

Mr. Gilles Lavoie: No. No details have yet been announced. As you know, the dairy producers of Canada submitted a certain number of proposals. There has been talk, for example, of setting a minimum price. They also asked to have a direct subsidy. They are also examining the provisions for slaughter, as contained in the program. It is a matter of determining how all of this will be tied together, taking into account the particular situation in terms of income level and the need to dispose of these animals, in view of the particular slaughter structure in this sector, particularly in Quebec.

Ms. Denise Poirier-Rivard: When you talk about a minimum price, are you talking about a floor price?

Mr. Gilles Lavoie: That is what the UPA and the dairy producers would like to set as a floor price.

Ms. Denise Poirier-Rivard: And what about the \$10 per head investment?

[English]

Mr. Brian Ernewein: Thank you. I apologize for missing that aspect of the question earlier.

I don't know that it's been considered specifically by our colleagues at the Canada Revenue Agency in terms of its tax effects. As a general matter, though, compensation and replacement for the proceeds of sale of inventory, which would ordinarily be included in income from a business, in those circumstances would be treated in the same way. It would be taken into account in computing your income for tax purposes. That is subject to a special exception, but I'm not aware of one in this instance.

The Chair: You have three minutes left.

[Translation]

Ms. Denise Poirier-Rivard: You are saying then that no measure has been taken for the tax treatment of these deductions of \$10 per head. I don't understand. Would you be kind enough to explain it to me in greater detail?

[English]

Mr. Brian Ernewein: I'll certainly try. I was simply observing what the general rules in the tax system are. I'm not aware of any special exceptions to those tax rules, so it would seem to me they would apply.

If I understand the program correctly, it's to provide, in part, compensation for the animals. That compensation would be treated in the same manner as ordinary sale proceeds—that is, taken into account in computing income. It would be part of the revenue against which expenses would be claimed to calculate taxable income.

•(1145)

[Translation]

Ms. Denise Poirier-Rivard: Thank you.

[English]

The Chair: Thanks for the clarification.

I don't know whether I can add anything to that, other than I think it would be treated as other income for tax purposes, against which expenses would be claimed.

We have a couple of minutes left, Mr. Gaudet, if you want to ask a question.

[Translation]

Mr. Roger Gaudet: I have trouble understanding why nothing concrete is being done about cull cows. Measures were taken for western beef and I am in full agreement with that. But why has there been no direct program for cull cows? Or if there has, you didn't make any reference to it in your opening remarks and we don't see anything about it in this morning's text on monitoring for BSE.

The fact is that Quebec produces 50% of Canada's milk. So I imagine that it must be quite important. As recently as yesterday, there were people who sold 800 or 1,000-pound cows at 7¢ a cow. We are talking about 1,000 pounds of meat not at 7¢ a pound but at

7¢ a cow. That is a serious problem and the government is doing nothing to solve it.

Mr. Gilles Lavoie: Mr. Chairman, cows and steers were eligible as of last June for the program announced on June 17, 2003, the BSE Recovery Program for steers, heifers, calves and cows. Sheep and other ruminants were also eligible for the program.

Then there was the program announced in November, the Cull Animal Program, restricted to old animals. They were already eligible under CAIS, the Canadian Agricultural Income Stabilization Program. So some things have already been done.

Moreover, in the announcement made by Mr. Mitchell last September 10, there was a provision for older animals and as I said, we are continuing our discussions, particularly with the Dairy Producers of Canada and people from the Department of Agriculture, Fishery and Food of Quebec, to finalize the details of the program.

Mr. Roger Gaudet: I understand that you have been doing this since September 10 but the problems have been in existence for a much longer time. Producers in my constituency who used to sell their calves for \$1,000 or \$1,200 for the meat are now selling them for \$150. For example, yesterday, in Lac-Saint-Jean, they sold cows for 7¢, which is not very profitable. I cannot understand why you have not yet established a specific program for these producers. I'm wondering whether you have decided that Quebec can wait while you are looking after the other ones. In any case, I'm very disappointed.

Mr. Gilles Lavoie: Quebec has approximately 40 per cent of the dairy cows in Canada and 4.5 per cent of the beef cows. The market problem does not only affect dairy cows, it also affects beef cows. We have 5.3 million beef cows in Canada and one million dairy cows. The western market for beef cows or dairy cows is not much stronger than the eastern one. One of the reasons for this is that between 8,000 and 9,000 heads of cattle are slaughtered every week in Canada. The borders are still closed for meat from animals of more than 30 months so that the disposal of this meat is limited for the time being to the domestic market. This of course creates a sizeable surplus of animals in relation to our capacity.

[English]

The Chair: We move then to Mr. Kilgour.

Hon. David Kilgour: Thank you, Mr. Chair. On Saturday about 125 of us from Saskatchewan and Alberta drove through the snow to a recreation centre in Innisfree, and we spent the day talking about some of the issues that we've been hearing about this morning, and there was quite a different tone at the meeting.

If I may, I will just refer to what one or two of the people said and invite comments from the relevant agencies, sir. The moderator, Don Hill, who has a daily talk show province-wide in Alberta for CBC, started by saying that the producers are experiencing "catastrophe and nobody seems to care".

I would just refer, as I say, to one or two witnesses. Doug Livingstone, who is a former president of the Alberta Wheat Pool and a highly respected rancher-farmer said, "I'm going broke. I am spending more than I am making for the past 16 months." He told us he recently sold a 2,200-pound bull for \$300. On CAIS, which we've heard something about this morning, he said, and I'm quoting from my notes, "It does not deliver and the measures intended to improve it are making it worse.... Six months ago we applied under CAIS, and nothing has been heard from CAIS."

"The financial institutions", he went on, are now "very nervous and will not continue to support us. January of 2005 is the crunch. In northwest Alberta we had the drought in 2002, the BSE in 2003, and 2004 will be the hardest year in history."

The Canadian Food Inspection Agency was described by this highly respected producer as "nitpicking the ranch and beef packing plant at Salmon Arm, B.C. and it's now operating...." And I must say there were a number of other complaints about CFI as being overly bureaucratic and unhelpful as well. The greatest need is for plants to process animals over 30-months.

Sir, I have one other point, and then I'll invite comments from any who would like to comment. A consulting economist from Calgary, who drove through the snow as well for three or four hours.... By his calculations the sector losses to date from BSE include...and he said, "The cow-calf operators have had an equity loss of about \$3 billion." This is prairie Canada I'm talking about. The direct losses to the industry as of last fall he estimated at approximately \$5 billion. The meat sale losses to the end of August were approximately one billion. The live cattle losses to the end of August were approximately \$2.5 billion. The regional losses to restaurants, gas stations, and all the people who depend on the industry were, he said, about \$700 million.

In Manitoba, the Dauphin and Interlake districts, as members know here, are the hardest hit. Suicide rates are up in that part of Manitoba, he told us. The industry is dead in Interlake, Manitoba, and the Dauphin area. In Saskatchewan, Meadow Lake has been hit extremely hard. In Alberta of course it is Lethbridge, Athabasca, Fort McLeod, and the northeast that have been the hardest hit. Bankruptcy rates, the economist told us, will soar in the coming year.

He also talked about this aid package that's been announced in Calgary. He said, "The aid package, including the set-aside feature, presuppose that the U.S. border will open soon. If it opens tomorrow the implication for our meat sales would be small because they are"—as was pointed out by Mr. Lavoie—"near capacity. If live cattle are permitted to enter the U.S. it will probably only be for ones under 30 months."

Again, since my time is probably going fast, I'd invite comments from anybody who would care to make a comment on any of the things these people—

• (1150)

The Chair: You may share your time as ever you wish, but there are three minutes left.

Mr. Gilles Lavoie: Mr. Chairman, the set-aside program for feed cattle has been announced for 15 months and will end at the end of December 2005. You will have noted also that in the communiqué it

was indicated that in the early fall we will sit down with the industry and provinces to assess what has been done, to evaluate the program, and to see if it has achieved its objective and if there is something else to be done. It is there.

The feeder-calf program is for the 2004 crop. It's \$200 a head. It will be perfectly welcome for the people you have mentioned in some areas of Manitoba and Saskatchewan, where they have a good proportion of cow-calf producers. That will be regional, under the feeder calves.

Hon. David Kilgour: Just on that \$200 you mentioned, Mr. Lavoie, one of the reasons the financial communities will not touch new packing facilities, which we badly need, is this \$200-a-head.... They point out that the announcement of this program increased the price of cattle on a per head basis by \$200. For a slaughter plant, this would have increased cattle acquisition costs by about \$1 million a week. In other words, this program has been an active deterrent to building new slaughter capacity in prairie Canada—and I know Quebec needs it and maritime Canada needs it. But this program has been exactly contrary to what we want to do, which is to achieve more packing capacity.

• (1155)

Mr. Gilles Lavoie: I cannot agree with that. Since the program is not yet implemented, I don't think it is possible to attribute to it a movement in prices. It is paid on the 2004 calf crop. Those are not cattle ready to go to the market in terms of finished cattle; it is a transaction between the feedlot operators and the cow-calf producers. That may be influenced, because if you have an animal in the program, you cannot sell it for slaughter before a given date, before the end of 2005. Yes, it may affect the prices paid between farmers for this particular animal.

The Chair: Does anyone else want to jump in here quickly for 30 seconds?

Mr. Cameron Prince (Executive Director, Canadian Food Inspection Agency): Yes, I just want to respond to the reference to the plant that is trying to become registered in Salmon Arm. I think this is indicative of what my colleague, Ms. Mountjoy, has referred to, where CFIA is trying very hard to work with prospective plant owners, those who are building new plants. We've established a team to work with these folks to see that these plant approvals can be expedited.

In certain cases, we are finding that people have had plans that go back many, many years and have brought up some old ideas and submitted them to us. What we've found in those cases is that some of the standards have changed, and there are new materials available and so on. So we're working very closely with these companies to ensure that we can get these plants registered as quickly as possible. We've established a team specifically to do that.

And on the plant that was mentioned, we are working very closely with them to get them on stream as quickly as possible.

Thank you.

The Chair: Thank you, Mr. Prince.

We'll move then to Mr. Angus, for seven minutes.

Mr. Charlie Angus: Thank you.

I would like to start off with the issue of CAIS, because we're hearing a lot about how great it's doing. What I'm seeing from people in my riding is that they're coming to me.... A man the other morning, who has a thousand head, mostly stockers, has a blanket letter saying, "Sorry, you do not qualify".

We have been phoning about these cases. We're told that it's a computer glitch and that we should get them to reapply. The problem is he doesn't have the money to pay for his heating bill at the end of the month. This is an operation of a couple of million dollars, and this is the level he's at now. When I saw him, there was extreme stress on his face. So I'm going to say, "Well, maybe it's a computer glitch; we should just reapply."

The question I have is, how many computer glitches are there going out across rural Canada right now? Secondly, if he does have to reapply, how long is he going to wait before he actually sees CAIS money—because he paid into CAIS?

Mr. Danny Foster: First off, I do not understand the comment about "reapply". It was probably referring to an appeal process the producer should go through if he didn't qualify.

I can tell the committee that we have done the analysis for cattle producers who have applied under the CAIS program in the provinces where the federal government delivers. There are six provinces—B.C., Saskatchewan, Manitoba, New Brunswick, Nova Scotia, and Newfoundland—and 70% of cattle producers are triggering benefit payments under the CAIS program. Those other 30% that aren't triggering payments aren't triggering for a variety of reasons. Either their sales took place before May 2003—and we're talking about the 2003 stabilization year—they have other farm income....

Again, CAIS is a whole farm program; it's not just your cattle losses that are taken into account. We look at the revenue or the income from the whole operation. If you have a grain operation and—this is nice to say at this point—you had a good year from your grain sales, that will offset your cattle losses in terms of the program benefits.

The other mitigating factor was that the BSE recovery program payments that were made in 2003 do count as farm income for the CAIS program. As Mr. Ritz had indicated, that will reduce the producer's benefits as well. It's counted as farm income under the 2003 program.

So cattle producers are triggering payments under CAIS. As I said, it's about 70% of producers. Among the larger producers it's much higher: 75% to 100% of the larger producers are triggering payments under CAIS. Now, that's based on an analysis of 15,000 applications processed to date in those six federal delivery provinces.

With respect to the individual's specific complaint, yes, we do have an appeal process. It's a matter of getting the appeal in as quickly as possible. We are in the process of setting up the committees, and I can't give you a definitive date on when that appeal will be heard. There's still some work to be done in terms of establishing the process.

What we can do, though, is have the administration look at the file. It doesn't necessarily have to go to appeal. If the administration looks at the producer's specific situation and says yes, we've made a mistake, then they don't have to send that to appeal. They have the right to recalculate the producer's benefit. But there is a process for the producer to contact the administration and to go over the numbers in the calculations.

• (1200)

Mr. Charlie Angus: I'd like to stay on this but I don't have much time.

I would like to follow up on what my colleagues from the Bloc have been asking about cull cows in terms of slaughter capacity. Right now they are dependent, basically, on one plant, and they're getting paid nothing of what those animals are worth. Being that there is not going to be any reasonable chance that this new regional capacity is going to address that issue by the end of 2005—call me a pessimist—there's been talk about a floor price. Will there be a guaranteed floor price in place soon for cull cows?

Mr. Gilles Lavoie: As I mentioned, this is one option that has been suggested by the Dairy Farmers of Canada and by UPA in Quebec in particular, and that is supported by Madame Gauthier. But no, our minister has made no commitment I'm aware of. We have said we will look at all options, but he has not committed himself in favour of or against any option.

Mr. Charlie Angus: Well, that answers that then.

Ms. Mountjoy, in terms of your role, I understand there's, what, between 70,000 and 300,000 spent cows that will be taken out of the system. They will be rendered and fed back into the food system. We had the story coming out from the CBC about the cross-contamination from our BSE cow, the cross-contamination that was getting into cattle.

What I'm hearing from producers is that they are very, very, very worried. They will do anything they can to ensure the safety of their food supply. But meanwhile we're going to be taking 300,000 spent cows, feeding them back into the food supply, and then trying to tell Britain, Denmark, and the rest of the world, where they've already dealt with this and dealt with it because they had continual BSE contamination, to buy our meat. I just don't understand how we're going to convince anybody to buy Canadian meat as long as this policy is in place.

Ms. Krista Mountjoy: With your permission, Mr. Chair, I'd like to ask my colleague Mr. Lavoie to respond to that question first. Then we can speak to the CFIA participation if need be.

Mr. Gilles Lavoie: Under the program, we said that these animals that are going to be accepted in the program have to be disposed of in a humane way in terms of the way they are going to be slaughtered. They have to be slaughtered in the presence of a competent person, like a veterinarian, for example, to be sure that everything is okay. The carcass has to be disposed of in accordance with governmental regulations. In some provinces, for example, it could be buried. In most provinces this is not an option; it will have to go to rendering. Hopefully, the skin will be taken off in order for them to recapture some value there. If it goes to rendering, the rendering will follow the current rules in terms of what is possible or not possible in its entering the feed chain.

My colleague from CFIA may remind us what are the rules.

Ms. Krista Mountjoy: At this point in time, I think as many honourable members of the committee know, there are specific regulations in place with respect to the prohibition against feeding to cattle in this country any animal feed such as bone meal that contains bovine ruminant material in it. We're also seeking to improve or enhance those regulatory requirements through consideration of a ban on SRM in feed.

I have a colleague here who can speak further to that if committee members are interested in pursuing that line of questioning.

• (1205)

The Chair: Is there someone else who can shed further light on that question?

Ms. Krista Mountjoy: Yes, I have a colleague, Billy Hewett.

The Chair: Would you bring him to the table? I know that our time has expired, but I think the question merits further clarification.

Ms. Krista Mountjoy: Thank you, Mr. Chairman.

The Chair: I know your name has been mentioned, but could you identify yourself first?

Mr. Billy Hewett (Director, Policy, International Affairs, Canadian Food Inspection Agency): My name is Billy Hewett, from the Canadian Food Inspection Agency.

As has already been mentioned, we have an existing feed ban with regulations in place that requires that ruminant animal proteins do not get fed back to cattle.

Mr. Charlie Angus: But they do. For the BSE cow, weren't there 17% of the farms where there was likely contamination from that?

Mr. Billy Hewett: Recognizing that there is a possibility of some level of cross-contamination in the production and handling system or some inadvertent or otherwise mishandling of the prohibited feeds on farms with mixed livestock species, we are moving forward to develop and will be publishing in the *Canada Gazette*, part I, this fall proposed regulations to require the removal and redirection of specified risk materials—dead stock and downer cattle—from the entire animal feed chain in order to address that possibility of cross-contamination. That's what we're attempting to do, generically speaking, to enhance and further strengthen the feed ban.

In terms of the overall situation today, we do believe that the prevalence of BSE in the country is quite low. We believe that international experience has told us that even an imperfect feed ban will have a significant effect in terms of limiting any further spread of the disease.

In terms of the specifics around the cull animal program, which is not yet in place and is still under development, one of the considerations that is being looked at is, what is the most appropriate and effective means of disposing of those animals? I'm not aware personally of what the situation is in each province that would be participating. What would be the acceptable disposal method in that province?

The Chair: We must move on to another questioner.

I think on that particular question we may want, on the part of others questioned today, further expansion of that because I think

there needs to be total clarity today as to what we are saying in terms of what is being said in the gazetting this fall. Are we saying outright banning of all ruminant product in any animal feed—I guess that's one of the questions—whatever that is?

Let's move on to Mr. Anderson for five minutes.

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

I see Mr. Kilgour is gone, but I do want to let him know that the beef industry in the Interlake area is not dead. Our former colleague Howard Hilstrom ranches there. My colleague sitting beside me says he's been hurt but his pulse is still going.

I'd like to go back to CAIS a bit. You've mentioned that 70% of the smaller producers are triggering payments. What's the average payout?

Mr. Danny Foster: It varies by range. Overall the average payout is \$13,000, but I can give you an example. If we look at producers with between 250 and 500 head, the average payout is \$43,000. So it depends on the size of the operation.

Obviously we have a lot more small producers than large producers. For producers over \$500 per head, the average payout is \$120,000.

Mr. David Anderson: What is it for people with 50 to 100 head?

Mr. Danny Foster: We don't have it broken down there. We have 11 to 100 head, and it's \$11,000.

Mr. David Anderson: I don't know where it's going, but the producers I'm talking to aren't part of that 70%, and consistently, ranchers are telling me they are not included in there.

I guess I still have the fear that a large amount of this money is going to go to a small number of producers. I'm surprised you would use the figure 70%.

• (1210)

Mr. Danny Foster: I just want to reiterate that this is the first 15,000 applications that we've processed that have come through for the six federal delivery provinces. That's what those results reflect.

Mr. David Anderson: Would those be, in your opinion, the average producer or those people who were desperate and were able to get those applications in earlier?

Mr. Danny Foster: I think it would be the average producer. I've been in this game a long time in terms of delivering programs and we still get a lot of our applications at the filing deadline, which has been extended to November 30.

As of today we have just over half of the applications in the door for the 2003 program year.

That's a fairly significant number, over 15,000 producers, so I think that's probably representative of what the final numbers will look like.

Mr. David Anderson: Can you just tell me what the anticipated CAIS administration costs are over the next three years?

Mr. Danny Foster: I couldn't tell you for over the next three years. I know we had a commitment—I believe it was actually former Minister Vanclief who had committed to targeting around \$500 per file for the CAIS administration. I can't tell you where we are today. I know we have another standing committee scheduled for next week on CAIS and we can come back with that number.

Mr. David Anderson: I'd like to have that. I think that's totally unrealistic.

I just want to talk to CFIA a bit. One of our primary problems is culled cows and their surplus. You were moving to a national standard for packing plants prior to BSE being developed, and it's pretty obvious that the smaller plants are going to be forced out of business. I'm not sure you've moved away from that, but I want to ask you, you have lots of plants out there that are running on a provincial basis. Have you taken a serious look at all with this emergency situation at utilizing the provincial plants, with increased inspections perhaps, in order to move some of that culled animal into the marketplace?

Mr. Cameron Prince: Yes, we are looking at that and it's part of this whole exercise. In order to export interprovincially and export from Canada, a plant must be federally registered.

Hon. David Anderson: Could you stay with the domestic on that, please, because that's our situation right now.

Mr. Cameron Prince: Okay.

Some of these provincial plants may be in a position to move to federal status. That would require them to apply. It may require some construction and renovation...yes, paving the parking lots.

Hon. David Anderson: It's ridiculous.

Mr. Cameron Prince: We are looking at some of these standards. One of the points that has been raised is that some applicants feel that some of the standards may be too prescriptive. That's part of this exercise. We're going to look to what we might call a more outcome-based approach rather than being very prescriptive in terms of, say, the construction of a wall or a drain or whatever it might be, that we would say, "The floor must drain appropriately", that kind of approach. That cannot happen overnight; it's going to take a little bit of time. Of course we cannot lower health and safety standards. We must maintain those.

In relation to provincial plants, I guess my first response would be that some of these provincial plants would eventually, with some work, meet federal standards.

I think another part of what you're asking has to do with what we call the national meat code. This is an exercise that has been ongoing for the past number of years—at least five years—where the provinces and the federal government are negotiating and have come up with a standard code for meat processing plants. Not all provinces have agreed to this as yet, so we are still working on it to see where we can come out in terms of a national meat code that all can agree with.

Mr. David Anderson: That's all fine and well if you have a normal situation. You have an emergency situation here, a massive number of people who are going broke. You're 18 to 20 months into this situation and you still haven't moved on a simple issue such as getting provincial packing plants, a majority of them, on line and

being able to move the main backlog in our system, which is cull cows. Then we have people bringing beef in because they say they can't get a supply of it.

You have a solution in your hands. It's time to address that and time to move. If you have to put inspectors in those plants, do it. But let's get that beef moving through the system.

The Chair: Just a quick response, please.

• (1215)

Mr. Cameron Prince: I can say, in the simplest of terms, we are moving very quickly on these things. We have made arrangements for additional staff. As I said, we have put together a team so that if anyone applies for registration, we have people ready to move very quickly on them.

The Chair: Just to be clear that there will be time, I want to make sure all members get a chance, and once we've done that, there will be the opportunity to revisit some of the earlier questions.

Ms. Ur, please, for five minutes.

Mrs. Rose-Marie Ur: Thank you for your presentation.

Last Sunday on CBC, *Country Canadian* a most interesting article. It was a report on U.S. action in the wake of the BSE found in Washington State. It stated that according to the USDA's own internal records, the department failed to test BSE-suspected cases in California in July 2002, another in Georgia on July 23, 2003, and then in Wisconsin. During 2002 and 2003, the USDA failed to test nearly 500 BSE-suspected cows.

Were officials in either the CFIA or Ag Canada ever aware of this situation? What indication would the witnesses draw from a situation in which cows suspected of BSE were not tested?

Also, in this same program Ann Veneman, U.S. Secretary of Agriculture, indicated that the border issue would possibly be resolved based on work being done in the United States. She went on to say, "We propose legislation or regulations to open the border and we expect we will complete that process in the near future". We've been hearing that since June 2003.

Do those regulations include inspection of possibly infected cows? If so, how would the witnesses relate to U.S. demands compared with U.S. actions with regard to the 500 untested suspected cattle? Are Canadians being asked to meet standards that the U.S. doesn't meet itself?

Ms. Mountjoy indicated the 30,000 figure, so where are we at here? It's time for us to step up to the plate and stand up for our farmers.

Ms. Krista Mountjoy: Mr. Chair, I will respond to the first of the honourable member's questions. Perhaps Mr. Lavoie may want to respond to the latter question around the border opening.

With respect to the surveillance programs, both Canada and the U.S. are attempting to achieve increased surveillance objectives, where we're targeting the higher-risk cattle populations. As I mentioned in my opening remarks, we in Canada are looking at a national surveillance program targeted at 8,000 for this year, which we are expected to surpass, targeting four-D cattle—diseased, dying, dead, downers—and we're ramping up to achieve 30,000 or more samples in calendar year 2005 here.

Mrs. Rose-Marie Ur: I'm aware of all that. But I'd like the answer to what I said.

Ms. Krista Mountjoy: The U.S. has similar surveillance objectives. I think their objective is to ramp up to have in hand and tested 265 surveillance samples, with similar surveillance goals with respect to estimating the prevalence of the disease in both countries.

All that is to say both countries, at senior official levels, are very committed to achieving the objectives of the programs. You've mentioned some instances. I suppose from time to time there are some situations that occur. Our understanding from our conversations with senior U.S. officials is that not only are they equally committed to achieving the objectives of their surveillance programs, but they're also committed to taking corrective action where it needs to be taken. It's not in either Canada's or the U.S.'s best interest to arrive at the end of the day with a surveillance program that doesn't stand up to the stated objectives.

Mrs. Rose-Marie Ur: I would encourage CFIA to get a copy of that and watch it. It was most interesting to see.

It has been indicated that more slaughter facilities are needed. Has there been an inventory or assessment done as to the number we have and at what capacity they are working at the present time in any of the provinces that have the facilities?

Ms. Krista Mountjoy: I can begin to speak to that, and perhaps my colleague Cameron Prince will respond, or Mr. Lavoie. We've been working very closely through the beef value chain round table with individual companies and certainly with provinces to determine where we have existing plants, what are their plans for ramping up for additional capacity, and where there are new plants coming on-line. It will be very important for the CFIA to be ready to respond not only with veterinarians and inspectors to address the regulatory inspection requirements, but also, as my colleague Mr. Prince has mentioned, to expedite the approval processes for the plants applying for federal registration.

Mr. Lavoie.

• (1220)

Mr. Gilles Lavoie: At the moment, as I mentioned, the average slaughter so far in October is around 78,000 head a week. Before the crisis we were slaughtering around 65,000 to 66,000 in federally inspected plants, plus 2,500 to 3,000 under provincial inspection plants. The 78,000 is the total, both federally and provincially inspected. It's already a significant increase. The forecast is that we will reach close to 85,000 before the end of December.

There are some additional plants coming in, for example, in Moose Jaw, and Colbex—Levinoff—in Quebec, that are adding capacity as well. By the middle of next week, we believe it will be around 90,000, based on the projects we know they have. They are

more or less okay to go in terms of their lending and the money they need, and so on. There will be additional projects—that has been mentioned before—those that are in the pipeline that may well not have received all the credit they need to proceed.

It is going up, and that's why in the opening remarks I mentioned fed cattle, not the non-fed. I agree with the members that the non-fed is a more difficult issue to solve, but in terms of fed cattle, we believe by the end of 2005 we will have enough slaughter capacity to handle what we produce.

The Chair: Okay, our time has expired.

Madame Rivard.

[*Translation*]

Ms. Denise Poirier-Rivard: Mr. Chairman, in January 2004, the federal government announced a program for monitoring and traceability of BSE. We know that Quebec was well ahead of Canada when it comes to animal health monitoring.

Do you intend to apply the model of the Quebec program to all of Canada, or will you be dividing Canada into several health regions, thus avoiding the situation where Quebec could be affected by a crisis brought upon by a single cow discovered thousands of kilometres away?

[*English*]

Mr. Cameron Prince: I will begin to answer that question with respect to the zoning. If the questioning becomes more detailed, I may ask a colleague, Dr. Baker, to elaborate.

The concept of zoning is accepted by the OIE, the international body for animal health, sanctioned by the WHO. There is consideration of zoning. There are proposals on the table. However, we are not in a position yet, because this takes extensive consultation with all stakeholders, to make decisions on zoning, where the lines would be, what the criteria would be. This is something that will take some time to review.

Hence, with respect to the Quebec model for surveillance, Quebec has been extremely successful in their efforts to collect samples, and that has been a real success story. There are certain circumstances in Quebec that lend themselves to the surveillance program that are not duplicated in other parts of the country. As much as we would like to follow that model, we may not be able to in all provinces, given the geography and the concentration of the industry.

The Chair: Thank you.

Does anyone else want to respond to that?

Ms. Rivard.

[*Translation*]

Ms. Denise Poirier-Rivard: You realize that it may not be applicable, but Quebec was nonetheless penalized because of this mad cow crisis. I can understand your problem about zoning, but it is also clear to me that all our producers are penalized.

I'd like to know what percentage of the BSE 5 program has been attributed to Quebec and to Alberta.

Mr. Gilles Lavoie: Mr. Chairman, I want to add something on zoning. We are not aware of any country in the world having succeeded in recognizing BSE zones. Obviously, it works quite well for some diseases, such as avian flu. As we saw recently in British Columbia, many countries recognized that the disease was limited to British Columbia, and other provinces were able to continue exporting abroad. However, in the case of BSE, the way the disease can be transmitted is such that it is extremely difficult to control. Given that the disease has an incubation period of four to six years, and that it may be transmitted through feed, that would mean controlling the sale of feed for a very long period of time. Most countries do not have the type of system in place to meet such a need.

Madam, are you asking for data on the first or most recent program for Alberta and Quebec?

• (1225)

Ms. Denise Poirier-Rivard: For BSE 5. I would like to know what percentage of the program went to Quebec and to Alberta.

Mr. Gilles Lavoie: I do not have that information here, but it was on request. I do not think that there was a preallocation by province, but we will get you the information.

Ms. Denise Poirier-Rivard: Thank you.

[English]

The Chair: That's it for now.

Monsieur Drouin.

[Translation]

Hon. Claude Drouin (Beauce, Lib.): Thank you very much, Mr. Chairman.

I want to thank the witnesses for coming this morning to help us by providing some explanations. Perhaps together, we can come up with some solutions to help our agricultural industry, which is facing some very difficult times. I would like to come back to some points that were raised by my colleagues.

Mr. Lavoie, you have answered this question twice. Our minister has not announced a decision on a minimum price. However, without getting you into hot water, I would like to know if this is something we could consider to enable our agricultural industry to make it through crises like this one, where producers got nothing for their products and consumers didn't see any difference in the stores.

If we had a minimum price, we could ensure that our industry would be more viable and that consumers would get good value for money. Otherwise, they are penalized twice. There is something wrong if governments have to help producers because prices collapse, while at the same time, consumers pay the same price for the product. I would like to hear your opinion on the possibility of setting a minimum price, but I do not want to get you in hot water. I do understand if you cannot answer my question.

Mr. Gilles Lavoie: Mr. Chairman, the issue was raised and studied last spring at at least two meetings of the Round Table on Beef. Many producers wanted to know if that option was a possibility.

People examined the legal aspects of such an operation, should governments respond favourably to a request like that. The conclusion that was generally accepted is that the provinces, under their legislation on the marketing of agricultural products, can establish marketing boards that could be mandated to or have the authority to establish or negotiate prices. For that to work on a national scale, there would obviously have to be an agreement negotiated among the provinces. At the meeting held in June, the industry concluded that, given the complexity of the operation, it did not want to retain that option. That was at one meeting of the Round Table on Beef only. Dairy producers are represented around that table, but they are clearly not in the majority.

As I mentioned earlier, the dairy producers continue to believe that despite the situation that option must be maintained.

In terms of setting the price, to whom and to what should we compare ourselves? Should our point of reference be the United States? We are currently not exporting to the U.S. Should we compare ourselves to other countries that export animal products of that type to Canada, like Australia, New Zealand, or Uruguay? These questions were also asked but were not completely answered. If there were a floor, how should we set it, on what basis?

Hon. Claude Drouin: Thank you. In your presentation, you said that to date, 44 countries have reopened their borders and our exports are close to 90 % of what they were prior to May 2003. You also said that at the same time, imports are down 68 %. In the most recent announcement by our minister, the honourable Andy Mitchell, we implemented a slaughter assistance program. I have some concerns. Lots of projects are cropping up. The industry wants to take the reins and come up with ways of resolving this situation once in for all, to avoid having to depend too much on foreign slaughter capacity. In our case, we depend on the US. You say that by 2005, we should be able to eliminate the overcapacity of animals that need to be slaughtered. People are currently investing time and money to get that underway. I wonder if we could clarify the situation so that these people are not disappointed, first of all, and so that they do not lose money, second of all. What kind of assistance should be provided? To whom should it be provided? I think we need to clarify that quickly to ensure that we are being fair to producers and the population in general.

With respect to testing, maybe it is too late now, but in a crisis like this, if one of the two levels of government, either the federal or the provincial government, with people from the agricultural sector, had paid for those tests, it could have been possible to secure slaughter and probably reduce the impact on costs that resulted from losses due to a drop in price. So I wonder if we could set up a system. Perhaps I am dreaming in colour, but instead of investing a lot of money into other programs to help producers get through this major crisis, we could have made it possible to do the testing, share the costs and keep prices at a reasonable level.

• (1230)

[English]

The Chair: If I may, you're over your time, so if you want a response.... I'm sorry, but we have to be fair here.

[Translation]

Hon. Claude Drouin: I am going to ask for an answer to my question, Mr. Chairman.

[English]

The Chair: Let's have a quick response to the question.

I think he was giving you some guidance while giving you a question.

[Translation]

Mr. Gilles Lavoie: Thank you Mr. Chairman. As regards the loan loss reserve program, it was developed so that the decisions that are made are business decisions. People with a good project present it to a lending institution or another organization, so that these solid projects have a real chance of continuing to operate and make a profit when the borders reopen. We do not want projects that will only last a few months before disappearing. It must be something very solid. That is why we are not intervening directly in the choice of project that will receive a loan and those will not. It is a private agreement between a lender and the borrower.

As regards testing, some provinces provided assistance. The agency also recently announced assistance to meet the objective of testing 30,000 heads. I think your question was more whether or not we should be testing all animals slaughtered. That option was not retained, nor was it recommended it by the International Office of Epizootics. The tests that are conducted are designed to evaluate the quality of the monitoring programs and not meat safety. So we want to make sure we are not confusing consumers with respect to the need to test all animals.

[English]

The Chair: Thank you, Mr. Lavoie.

Mr. Bezan, five minutes.

Mr. James Bezan (Selkirk—Interlake, CPC): Mr. Chairman, first, I do want to take exception to the comments Mr. Kilgour made earlier. It's too bad that he left the meeting, but he did make the comment about higher suicide rates in my area of the world. If he's going to make comments like that, I think he should have documentation to back it up. I do take exception, since I live in that area and I do not see any increase in suicide rates.

•(1235)

The Chair: I'll speak to the member and take that under advisement.

Mr. James Bezan: I appreciate that.

I am a cattle producer in Manitoba, and there's no doubt that Manitoba has been hit extremely hard by the BSE crisis because of our lack of slaughter capacity and our lack of feedlot capacity. Prices there have been, I think, quite a bit lower than in the rest of the country. There's no doubt that the slaughter capacity is going to be the main issue, one that we're dealing with in Manitoba, hoping to see an expansion in the industry.

My first question is for Mr. Lavoie. You talked about the goal of being at 100,000 head capacity. I think your expectations of where the industry is going to be may be in error. You already mentioned that the backlog of cull cattle is not included in that capacity, that we

need to address the increase in the herd size. You talked about the backlog of fed cows, 175,000 head, but the one thing that's missing from that number as well is the number of heifers that were retained last year, carried over, and bred. In our area of the world that number is probably 40% higher than usual. We also have this increased number of cows that are held back that are still producing calves because they're not going to market.

So I think you have to look at making sure the inventory forecasts you're making are going to handle this number, and I wanted to see if you think it should be higher. Again, with the set-aside programs we just announced, if the guys in my area of the world, including myself, are going to be putting cattle on the feeder cow set-aside, it's going to be heifers, because what I'm set up to feed at home is heifers, not steers.

Mr. Gilles Lavoie: The estimation of the slaughter capacity and of how many cattle we have to slaughter or market has been developed essentially by CanFax, and it does take into account the last inventory from Statistics Canada of July 1, 2004, in respect of how we're going. I was referring to the fed cattle. We believe that for fed cattle, by the end of 2005, if all projects that have been announced materialize—of course, there may be some problems for one or two of them—the problem should be solved. But we still have a significant surplus of old animals, the cull cows that have been referred to before. I was referring to the fed cattle.

Mr. James Bezan: So where do we need to be for overall capacity?

Mr. Gilles Lavoie: At the moment it is estimated that, for example, by the end of 2005 we may have as many as 500,000 old animals still in the system if we don't have an older animal program, assuming we don't have the program that was announced on September 10. Again, it was a forecast by CanFax. It's not our own forecast.

Mr. James Bezan: That takes me into the next thing. We're talking about trying to reduce the number of cull cows. We're at 500,000 head excess animals already. We've asked you to streamline the process. You talked about streamlining the process and getting provincial plants up to domestic standard. I wouldn't call it a federal standard; we're talking about a food safety issue, not a food export issue. I think we have to move that a lot faster. What are you doing to streamline the process? What makes a plan into a federal standard? Paved parking lots, sizes of offices, and stuff have nothing to do with food safety.

Mr. Cameron Prince: I can reiterate my point that we are taking every measure possible in terms of dedicating resources to streamline whatever applications we receive. To date we have not received a lot—I don't have an exact figure—but we're prepared to receive between now and Christmas a number of new applications.

We constantly hear about things that are viewed as unreasonable. People talk about the paved parking lot. They talk about a drain having to be two and a half inches when a two-inch drain would do. Just to deal with that, I think it's fair to say that some of those things do need review and we are actively doing that right now. We are looking at the manual of procedure. I've met in recent days with the national manager who looks after that program, and we are doing everything we can to look at those very prescriptive things that don't necessarily have anything to do with food safety.

I just have to put this in a bit of context as well. In terms of federally registered plants, we're under tremendous scrutiny from trading partners. The USDA comes to visit us at least once a year, and we have an obligation to ensure that those standards are met. Otherwise we would jeopardize all of our international trade. So we're doing a bit of a balancing act here between ensuring international requirements are met for our trading partners and ensuring food safety, and also making it as easy as possible for people building plants to meet the standards.

• (1240)

Mr. James Bezan: How does that then carry over? The federal standard, yes, I agree with that, but what we're talking about is having a domestic standard, one that's consistent across the provinces and enforced by CFIA. How can that affect a federal standard? We're not talking about making provincial plants federal. We're talking about having a domestic situation to deal with a terrible crisis that we have right now.

Mr. Cameron Prince: I made reference to the national meat code earlier, and there is a national meat code drafted; however, we don't have agreement across all provinces on that national meat code. There's nothing to stop provincial plants from being constructed, meeting provincial requirements, and being able to market their product domestically within that province.

Mr. James Bezan: Just within that province. It doesn't help interprovincial trade.

Mr. Cameron Prince: Yes. That's true.

The Chair: I think we need to look at how we can find a way to move this beef interprovincially without having to meet international standards by CFIA.

Mr. Cameron Prince: Yes, exactly.

The Chair: That's something I think we need to address as we move forward, because that's one of the real hiccups in this country. We've had that for a long time, but we need to address that and find a resolution to it.

Mrs. Ur, please, for five minutes.

Mrs. Rose-Marie Ur: Basically, following on that same trend, is there a guideline or criteria list in CFIA that a slaughter facility has to use, a check-off, that would be in language that I could understand and that would be of benefit?

Mr. Cameron Prince: I think the simple answer is yes.

Mrs. Rose-Marie Ur: Perhaps you could forward it to the committee.

Mr. Cameron Prince: It's readily available. It's on our website.

Mrs. Rose-Marie Ur: But I think the committee would like to have it here for our records.

Mr. Cameron Prince: We can make that available, most definitely.

Mrs. Rose-Marie Ur: Without going into great detail, are there major differences between provincially regulated slaughter facilities and federal?

Mr. Cameron Prince: First of all, every province is different. In some cases, the CFIA delivers the meat inspection program for the province on a cost-recovery basis. There are different standards

across the country currently, different sets of legislation and regulations. I think it's fair to say that the federal standard is the gold standard in terms of requirements for construction and operation, but on the other hand there are some provincial plants that could meet federal standards.

Mrs. Rose-Marie Ur: But if it's construction and so on, how does that basically translate to health? There are some examples of the drainage, or the stainless steel in the walls, whether it can be washed down with high pressure, and all that kind of thing. I understand some of that.

Mr. Cameron Prince: Right. The processing environment in the plant is the key underpinning of food safety requirements.

Mrs. Rose-Marie Ur: Maybe we can move that way, and there's probably room for improvement there.

Moving away from that, way back in August 2003, Canada, the United States, and Mexico drafted a letter to the OIE about looking at the criteria for BSE. Have we got a response back from anybody as to how we're moving on that? I think from what we have learned here in Canada—and CFIA has done a yeoman's job, well-respected around the world—we can move forward and perhaps not have a door locked for seven years. We've given them a fair amount of time since August 2003.

While you're finding some answers to that, I have another question. There was a report from an organization called the Organization for Competitive Markets. They called for the USDA to revoke import permits that have permitted Canadian boxed beef and other beef products to be imported into the U.S., due to the finding, reported by CBC, that animal ruminants were fed to cattle. Has Ag Canada or CFIA had any representation from the USDA on this report, and what has been our response to these concerns?

Ms. Krista Mountjoy: With the permission of the chair, I'll ask our colleague, Dr. Merv Baker, to respond.

• (1245)

Dr. Merv Baker (Director, Food of Animal Origin Division, Canadian Food Inspection Agency): With regard to the first question, the recommendations put forward to the OIE by the three ministers and secretaries did receive considerable attention by the OIE and subsequently during the May 2004 general session of the OIE, attended by all member countries, most notably in relation to recommendations that more attention be given to providing for the safe movement of product, as opposed to basing movement of a product on the disease status of a country.

There are measures that can be taken that allow safe movement of many commodities from countries that have BSE, and some of them are not influenced all that much by how much BSE a country has. So what we have been advocating, and where the OIE is going as an international standard-setting body, is to recognize the fact that beef from animals from which specified risk materials have been removed should be traded freely. Similarly, products like bovine semen and bovine embryos, when produced according to international standards, should be traded freely irrespective of the BSE status of the country of origin.

On some other matters, for example, we were proposing a change in the OIE categorization of countries. Currently there are five levels, starting with free; then provisionally free; minimal risk; moderate risk; and high risk. That adds complexity without benefit, in our view. We have advocated a simpler scheme with three categories, which in essence are: negligible; minimal; and uncontrolled status.

While no change was adopted during the last session of the OIE, the matter was discussed and a proposal is now being put forward for a change to take place during the May 2005 session of the OIE.

Frankly, our most serious problem has not been so much with the standards themselves. There are improvements that would help, but our main challenge has been persuading countries to follow them; many countries have simply chosen to establish a much higher standard of protection than the OIE guidelines would afford. Countries that have not experienced BSE essentially are looking for zero risk, and that goes well beyond what the international—

The Chair: Thank you, Dr. Baker.

Now we'll move to Mr. Miller for five minutes.

Mr. Larry Miller: Thank you, Mr. Chairman.

I have a number of questions. Some have been answered, but I would urge the participants, who I thank for being here, to answer as briefly as possible.

Ms. Mountjoy, you mentioned in your report that 7,200 out of 8,000 samples are tested. Basically, there seems to be a consensus or a rumour out there that some provinces and some packers aren't participating in the testing. Could you just give me an idea of whether all provinces and packers are participating freely in this testing right across the country.

Ms. Krista Mountjoy: The short answer is virtually all of the provinces and the industry, particularly the rendering industry, are working with the CFIA to help achieve those surveillance targets.

We have some challenges in particular areas we're working through with the help of our provincial colleagues, the industry associations, and the specific industry members themselves.

Mr. Larry Miller: Could you share those areas with us?

Ms. Krista Mountjoy: I'll start with the observation that dead stock collection varies significantly across this country, if you look at it province by province.

What we have done with the surveillance program at CFIA is we have tried to work with the industries in the specific provinces as well as with the provincial governments to try to come up with an approach to encourage surveillance samples to come forward that fit with the industry patterns in that province and with provincial government programs that are already in place or where they have been announced subsequent to our program.

For example, we have dead stock collection industries that are small in nature in certain provinces that are struggling to redefine their role, particularly in respect of the upcoming refinements to the feed ban as such in terms of the handling of SRM. While they're certainly helping us to contribute to the surveillance program by making as many samples available as they can, they're looking ahead

to the future and wondering how many more samples will be available.

• (1250)

Mr. Larry Miller: Can you share those areas with us?

Ms. Krista Mountjoy: As I said....

Mr. Larry Miller: Is it Ontario? Is it Quebec?

Ms. Krista Mountjoy: No. I would say, in general, that the provinces of Ontario, Quebec, and Alberta are well on track. Saskatchewan, with its recent announcement by the provincial government of assistance to reimbursement, is on track as well. Manitoba has a proposal in place for a winter/spring dead stock cleanup program that will help us to meet the surveillance targets. The Atlantic provinces have various initiatives underway. The challenge I mentioned previously is one that B.C. is coping with at the moment.

Mr. Larry Miller: Going back to the packing plants and inspectors at these new plants, some of them are older plants trying to get back into production. There's one in Ontario that you would be familiar with, Mr. Lavoie. Some things the inspectors are demanding are so trivial and ridiculous.

I'll use, for example, one thing. The plant in Ontario that I'm referring to, which I'll just leave nameless, was successfully delayed for about a year. There's a consensus out there that somebody was influenced. I'm not saying that, but a lot of people are because it looked like that.

I'll give you an example. There was a building where animals were being killed for years until the company went under. When they went to get back into production, a cement block wall that had been in place for years and years all of a sudden was six inches too close. They finally got that resolved. But instead of giving them all of the problems at one time, they went in and finally said, "Here we are. We got the work done. Come out." They said, "Before we sign off, we want the chairs replaced in that room where the inspectors have to sit." There are ridiculous things like that.

Could you comment? You indicated that some of these things are going to be getting cleared up. Can you give me an update?

Mr. Gilles Lavoie: Your question relates to the inspection and how a plant is approved as a federally inspected plant. I will ask my colleagues from CFIA to please answer.

Mr. Cameron Prince: I can't comment on the specifics of that particular plant or on a wall. I can say that we are very aware of those issues. There have been a number of situations across the country where people have felt that the registration was not gained as quickly as it should have been. With the minister's announcement in September, we are now moving very quickly to, as I said, establish a team to expedite these. We're really putting some resources into this.

It's difficult to get into the specifics of a wall or a drain or anything in this forum. Some of these things may initially seem, as you indicated, to be unreasonable. I would contend that, in some cases, there are animal welfare concerns in terms of the receiving area. In other cases, there are sanitation concerns. There are reasons for these federal standards.

As we indicated, we are not looking at lowering the health and safety requirements, but we do take under consideration your point that some of these things may need evaluation.

The Chair: Thank you, Mr. Miller.

Now we'll go to Mr. Angus for our last questioner.

Mr. Charlie Angus: I'd like to return to CFIA and the comment that countries are looking for zero risk and that what we're offering them is very low risk. I'm concerned about this feed ban issue. I understand that in Britain they moved to a feed ban on cattle but they continued with hogs and poultry, and they had reoccurring cases of BSE. They had the same situation in Denmark. Denmark continually tried to do what we're doing and had reoccurring cases of BSE until they imposed a total ban.

When you bring forward your new recommendations, will you be calling for a total ban?

• (1255)

Ms. Krista Mountjoy: I can begin to speak to this question, Mr. Chair, in response to the honourable member.

At this point we're undergoing a consultation process, as you know, leading to publication in the *Canada Gazette*, part I, of our intention to deal with SRM in feed. The government at this point is not taking the position that it wants to ban the feeding of all animal proteins, but the government has stated that it does want to require the removal of specific risk material, tissues capable of transmitting the disease within the animal population if inappropriately or inadvertently fed to cattle. When we are able to move forward and accomplish that through the regulatory process, we will meet the recommendations of the international panel that reported back to Canada after the May 2003 BSE incident.

I also want to take the opportunity quickly, if I may, to indicate that with respect to the cull animal program—I believe the honourable member raised some questions previously—at this point the government's intention is not to allow rendered meat and bone meal from these animals, some of which may very well be four-D animals, to enter the feed chain, particularly in light of our plans to move forward with regulatory amendments for SRM in feed. This will be a prudent and cautious measure on our part.

Thank you.

Mr. Charlie Angus: I can have one more, Mr. Chair? Oh, thank you very much. I will speak very fast then.

I'm going to switch from CFIA to regional capacity. It seems a very laissez-faire approach to just say we'll have loan loss guarantees. Cooperatives that are trying to get off the ground, producer-driven operations, they need, besides just having a loan loss, money in place for business plans, for working with them. Is that going to happen?

Mr. Gilles Lavoie: The program as announced on September 10 does not provide for direct equity, on the part of the federal government, into particular plants, but only in terms of this loan loss reserve. In the case of co-ops, the lenders may access up to 95% of their losses after they have realized any assets. They can go to the reserve for 95% if it's a co-op, and 90% if it's a non-co-op enterprise.

Mr. Charlie Angus: What about the support for business plans and that, where you guys will say, yes, it's important to have co-ops?

Mr. Gilles Lavoie: Under other permanent programs that we have within the department, a group that wanted to do up a business plan may apply for a contribution to help them develop it.

Mr. Charlie Angus: But there's nothing specific set aside for getting producer-driven plants up off the ground?

Mr. Gilles Lavoie: No.

Mr. Charlie Angus: Thank you.

The Chair: Are you finished, Mr. Angus?

Mr. Charlie Angus: I'm very finished.

The Chair: There is a lot of unfinished business as a result of this meeting. We had a very lively discussion. There are a number of questions I would have liked to ask, but in the spirit of this meeting, I will defer. I know the Bloc has some more questions. We will continue this kind of discussion and questioning next Tuesday and take whatever time it takes to get the answers we're looking for.

I think the one issue is this interprovincial thing. We need some real serious answers on that.

Someone questioned me, what do we do with the rendered product? Even if we go into biodiesel, or we have bioadjusters and this kind of thing, what happens with the byproduct? What consideration has been given to that? We're looking at changing the way we do business in this country, at the whole question of how far we're going with this ruminant product in all animal feeds, and with the application of no ruminant product. These are things that we'll come back prepared for next week, and perhaps we'll take on some of those questions.

I know there are going to be some questions asked of you as we leave this meeting, because some questions weren't fully answered. Be prepared to provide your responses to questions not only to the member to whom you might have to address them, but to this whole committee. The questions were asked in public and should be given to all members of the committee.

Thank you very much, members, for being here today.

Yes, Mr. Gaudet.

[*Translation*]

Mr. Roger Gaudet: I would like to make a comment. Mr. Kilgour said that people in Alberta are hungry and that we don't need to eat, but he left at noon to eat. The next time we have an 11 o'clock meeting, I would like us to have lunch at noon. It's simple, when someone says [*Editor's Note: Inaudible*] and he takes off at noon, I do not have much respect for him. At any rate, he left.

• (1300)

[*English*]

The Chair: We could get into a debate here, but I will just say this: I'll take it under advisement.

I would also say that it's always very dangerous for any committee members to refer particularly...because we are dealing with national issues. I realize that we become somewhat area-specific at times, but as much as possible, let's keep and reflect on the national perspective. I think that's in the best interests of not only the committee but all the farmers in Canada.

Thank you very much. We will see you next Tuesday.

We are adjourned.

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