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Mr. Paul Steckle

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● (1105)

[*English*]

The Chair (Mr. Paul Steckle (Huron—Bruce, Lib.)): Ladies and gentlemen, we will begin our meeting.

We want to continue with the theme we've been on for much too long, but we have players we haven't heard from before, and a few we've heard from a number of times, and we want to hear from some of those this morning. We want to begin the meeting and then proceed to the questioning of our witnesses.

First on our list of witnesses this morning we have Brian O'Connor, executive director, Gencor Foods Inc. It's his first time here. We're looking forward to your presentation. We also have Mark Ishoy, general manger, Gencor Foods Inc.

We have Michel Dessureault, chairman, and Gib Drury, member of the board of directors of the Quebec beef producers' federation—my French isn't good enough to try it in French. We welcome you here this morning.

From the Canadian Cattlemen's Association, no stranger to this House, we have Stan Eby, a good friend and a resident of my riding, hence my keen interest in the beef industry, and he's a good friend of Larry's as well.

Brad Wildeman is not here, is he?

Mr. Stan Eby (President, Canadian Cattlemen's Association): I understand he may turn up at the last minute.

The Chair: He may be with us yet.

We have Jim Caldwell as one of our presenters this morning. He's in the audience and certainly welcome at the table. We also have with us this morning Kelsey Chomistek, from the Canadian Cattlemen's Association, who may be called to the table from time to time, and she is certainly welcome to sit at the table.

I believe, Brian O'Connor, you're going to be first this morning, if you would. We normally give about ten minutes for any organization to do their presentation. I think those points were probably made when you were asked to come. At such time that you've concluded, we will then have the questioning.

You're on, Mr. O'Connor.

Mr. Brian O'Connor (Executive Director, Gencor Foods Inc.): Thank you very much. It's a pleasure to be here.

I'm going to start with a little bit of what got us into the food business. We're a producer-owned organization. Then Mark Ishoy, our general manager, is going to talk more specifically about some of the important issues that relate to the industry and our place in it as we look forward.

I'm not sure if you all have the notes, but basically we're in the livestock genetics business. We're producer-owned and we represent about 6,500 beef and dairy producers in central, western, and northern Ontario. We're proud to say that we have a long history of excellence in service, reliable products, and also financial success as a producer-run group.

This is a little bit out of our knitting, the meat packing business, but when we look to our corporate objectives, which were set some years ago, there was a proviso to provide other services, products, and facilities to improve agricultural practices, products, and production. Basically, with the crisis that hit us with the discovery of the single animal with BSE, it caused us to really have a hard look at what we could do to try to make things better. In so doing, our board of directors and senior staff did a thorough job of researching the meat packing industry.

As you are aware, there was no cull cow processing capacity in Ontario at the time, so our challenge was even greater than in some other jurisdictions. In the past, Ontario had exported all the cull cows that it had to the United States or to the plant in Quebec. After some of that thorough market review, we felt it important that the province have a federally inspected abattoir that could process up to 1,500 culls per week.

We looked at a number of options, we spent a good deal of time looking at the business case for each of them, and basically at meetings last November and December we made the decision that we would get involved in the industry and we would work to develop a producer-owned and -directed plant.

It's important for me to say—and Mark is going to touch on it more in a minute—that it was absolutely essential to us that the policy of the federal government to suspend the supplemental imports was very consequential in us making the decision to go forward. If you think back to that November-December time period, there were lots of risks, lots of unknowns of what could or may happen or may not happen. I can tell you categorically that this was a very significant move on the government's part and remains so today. It helped our directors move forward.

We hired an experienced staff. Mark has led packing plants in the past and has been an executive member of the Canadian Meat Council. So we have a good staff that will manage us in this challenging business.

The only other thing I'd like to say to conclude before I turn it over to Mark is that the financial assistance we have received from both levels of government has been invaluable—the Ontario government through their mature animal abattoir fund, and the federal government, Agriculture and Agri-Food Canada, through the CanAdapt program. Both were important in helping us get started.

I'll turn it over to Mark.

● (1110)

Mr. Mark Ishoy (General Manager, Gencor Foods Inc.): Thank you, Brian.

I have three things I'm going to touch on today, one being the Canadian Food Inspection Agency, which we've dealt with a lot in the past few months as we got the plant up and running, because it was not a federal establishment when we started the process.

Second is our policy on supplementary quota, and I'd like to go back over some of the history to remind everybody why we need to keep it in place. I'd like to then touch a little bit on how regulations and policies in this country really need to track very closely to the U. S. To say they're the same is not accurate, but certainly close because of the trading that's gone on over the years.

I've worked with CFIA for a number of years and have found them to be an integral part of the success of our international trade efforts. They have been very helpful over the years in reaching out to other countries to show them what our policies are, what our hygiene specs are, and they have actually helped open markets for Canadian plants. I know the minister was on a tour about 10 days ago with one of my counterparts from the CMC executive, and they've had success in the far east. We are a halal-certified slaughter plant at the moment, and we are working quite hard to get back into the Indonesian market where some of our offals can go from the cattle. So we're working very hard with CFIA on that.

The approval to become a registered establishment number is a long and difficult process. I might liken it, to some degree, to getting a building permit from the city at times. All these things take longer than anybody really would want them to, and I think there are ways the system could improve. I think one of the things I would put forth is that when we're trying to get blueprint approval, the iterations often go back and forth, and it's blueprints and letters going back and forth between the region, and it also comes to Ottawa in the end for more discussion. From our perspective, that process could be speeded up if there was a way to sit down with all the parties to work towards a solution that would work for everybody.

I think everybody in the meat packing industry recognizes the importance of food safety, and we're all driving to that objective. So I think streamlining the process would be helpful. I think there are some initiatives underway at the moment to at least evaluate it, and we look forward to having input on that. When you're into a crisis like we were, and my mandate was to get the plant open as quickly as possible, quickly is never quickly enough, so we found that a bit of a challenge.

The other thing we point out as a comment is that it's really important that the standard within the CFIA is consistent across the country. I'm not suggesting it isn't, but I just want to reinforce the fact that it really is important to everybody in industry because it's a competitiveness issue.

I will now move on and talk a little about the supplementary quotas. I was on the TRQ committee back in 1997, I think it was. At that point in time Minister Goodale was the chair. There was a large amount of disconnect within the industry, I would say, at that point in time because the processors could get all their meat from offshore that they needed, the cattlemen could send cattle to the States, so the packer was left in the middle, and if he could sell his meat in the States at a competitive price or sell it at the equivalent of the U.S. market in Canada, then the business would proceed. But the Canadian packer became disadvantaged, and I would say we exported a lot of our slaughter industry out of this country south of the border because the packer here could not compete with all the cheap offshore meat that was coming into this country.

Market discovery is always a difficult and challenging topic for anybody to have discussions on. Anybody who's been around the industry for a while will understand the challenges of the market discovery.

● (1115)

As a packer, I'm fully supportive of our WTO commitments and have been for a long time, but as packers I don't think we're convinced that country-specific allocations, which were in fact negotiated sometime in the 1990s—I'm not a historian on it, but maybe country-specific allocations are not as friendly to everybody as they should be. I know Australia has the vast majority of the allocation at the moment, and that certainly doesn't make some processors happy.

But the actual number itself is an important number, because if we look at how much meat comes in after that, if it's discounted to what the Canadian market price is, and you can listen to my friends in the processing industry say, well, it's a different quality or it's a different.... I think over the years we've come to recognize that specifically in the grinding meats there is no difference in the quality. There are always packer-to-packer differences, the same as there are packer-to-packer differences in these countries the meat comes from. But basically a 90% visual lean boneless beef in Canada, produced in Canada, is the same. So they will go into the same production.

Some of the cuts have different functional uses in the marketplace, but at the end of the day different processing techniques will often make the equivalent product. So it's a matter of learning how to work with some of the over-30-month cuts as opposed to replacing them with offshore.

We're not opposed to meat coming in above the quota. We don't like it, but if the duty percentage is put at a high enough rate and people feel compelled to use it, then they can pay that amount of money if it's that important. What we have found in the past, and if we look south of the border, once the duties kick in, everybody basically buys U.S. meat. They don't worry about the ability to substitute at that point in time.

I can't stress enough that this industry is driven not by dollars but by pennies. There are millions of dollars of trade in this industry, but historical margins have been dealt with in pennies, and if you're uncompetitive by a couple of pennies in your selling price, you lose that business. So if the meat comes in somewhat discounted, as a packer we would lose that business to the offshore meat. So it's truly important that the TRQ is upheld.

The third point I want to make is that regulations and policies need to be similar to the States. There are things like SRMs—specified risk material—out there today. How that is dealt with in the rendering industry over time.... If our policy is significantly different from the policy in the U.S., it has every chance to disadvantage or advantage the Canadian packer. If it puts us at a disadvantage and the borders open again, it allows the cattle to go south because the Canadian packer can't pay as much money for those cattle. The cattle will be processed in a slightly different manner. If they can generate more revenue as a packer, it puts me behind.

If you look at the U.S. import policy, a similar amount comes into the U.S. Our policy is at about 76,000 tonnes, give or take a small amount, and the U.S. policy I think is slightly under 700,000 tonnes. So it fits into that. Their market is ten times, their population is ten times, etc. In the U.S., once they trigger that amount, any meat that comes into that country is tariffed at 30% or 32%, but it may be as high as 35%.

So if the processors down there in the processing industry, which is a step beyond the packer, want to use that imported meat, they build it into their cost structure at the beginning of the year. If somebody was going to buy 20 loads of imported meat and they knew at the end of the year they were going to buy a load or two, they would know that really the cost of that meat throughout the year, over their 20 loads...they should budget for 3% higher because at the end of the year they are going to pay a significant penalty for bringing in that meat.

That is the way it operates in the U.S. There have been years where that level has triggered...and then the import has stopped, meat goes into bond, and it's brought out in the following year for use at the price that it is.

● (1120)

What has happened over the years in Canada...I think two years ago about 135,000 or 140,000 tonnes were allowed into this country, which is 50,000 to 60,000 tonnes over our WTO commitment. That meat all came into this country discounted to what the Canadian meat price was. It hurt the Canadian packer and it drove people out of business over time. I can't stress the TRQ enough. That's where we need to be.

Thank you for your attention.

The Chair: Thank you, Mr. Ishoy, and thank you, Mr. O'Connor, for your presentation. I'm sure there will be some questions along those lines.

Moving to the Quebec beef producers' federation, who is speaking? Mr. Drury or Mr. Dessureault?

[*Translation*]

Mr. Michel Dessureault (Chairman, Fédération des producteurs de bovins du Québec): Mr. Chairman, members of the committee, it is with great pleasure that I bring you a message from 20,000 Quebec cattle producers.

Let me begin by saying that Quebec's producers appreciate the commitment by the new Canadian Minister of Agriculture and his government to redouble efforts to accelerate reopening of borders to Canadian beef and cattle.

They also hail the government's willingness to intervene to increase the country's slaughter capacity, and the series of measures planned to develop new export markets. However, Quebec's livestock producers are extremely disappointed by the transition measures announced to assist them.

Before discussing with you the problem of slaughter capacity in Quebec, I do not wish to miss this opportunity to explain why we are disappointed by the assistance announced, which in our opinion is inadequate and in no way suited to the needs of Quebec producers.

I need not remind you that in the new national strategy there is absolutely no direct assistance to compensate for plummeting cattle prices, nor is there any interest-free loan program, two crucial measures that were eagerly awaited by Quebec producers.

And yet, the need on the farm is desperate. In Quebec alone, we estimate that producers need over $141 million, but, according to the announced transition measures, Quebec is slated to receive only between $15 and 20 million, which represents less than 15% of the needs of its producers. At this point in time, nothing has been announced in Quebec.

For the past 17 months, the prices for different categories of cattle have in no way reflected the product's value. In Quebec, producers have so far, from May 2003 to October 2004, incurred losses in the order of $265 million. Even if we take into account the various forms of government assistance available, producers have lost $113 million.

Producers still have significant losses to absorb, as can be seen on the table provided, showing the prices for different product categories in October 2004. In Quebec, cull cows were selling for an average of 19¢ a pound, as opposed to 58¢ a pound, which is the price on the US reference market or the price they used to fetch. Slaughter steers are $1.29 a pound; male dairy calves are $1.41 a pound, compared to $2.61 a pound; female dairy calves are 64¢ a pound, compared to $4.68 a pound; and stockers are 99¢ a pound.

The Fédération would like to draw to your attention two elements in the strategy that in no way respond to the needs of Quebec cattle producers: the Cattle Set-Aside Program for stockers, set at $8.5 million, and slaughter steers, set at $5.8 million.

One gets the feeling that these programs were tailored for Canadian provinces, more specifically Alberta. The set-aside programs as they appear in the new strategy are not really applicable to Quebec, in particular because of our collectively managed programs.

For these two production sectors, the Fédération would like a preset provincial allocation and flexibility in the administration of the program, so that it can be managed collectively in Quebec within our existing production support programs.

A provincial allocation would thus also have to be provided for in the slaughter steer sector. Nothing provides for that in this most recent program.

As cor cull animals, a product category, that appears to have been forgotten in the last program, the assistance available is clearly inadequate to achieve its stated goals. Since Quebec has a significant number of cull cows and the crisis seems likely to drag on for a long time in this sector, the Minister's strategy must be revised.

For Quebec's producers, the solution lies in setting a Canadian floor price for cull cows. We believe that such a measure should also be implemented for slaughter steers. Because of the border closure, meat from culled cows is currently being sold in its entirety on the Canadian market. We thank the Canadian industry for purchasing this meat.

According to our analysis, setting a floor price for cull cows has become inevitable because, even taking into account the projected increases in slaughter capacity in Canada, it is plain that by 2007, even if there is a significant increase in slaughter capacity, there will still be more than 300,000 cull cows, non fed animals, that it will be impossible to slaughter because there will be no slaughterhouses for them.

Therefore, this surplus situation in the Canadian market, which is the issue, will persist well beyond 2007. This is a Canadian reality.

Until such time as a Canadian floor price is ordered, we call upon the federal government to extend, as a transition measure, the BSE3 program, with payment of $320 per cow, calculated on the basis of a realistic annual cull of 25% for the dairy sector and 12% for the beef sector. In our opinion, this program still represents the best way of rapidly restoring liquidity to dairy farms.

As for slaughter capacity in Canada, our reading of the current situation is that the BSE crisis spotlighted two major weaknesses that make our sector extremely vulnerable and are holding back its development. These are dependency on exports of livestock and beef, and concentration in the slaughter sector.

● (1125)

[*English*]

The Chair: I wonder if I could interrupt. We've gone three pages, we have another five to go, and we're six minutes in. Can you point to the ones you really want on? We're on a timeline here and we're going to get way over. You can respond to some of those other points as we get into the question period.

[*Translation*]

Mr. Michel Dessureault: Fine.

In Canada, the dependency on exporting is about 20% for slaughter steers and 40% for cull cows. So obviously there is a problem of slaughter under capacity. As for concentration in the slaughter sector, we need only recall that four major companies slaughter almost 80% of production.

This situation is worse in the cull cow sector, where two big companies, one being in Quebec, slaughter 90% of cull cows. The table on page 5 gives you some figures.

With regard to steers, 75% of Quebec steers are slaughtered outside the province, whereas 90% of cull cattle are slaughtered in Quebec. In terms of the need to increase slaughter capacity, it is clear that with a surplus of 300,000 cull cows in 2007, there is a pressing need in this area. For slaughter capacity to increase significantly, a number of new slaughter houses will have to be opened in Canada.

The Quebec Cattle Producers Federation feels that the amount allocated to support the various slaughter houses across the country, that is $66 million, is clearly insufficient, especially considering that the federal government's approach is to provide this assistance as a loan lost reserve. We do not think that this approach will provide the help that is needed and attract new people.

In order to provide for increased market competition and higher prices for producers, it is important not only to increase slaughter capacity, but also to seek new players in the marketplace, particularly producers' organizations that want to become involved in the slaughter sector, and provide them with financial support. The impact of new players in the marketplace will help to boost competition in the industry and re-establish relations so that they are closer to those in a structured and efficient market.

Producers' organizations can play a leadership role in this regard. I would like to take this opportunity to read to you an excerpt from the report of the Standing Committee on Agriculture and Agri-food:

> ...create the best possible environment for farmers that will enable them to move up the value chain and retain a larger share of the profits...

We feel that federal assistance to producers' organizations interested in investing new slaughter and processing plants is essential if these goals are to be reached.

We also feel that the five largest slaughter houses currently in the market, that is Lakeside, Cargill, XL Beef, Better Beef and Colbex, have absolutely no need for federal government funding. Your own committee has analyzed the situation. In my opinion, the financial situation of these companies shows that they do not require any assistance. However, the new projects will need help.

We are therefore asking the federal government to grant direct subsidies for new slaughter and processing plants, a much more effective action under the circumstances, and that the assistance be provided only to producers' organizations that decide to invest in a new slaughter and processing plant.

As for new slaughter houses in Quebec, while producers are selling their cattle at a loss, consumers have not, despite the low prices paid to producers, seen any significant drop in prices. Quebec producers want to use a collective approach to increase slaughter capacity. At their annual general meeting last year, they agreed on two types of contributions to assist in setting up slaughterhouses. A $20 contribution for cull cows was agreed on, as was a contribution of $10 for certain slaughter steers.

In conclusion, we feel the assistance available under the new strategy to increase slaughter capacity in Canada is clearly inadequate. Moreover, the form of the proposed assistance, loan loss reserves, is not suited to the circumstances. Assistance to producers who wish to invest in new slaughterhouses is essential. It must be available not only in the form of loan guarantees, but also as a direct subsidy.

Direct government support is essential for these new businesses to be able to confront the keen competition that faces the new players and for them to break even quickly. The government must never lose sight of the fact that we are in a crisis situation and that, in order to be effective, actions must be swift and carefully targetted. The government must therefore improve its strategy and reposition the Canadian livestock industry.

Until adequate measures are taken, it will be impossible to measure the extent of the disaster caused by the BSE crisis on cattle farms in Quebec and Canada, and consequently on the other industries both upstream and downstream.

Thank you, Mr. Chairman.

● (1130)

[*English*]

The Chair: Thank you, Mr. Dessureault. You're about on par with the other parties this morning, so you did a good job.

Hon. David Kilgour (Edmonton—Mill Woods—Beaumont, Lib.): Mr. Chairman?

[*Translation*]

Since Mr. Dessureault did not have time to read all his notes, would it be possible to include them in the transcript of this meeting?

[*English*]

Could we include this in the Hansard of our meeting because he wasn't able to finish it?

The Chair: Absolutely. The whole document will be included.

Now we move to the Canadian Cattlemen's Association. I think Stan Eby is the one who is going to present.

Welcome, Mr. Wildeman.

● (1135)

Mr. Brad Wildeman (Director, Saskatchewan, Canadian Cattlemen's Association): Thank you. I apologize for being late.

The Chair: We knew you were in the territory.

Mr. Stan Eby: Thank you, Mr. Chairman. On behalf of the Canadian Cattlemen's Association, we appreciate the opportunity to address the committee again. We look forward to working with the new committee and all the new members on it.

It's been a few months since we've met. Our main objective is still to get the U.S. border open to live cattle. We've used every opportunity and every means available to try to make this happen. However, it seems to be caught in a regulatory rule-making process in the United States. It seems it's going nowhere until after the U.S. election. We've had comments from the U.S. that it will move after the election and we're poised to lobby on that basis.

I'd like to give you a quick review of where we see things from the point of view of the Canadian Cattlemen's Association. As has been stated, the cattle industry has been in a struggle for survival since May 20, 2003. Initial market paralysis caused marketing to cease and processing levels to drop by 60% in the first three weeks. In August 2003 we got boxed beef moving to the U.S. and Mexico from cattle under 30 months. We felt once we got that moving we'd see normalization of trade. Along came the BSE case in the U.S., and the R-CALF challenge in April set everything back, and we're all aware of that. It appears to be the cumbersome nature of the U.S. regulatory process—3,300 comments on the rule—and the additional court injunctions have caused a lot of delays and cynicism about how long the process will actually take.

The Canadian Cattlemen's Association developed a strategy to reposition the Canadian beef industry. This report was unanimously approved by our board of directors in August. On September 10 the federal minister, Andy Mitchell, announced a program to help us reposition the industry. It made some sizeable funds available to work through a number of initiatives.

Resumption in trade in live cattle in the U.S. is clearly the top priority. It would have the most immediate positive impact on both short-term capacity and price outlook. At the same time, increasing sustainable processing capacity in Canada is another top priority to address the possibility of a delayed border opening and to clearly reduce our dependence on live cattle exports in the years ahead.

In 2002, prior to the discovery of BSE, Canada exported approximately 1.6 million head of live cattle. Most exported were destined for slaughter in the U.S.; however, without the ability to get these cattle to the U.S., there's simply not enough processing capacity in Canada to meet the demands. In 2003 we were not only able to maintain consumer confidence but we actually increased that, and we certainly appreciate the loyalty of consumers in this country. This has been unprecedented. In addition, access to the U.S. and Mexico for beef from cattle under 30 months has resulted in sales of Canadian beef to these two countries rebounding and they are now near pre-BSE levels. The result of these two events has been that we have markets for all the beef that we're able to process.

This difference between demand for beef and supply of live cattle is causing the distressed price for our cattle producers. Because of this, CCA advocated the expansion of the processing capacity through the opening of new plants and the expansion of current processing facilities to be given a high priority in our overall plan. The federal government announced on September 10 a commitment to do this through a loan loss reserve program. We feel there are still some changes to be made to that. We understand there were changes made as late as late yesterday to that. I'm not aware of the details, but clearly our Minister of Agriculture wants to make the program work.

In addition to the funds being made available, the federal government has also committed funds to expedite inspection processes and further augment CFIA resources, a very important point in the Gencor presentation also. Even prior to the federal announcement, the processing sector was responding with plans to increase capacity. At the beginning of this month, for the first time since 1978, weekly slaughter at Canada's federally and provincially inspected packing plants exceeded 80,000 head, which is a dramatic increase from where we had been at the depths of the BSE level at about 25,000 to 28,000 head.

● (1140)

By the first half of 2005 capacity is expected to be approximately 86,000 head, increasing to 93,000 head by the end of 2005. That's on a weekly basis. By the second half of 2006, Canadian slaughter capacity is expected to be at 98,000 head per week, an increase of over 20% from current levels.

During this timeframe our domestic capacity will allow us to process the entire annual production and reduce previous carryover of cattle. Our processors and distributors are now fully confident that we can market all the beef from all classes of cattle that we need to process as we move ahead. The Beef Information Centre has taken an aggressive move on hiring an individual to work on the manufacturing meat issue and an overall program domestically and in the U.S. to promote Canadian beef sales.

However, this takes time, and therein lies the dilemma. For our current processing capacity levels we're forecasting a backup of cattle of approximately 480,000 head that would normally be processed. This consists of 166,000 head of fed cattle and 314,000 surplus cows and bulls.

To address some of the concerns, CCA, along with the federal minister, has put in place some set-aside programs in order to improve the stability for our producers until available capacity matches the number of animals being marketed. The strategy determined the need for a program to match animals being marketed with the capacity available.

Since August there has been ongoing discussion between industry, the federal government, and provincial governments in developing workable, effective programs. The success of these programs is ultimately determined by an improvement in the price of cattle to producers. The first component of fed cattle set-aside objectives is to slow the inventory of fed cattle from the 2003 crop for immediate slaughter, thereby strengthening prices paid by the packers, and to provide confidence in the feeding industry to continue placing animals on feedlots this fall.

We've now completed the second week of the fed cattle set-aside program. The program is being offered in Alberta, Saskatchewan, Manitoba, and Ontario. In the first week there were over 2,000 head enrolled. They've decided to discontinue making the numbers public, but we've definitely seen an increase in slaughtered cattle prices in the order of up to $3.75 a hundred in western Canada.

The second component is designed to slow the movement of the 2004 calves into the feedlots until the 2003 calves have been processed. We're trying to work with a 30-month deadline on things, so it's a matter of trying to match the right cattle to the right processing capacity.

In addition, it was important that we strengthen cashflow to the cow-calf sector and assure continued viability of this sector coming into the fall.

Feeder cattle programs are now being offered in B.C., Alberta, Saskatchewan, Manitoba, and Ontario. The set-aside program is to try to extract as much money as we can out of the marketplace.

BSE surveillance is another major topic. CFIA just told us this morning—and I have the numbers here—that they're on target to meet the numbers that were set out earlier this year. That's on a regional basis across Canada, so we're quite pleased that that portion is moving ahead successfully.

Differences within sectors of the industry and across the country create a challenge in delivering effective programs. I believe we've heard that rather clearly in the last few minutes. However, we believe it is of the utmost importance that flexibility is built into these programs. CCA is taking the responsibility and a leadership role in trying to develop set-aside programs that will maximize the returns from the marketplace. It's interesting that since the program was proposed, the market has improved. Getting the maximum amount from the marketplace also reduces the draw from the CAIS program.

It hasn't been easy for the last year and a half. There are a lot of critics. We even have a few Monday morning quarterbacks on how things should happen. However, we've had provincial producer association support in the actions and also the cooperation of the federal government. We've had good dialogue with them. Sometimes it's frustrating. Everybody's a bit frustrated with this, and we try to keep focused on how we're going to work through this effectively.

● (1145)

As I indicated, we have not left, and will not leave, any stone unturned. We're in constant contact with our counterparts in the U.S., and we've also been in constant contact with lending agencies to ensure that they are doing their part and not putting overdue stress on producers. We continue to work with other industry groups, including the Canadian Meat Council, Agriculture Canada, CFIA, and our American counterparts.

We believe we must have equivalency with the U.S. when it comes to dealing with rules, especially for the specified risk material. There will be a meeting this afternoon with U.S. people involved in that very issue.

CCA is also embarking on an aggressive advocacy campaign starting next week in Washington. This campaign is being coordinated with Alberta Beef Producers, the Canadian Meat Council, and Agriculture Canada, and it will include Canadian embassy officials in Washington.

In closing, I want to be clear that we, as cattle producers, cannot sit by and see our industry downgraded further. We must start seeing some movement soon in the rule-making process. If there's a lack of movement, CCA will have to seriously start looking at alternate actions and working with the federal government on potential NAFTA or WTO challenges.

Thank you, Mr. Chairman. I ask for questions.

The Chair: Thank you, Mr. Eby. It was a good presentation.

We want to get everybody in this morning, so I am going to be pretty clear that we will stick by our time allocations.

Mr. Ritz will be first.

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

Gentlemen, thank you for appearing before us again today. Some of us are old friends and some of us are old adversaries, and we'll probably continue in those roles.

Stan, in your opening comments you said your mandate is to get the border open. I'm wondering to that end why the Canadian Cattlemen's Association is not standing with other producers on that chapter 11 challenge or pressuring the government to parallel that with a chapter 20.

Mr. Stan Eby: As you are well aware, chapter 11 is a producer-orchestrated situation to recoup some losses, and we feel the producers have every right to move ahead on that basis.

On chapter 20, we've looked at that. We've been in discussions with the federal government on that. As we've seen movement all along on things, we felt things were taking place. Have we been too slow? That's one criticism. We have the U.S. and Mexican markets open for boneless beef, and that's a sensitivity we don't want to disrupt. Would a chapter 20 disrupt that? That is one of the unknowns.

The other issue, and it's been very clear from our legal people in Washington, is that if we initiated a chapter 20, people would be pulled off the rule-making process to defend that action. We are caught in that kind of a situation.

Mr. Gerry Ritz: You're saying it's a producer-directed initiative to do this. Are you saying you don't represent producers or that your organization has not been directed by your producers to do that?

Mr. Stan Eby: We've not been directed by our producers to fully engage in that.

Mr. Gerry Ritz: Thank you.

One of the major concerns that everyone I talk to has on all facets of agriculture, not just the beef industry or the ruminants, is the CAIS vehicle to deliver these programs. It has four flat tires and there's no spare anywhere around. How do you foresee that vehicle working to deliver these programs, the set-aside, the cull cow program, and all these other ones that were developed under that last $488 million envelope? How can that possibly work when all of us know it has been a dismal failure?

Also, we're finding out that these new programs come out of the same wallet full of money. It's not new money. It's basically an advance on your advance on your advance that nobody's been able to trigger yet. I saw your comments in the papers and so on saying it's wonderful that we have this. Everybody is saying the announcements are wonderful, but how do we actually trigger the cash? How do you see that happening, sir?

Mr. Stan Eby: I'm going to ask Brad Wildeman to comment on some of that.

The $488 million is outside of CAIS. CAIS is on top of that.

Mr. Gerry Ritz: But CAIS is the delivery vehicle.

Mr. Stan Eby: CAIS is the delivery vehicle, and we are very well aware that it's not working. You say it has four flat tires. It may have an engine that's not too well tuned either. We've been pressuring the federal people to correct that.

Brad has been more directly involved in that.

● (1150)

Mr. Brad Wildeman: Our issue is simply that we don't know that. We've been told, and we've taken in good faith, some of the comments that have come from officials who said that it will cover loss of income. Quite frankly, at this point we just simply don't know that, but we are trying to work with them and encourage and pressure them to get some rulings out. There are a number of administrative rulings that need to be made. We're trying to encourage them to appoint the producer advisory committee to start dealing with some of these issues so we can tell our producers whether it works or not. The reality is today we don't know.

Certainly, that's one of the recommendations we're trying to bring forward. Let's get some answers. We've been told it works. We were told in the development of the repositioning strategy that loss of income would be covered by CAIS. We've honoured that, but now we think it's time that we get some answers for our producers.

Mr. Gerry Ritz: So you're being told by government officials that all is well, but the producers certainly aren't saying that, and you're stuck in the middle of that debate.

The set-aside reverse bid process is an ungainly piece of action, I think, by anybody's standards. There's really nothing in there for the cow-calf producer. You talk about a vibrant section of the industry. Of course, the feedlot industry and the packers and so on are part of that, but the foundation of all this is the cow-calf guy. They're starting to hurt more than anyone else at this point, and yet the set-aside reverse bid process does nothing for them.

All of this is predicated on an increase in slaughter capacity or an opening of the border within the next six months, both very highly unlikely when we see the tap dancing the federal government is doing on opening new plants, such as Gencor is trying to do, or even the border opening. We've got a bubble in the market, and really all you're doing is pushing it down there six months. We're still going to have an undercapacity in slaughter. We're still going to have an overcapacity in product. So how does this do anything but stall for time, basically? And we're running out of that.

Mr. Stan Eby: On the cow-calf issue, are you suggesting that steer calves at five and a quarter is not enough? We're seeing the market across Canada in the replacement industry side of things being reasonably strong compared to what it has been.

As we move along on this, as I say, we try to be responsible and get as much money out of the marketplace as we can. We feel that is working; it is starting to work. Is it enough? That's a good question.

Mr. Gerry Ritz: Brad, you were...?

Mr. Brad Wildeman: Yes, just a couple of supplementary comments.

I think really what we tried to do in this program is to give something both to the feedlot operators, who are the ultimate purchasers of those animals, and secondly, to give a program to cow-calf producers to control the inventory.

There is no question that if we don't accomplish our goal of increased slaughter capacity and if the border doesn't open, we have an issue, but I think if you look at the numbers that are out there, you realize there is a significant amount of capacity already underway. The numbers show clearly that even in the absence of some of the new entrants who are still trying to build—although we're encouraging that, we think that's good for Canada and for our industry—quite frankly, with the existing capacity that's been announced and underway now we'll slaughter all the cattle that are produced in Canada, we think, by early January 2006.

I just came from a meeting. I've spoken with all these people who are in construction right now. All these projects are on stream as far as dates are concerned. So we're going to see some of that, and until we do that, we simply won't be able to get the value to producers that we want.

We understand that there's a disconnect, but I think we've given two programs that help those two significant sectors, and the reality is that the numbers are there. Prior to the announcement of the set-aside programs, feeder calves were trading for somewhere in the low 80-cent range. Cattle are a dollar a pound now. That was one of the objectives we stated: we'd like to see calves at a dollar. We've achieved that. We said we wanted to see finished cattle prices trading somewhere in the 80-cent range. That's where they are. Can we sustain it? I don't know.

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

Madame Poirier-Rivard.

[*Translation*]

Ms. Denise Poirier-Rivard (Châteauguay—Saint-Constant, BQ): Thank you, Mr. Chairman.

My question is for Mr. Dessureault. I would like you to tell us about cull cows, for instance those in the dairy sector, and slaughter steers. You want the federal government to establish a Canadian floor price for slaughter steers. What do you think that floor price should be? Do these types of floor prices exist in other countries, like the United States? What are the respective roles of the various levels of government, for instance the role of the Government of Quebec as opposed to that of the federal government?

Ottawa and Quebec are holding discussions to find solutions for Quebec's cattle producers. What do you think of these discussions, and what are your hopes and fears?

The president of the Syndicat des producteurs laitiers du Saguenay—Lac-Saint-Jean, Mr. Michel Potvin, has proposed that smaller slaughterhouses be built, as was the case in the 1960s. Would producers agree with this type of project, and do you think that the larger slaughterhouses may want to kill this idea?

Cull cow producers sold their stock in Canada and mainly to the United States before the mad cow crisis. Beef producers also provide thousands of heads of cattle. Class B slaughterhouses, like the one in Saint-Ambroise in the Saguenay—Lac-Saint-Jean area, cannot sell their meat as readily as class A slaughterhouses. There has not been a class A slaughterhouse in the Saguenay—Lac-Saint-Jean area since 1983. Producers cannot market their product anymore. The minister has talked about building new facilities. Do you believe that building new class A regional slaughterhouses would solve the problem which has been ongoing in the last 18 months? I would also like to know what you think of the idea of mobile slaughterhouses, their advantages and disadvantages.

Mr. Dessureault, can you estimate how much Alberta will receive under the 5th BSE strategy and how much Quebec will get?

According to your estimates, $100 million still have not been spent under the 4th BSE program, *[Editor's Note: Inaudible]* to the transitional support program for the industry, a federal program of $680 million. How do you think the federal government could spend this money and help solve the problem which has been ongoing in Quebec for the last 18 months?

● (1155)

Mr. Michel Dessureault: Those are a lot of questions.

[*English*]

The Chair: If you work fast, you might get them all in.

[*Translation*]

Mr. Michel Dessureault: I would like to address the previous question which dealt with CAIS, the Canadian Agricultural Income Stabilization Program. The program could be compared to a nice car which the federal government bought in 2002, but which is still sitting on four blocks in the driveway: there is no gas in the tank.

Just imagine, the Canadian Agricultural Income Stabilization Program was created on May 20, 2003 and no money has yet been paid out directly to producers. Seven new Canadian programs were created to help producers: BSE 1 to BSE 5 and all the other transition programs. It's just not possible that people still think that this program is the solution, for all of Canada, to a serious crisis like the one which we are currently experiencing in the beef industry. It just can't be. That's all I had to say on that matter.

As for the floor price, in the past, Canadian cull cow producers received a price which was in the same range as the American one. Today, the American price is about 60¢ a pound. There was a differential which more or less reflected the cost of transportation. As producers, we would like to access that market again, but we are aware of the fact that there is an embargo and that there are additional costs associated with slaughterhouses.

It's important to think of having a floor price. What should it be? Two-third of that price? I don't know. In Quebec, there is a law governing the selling of these products. Because there has been no decision by the Régie des marchés agricoles et alimentaires giving producers a degree of latitude to set the market price, it still has not been done. When the buyer arrives on the scene, he will realize that we have a regional market and not a Canadian one. However, if the authority came from the Canadian government, we would have a much better chance of setting the price, at least in Quebec and in Canada.

It would also help the Canadian government save money. This meat was bought by Quebec consumers over the last few months. But who profited? Not consumers, but probably—you can surely guess—the meat packers.

As for regional slaughterhouses, I believe that the position of the Union des producteurs agricoles and the Quebec Cattle Producers Federation is that the meat sold should be inspected. In that regard, it is difficult today for regional slaughterhouses to access the market, given that a huge distribution network already exists. Therefore, we prefer having large, slightly more supraregionale facilities which all producers can use, at a lesser cost, rather than having smaller slaughterhouses.

Mobile slaughterhouses are also referred to as emergency slaughterhouses. If a producer has an injured animal on his farm, the animal has to be put down and rendered. Sometimes the producer can make money for is own operation or he can use it for his own consumption. So there may be a certain degree of interest for this plan.

I won't come back on the 5^{th} BSE program. It's been said often enough in Quebec that this most recent program is not appropriate for Canada as a whole. The program was designed with one province in mind. In fact, as we speak, there has been no announcement made in Quebec so far.

How can anyone think that a set-aside program will have any impact when everyone knows that at the international level, discussions have revolved around animals aged 20 months or 21 months to be slaughtered in 2006. There's a disconnect somewhere. But whatever the case may be, the fact remains that we just can't announce the set-aside program. That is why, following the implementation of BSE 3 and BSE 4, money was left over which had not found its way to producers. Perhaps the assessment was too broad for the amounts which had been set aside.

When I mentioned the price of $320 per cull cow, I had the 3^{rd} BSE program in mind. If the market cannot offer a minimum price, the program should be extended for as long as the border remains closed. The money is there, it has been announced. Nearly $200 million have not been spent. So instead of announcing new measures, let's start by spending what is already there. This would greatly help Canadian beef producers.

● (1200)

[*English*]

The Chair: Thank you very much.

We're finished with that, and we move to Mr. Kilgour for seven minutes.

Hon. David Kilgour: I have different questions for different people, if I may.

Mr. Ishoy, we're hearing in the west that the CFIA is insisting on, for example, a larger office for the CFIA in the blueprints and a paved parking lot. Do you see this as a major obstacle to getting more production capacity underway?

Mr. Mark Ishoy: We did not experience paved parking lots and larger CFIA offices at our facility when that whole thing went through the process.

Hon. David Kilgour: Okay.

You mentioned that there are standards across the country. What did you have in mind? You were alluding, I think, to inconsistencies in standards. Have you anything specific in mind?

Mr. Mark Ishoy: No. I just wanted to reiterate and pass the comment that having worked in the west and the east, there is nothing specific in mind. It's just that we have to have people trained and cross-trained throughout the system.

Hon. David Kilgour: Your point about offshore meat quotas was particularly important. You probably know that in Edmonton the largest employer of the Edmonton population into the seventies was Gainers, Burns, Canada Packers, and Swift's. Didn't Charles Grassley write a paper pointing out how bad import policy basically eliminated all of those packing plants? Can you add anything to what you have already said about that?

Mr. Mark Ishoy: I didn't actually see Grassley's report, but I lived it in the last twenty years being in the packing industry and watching what went on. What happened is margins got squeezed for packers as they had to compete against the cheap imports, so there probably wasn't the amount of reinvestment going back into the industry that was needed. Packers is a capital-intensive business. I'm sure you've heard that in the past from people.

Hon. David Kilgour: Mr. Eby, we were told a couple of weeks ago that a 2,300 pound bull went for $300. You mentioned about pressures on 90,000 cow-calf and about 200 feed lots. Can you shed any more light on how the banks are putting pressure on or not putting pressure on these tens of thousands of families?

Mr. Stan Eby: There are two sides to that one. We're in contact with the Bankers Association, and they tell us they are working with the producers on the street. We see it much different with the pressure that is there. We talked about the Bankers Association and Farm Credit. The Minister of Agriculture has talked with the Bankers Association a number of times, and also the Minister of Finance. In reality, we feel that the lenders have been reasonable up until the last number of months. As this thing drags on, there is definitely more pressure there.

Hon. David Kilgour: Okay.

Barbara Duckworth, from *The Western Producer*, pointed out that the producers associations in Europe insisted on every animal being BSE-tested. Can you give us any more insights on that?

Mr. Stan Eby: This has been a very lively debate, and continues to be. We see, just as of the weekend, that Japan has backed off that. The scientists say that by removing the specified risk material we are accomplishing.... If you test on top of that, you have an additional cost with no value on it. We know that today's science will not pick up BSE in youthful cattle.

Our association has taken the position that the under-30-months cattle will definitely not have to be tested. In the over-30-months cattle there is specified risk material being removed, resulting in a safe product.

● (1205)

Hon. David Kilgour: Just one other thing. With your figure of 98,000 animals being killed as of 2006, how many new plants do you presume will be built by then?

Mr. Brad Wildeman: None. The capacity that's already been announced and is currently underway will achieve 98,000.

Hon. David Kilgour: So your figure of 98,000 doesn't assume any new plants in Quebec or in any other area?

Mr. Brad Wildeman: There are some new plants that are yet to be commissioned. As you know, there is one in Salmon Arm, B.C., that is waiting for CFIA. There's the Atlantic Beef Processors plant in Prince Edward Island that's away in start-up, and then there is Mark's plant that is still ramping up production. We believe that once these are all up, we'll be able to achieve that number.

It would be desirable for the industry, if you look at the numbers, if you want to have 10% over-capacity, that really 103,000 to 105,000 would be a good objective to give us some oversupply for things like labour disruptions, plant shutdowns, etc. But 90,000 will allow us to manage our system.

Hon. David Kilgour: Thank you.

The Chair: Thank you, Mr. Kilgour.

Before we move on to Mr. Angus, I wonder if Mr. Ishoy or Mr. O'Connor could bring us up to speed as to where MGI is at. Give us a quick reference of when you began the process, where you're at today, and where you hope to be a year from now. If there is anything in the process, if CFIA has been helpful or non-helpful, please tell the committee. We need to know, because we're meeting with CFIA at a later time.

Mr. Mark Ishoy: I think any start-up is difficult as we get staff in and trained. We probably started at 20 a day, as lots of places would do, and we worked our way forward. When you start up a plant, it's difficult to have the necessary skills there in the beginning. We are now probably about three months into it, and we are running at about 100 to 120 a day. We had applied for a double shift because we had some barn capacity issues, and we have been given permission to go up to 25 cattle per hour, provided that we follow the operational directives.

Having experienced staff in the plant from the CFIA is always helpful when you do a start-up. We're not complaining. We have some experienced staff and we have some inexperienced staff, but having experienced staff is always an important part of the start-up. We expect to be able to be at 200, hopefully, in early December.

We got a building permit, but as I alluded to earlier in my conversation today, the City of Kitchener was slow to provide us with a building permit. We finally got that this week, but it's going to take us five months to build the barn. When we get to that point, we are fully expecting to be at 300 a day in early February. So our ramp-up pace is probably fairly reasonable.

Does it ever go fast enough? No. Do we ever find little warts? Absolutely. But in general, I would say it has been reasonable.

The Chair: Thank you.

We now move to Mr. Angus for seven minutes.

Mr. Charlie Angus (Timmins—James Bay, NDP): Thank you.

I'd first like to follow up on something Mr. Wildeman said about the lack of new plants coming on stream. We have basically three or four companies running at 90% in this country. Are you saying that at the end of this these guys are going to be ramping up, they're going to meet any of the extra demand, and they're going to be the ones still in control of the situation?

Mr. Brad Wildeman: I think that's the reality of what we see today. Again, clearly there are a number of producer-owned initiatives out there that are struggling. We had hoped that the loan guarantee would trigger some of those to get over the edge. Again, even in spite of these large plants that do have a significant market share, we think there are opportunities for some very targeted approaches to be able to meet some customers who aren't being serviced now.

But, clearly, the way it is going right now, existing players are building right now. The new entrants are struggling to try to get their financing put together, as bankers are sitting there with this conundrum of worry about financing in case the border opens, yet the industry needs them to be built in case the border doesn't open. That's a significant issue.

● (1210)

Mr. Charlie Angus: All right, I'll come back to that later.

I'd like to ask the guys from Gencor a few questions. Our northern producers are very excited, but also very frustrated by the development of the Gencor plant. They feel there have been numerous delays. They can't go back home without hearing CFIA mentioned all the time.

Can you give us a picture of what it has been like in terms of ramping up? You were very diplomatic in the last answer, but how was CFIA to work with on this?

Mr. Mark Ishoy: I'll go back to my original point, my user-friendly point. I don't think the actual people in CFIA were obstructive in our opening, but the whole iteration of blueprints having to go back and forth as opposed to getting a face-to-face meeting makes the process difficult. Every time we produce a new set of blueprints, we have 28 full-sized, 36-inch by 40-inch blueprints—or whatever size they are—that go back and forth, and you may change three lines on that drawing to do it. So by the time they travel from CFIA back to the consultant, there's some discussion, and a letter goes back and forward, one turnaround on a set of blueprints can take three weeks. In our minds that's not acceptable, that's for sure.

Our actual blueprint approval process probably took us 45 to 60 days longer than we would have liked it to have taken us. A huge amount of details go into opening a plant or building a brand new plant. There are a phenomenal number of details that people truly don't understand. When you get into some of the questionable areas, it would be far better if you could sit down across the table. We ultimately did that at a point in time in our process, but it took longer to get to that point than we would have liked it to take.

Mr. Charlie Angus: Okay. I'll follow up on that. It does seem to me we talk of crisis, crisis, crisis. But if we were a ship, our bottom three decks were full of water, and the ship's crew were still saying it's a crisis, we're going to have our regular Monday morning meeting tomorrow at ten, and we'll deal with it.... That seems to be what's happening here.

On the issue of the barn, our northern producers are very frustrated; they say it's hard for them to get space on the trucks. What is the role of not having a barn? How has that affected, first, your ability to ramp up production, and how is that going to hold back the ability to meet the demands that are there right now?

Mr. Mark Ishoy: I go back to where I started. In any start-up you're never going to go from zero to 300 a day. The fact that this plant will probably get to 300 a day in five to six months is probably fairly good, if I include our management team's forum. On the frustration around the barn size, CFIA have shown some willingness to work with us on lines feed. They've actually increased the lines feed, as opposed to making a double shift, because in making a double shift, you really have to hire two sets of management, and it creates more problem. So in fact, allowing us to speed up on a day shift, as opposed to going to the two shift operation and leaving the cattle in the barn for a shorter period of time than they would ideally like, has worked.

As concerns working with producers in the northern area, we're calling the producers on our list. There are many producers who have to take responsibility and actually fill in the forms. We send out 24,000 letters to various producers in Ontario, and we've got, at last count, about 3,600 responses. There's a process that goes two ways on that whole thing.

Mr. Charlie Angus: Is that primarily where you're getting your cull cows from, directly from the producers? Are you getting them from auction or anywhere else?

Mr. Mark Ishoy: Our business plan is to work with producers. We've asked them to sign a no-obligation, but send us a form that says what their farm is and who they are and gives us the address. We've got a little more sophisticated now. We need to know who their favourite trucker is, so we can get them to a depot. We've established 18 depots around the province of Ontario we can actually bring cattle to. We rotate through those depots, largely based on cattle numbers in the various areas and counties we use. We have a procurement staff who phone the farms, leave messages, and get the information back.

Mr. Charlie Angus: Okay.

Have any of the large packing houses attempted to interfere in any way if you were trying to buy cattle at auction or other markets?

● (1215)

Mr. Mark Ishoy: I haven't seen any direct interference. If we were in the sale barn on a daily or a weekly basis, there could be interference in that they could move the prices up more than we would want to pay. But going directly back to the producer and having depots where we can take delivery of the cattle has allowed us to stay out of that type of situation.

Mr. Charlie Angus: Okay. Thank you.

I'd like to ask Mr. Dessureault a couple of questions in my remaining moments here.

Loan loss guarantee you said will not build plants. What suggestions do you have in order to see regional capacity and see regional capacity be able to survive any attempts by the large packers to put them under once the market re-establishes itself?

[*Translation*]

Mr. Michel Dessureault: I think the best way to help a new company is to allow it to have working capital and a great deal of equity at the outset. We should not forget that the existing slaughterhouses are storing up profits to prepare for a war in the marketplace. If you just allow people to cover their loans and interests payments, in five or ten years if things go badly... That is not when they need help, they need help immediately.

So let's find a way to help them get some working capital. A loan guarantee is one way of doing that, but direct government assistance may be the best way. In this market, the people from Gencor will tell you that a large amount of working capital is required.

[*English*]

The Chair: Thank you, Mr. Dessureault.

Mr. Anderson, five minutes.

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

Two weeks ago our agriculture minister headed over to Asia and came back empty handed. Last weekend the Americans were able to make an agreement. A major part of that agreement has been the change in the age standard from 30 months to 20 months. How do you see that affecting us? Second, how does it affect our programs and the effective delivery of them, when they've been geared to 30 months as a standard? We've got Japan, China, the U.S., and Korea probably will soon be using that standard as well. I'll ask you to be quick, because I have only a short time.

Mr. Brad Wildeman: I think Canada is uniquely positioned with our CCIA system. In fact, we're the only major exporting country that has a mandatory ID system. We are working on it at present, as a matter of fact, trying to get birth records in there to meet the Japanese opportunity. We agree with you that it's likely other countries will adopt this standard. So I think we can take a significant advantage once we get that installed. In the short term, you're absolutely right, as we try to manage inventory, when you start to back that date off, it does make it more difficult. Remember that neither Mexico nor the United States, two major meat exporters today, is asking for that requirement.

Second, while we can do that, what's most important is that we don't get ourselves in a position where we have a lot of added costs and the U.S. perhaps gets a better deal in grading or something else. We're watching that, but it's enabled right now. In fact, producers could actually dial up on the web the CCIA database today and start getting their passwords and everything ready so that in a matter of days they'll be able to start downloading birth records if they're available.

Mr. David Anderson: So if we see the U.S. and Mexico starting to move to 20 months, we've got a major problem in delivery of product and those kinds of things.

Mr. Brad Wildeman: We haven't seen any indication from Mexico—I was down there two weeks ago. We're meeting today with the United States, with CBA and others, to see if there's any call for them to move to 20 months for imports in their country. Again, I think there's a lot of work to be done. If you read the agreement they made, there are a number of very specific requirements for the U.S. to meet, and we wonder how they'll be able to meet them, given the system they have now. So there may be more negotiations.

Mr. David Anderson: We've basically got a frenzy around slaughterhouses, slaughter plants, and increased processing. According to the numbers we've been given—and I think these came from you—we've got a current capacity of 79,000, increasing by 3,000 in November, approaching 86,000 in early 2005, and then 93,000 by late 2005. Last week, when the government officials were here, one of the questions asked of them was if that included the cull cows in the number in order to clear the backlog. They said it did not. Were they incorrect in that? If they are correct, we've got a major problem. Mr. Eby said we'll have enough capacity by 2006 to absorb all classes of all animals. Our presentation from Quebec suggested that there are going to be 300,000 surplus cull animals still in the system, which would indicate that the prices are going to continue to be terrible. Are we going to have to continue to protect producers into 2007 on the cull cow issue? There are some other options there if we are, but I'd just like to know. Are those figures that you've given us accurate? Were the government guys wrong in what they said?

Mr. Brad Wildeman: The numbers are accurate. What makes it particularly difficult is that because of the debt, the requirement to have a dedicated facility, where you slaughter cattle either over 30 months or under 30 months, makes each one of these plants decide what class of cattle they're going to slaughter. The movements we see in border access and openings will determine whether plants pick one or the other, which makes it almost impossible for us to accurately identify to you today how many cull cows will be slaughtered.

The quick answer to your first question, however, is that the carry-over numbers were not included in the first set, but since then have been added in. Again, you will start to see us working our way through those cull animals in 2006, continuing after about mid-2006. Clearly, that's an issue, but again, there are a number of things producers are doing to try to manage that. Without taking any more time, I don't think we ought to talk about how that can happen, but there may not be as large a carry-over as we're projecting.

Mr. David Anderson: So we may not have the capacity to deal with those cull cows. If the border is open and the prices are high, a lot of the energy is going to go into bringing those younger animals across. We could have producers sitting with an excess of cull cows for a number of years, is that what you're saying?

● (1220)

Mr. Brad Wildeman: I would say that if the border reopens for export of live cattle for slaughter in the U.S., we'll very rapidly reduce the number of carry-over cows. In fact, I would say it'll happen very quickly. Remember, the ability to export live cattle under 30 months, but not cattle over 30 months, is going to encourage these packers to kill a lot of cows, because that's where the money is going to be.

The Chair: Thank you.

Ms. Ur, five minutes

Mrs. Rose-Marie Ur (Lambton—Kent—Middlesex, Lib.): I thank everyone for their presentation.

Mr. Eby, in your presentation you stated that you have all the markets you need for processed beef.

Mr. Stan Eby: Yes.

Mrs. Rose-Marie Ur: I was reading an article in a newspaper written by the president of the Rainy River Cattlemen's Association, and I just want clarification. I heard what you said this morning, but in this newspaper article it says that on the one hand the government wants to help the beef producers, but on the other hand it allows foreign beef into the Canadian market and Canadian producers can't find a market for their product, and it goes on and on. Which is the right story?

Mr. Stan Eby: We definitely feel our story is the right one. Our marketing people, both domestically and internationally, the Canada Beef Export Federation, have said they have enough capacity to absorb that.

As was mentioned here earlier, total imports this year, as of October 18, were 59,000 tonnes. Last year at the same time we were at 160,000 tonnes, so we've dramatically reduced that. This is where our capacity to market and use this product lies. Gencor Foods has come on very strongly on that. We support the position that supplementaries must be kept shut off.

Mrs. Rose-Marie Ur: They go on to state that a floor price should be established for all classes of beef and cattle sold. What is the CCA's position on that?

Mr. Stan Eby: We've discussed a floor price many times. The problem is that it doesn't get any more animals through the system. We're trying to encourage people to get as many animals as possible through the system. In reality, a floor price becomes a ceiling price on things. Coming from a free market setting—and I wish Mr. Ritz were still here, because we still want to operate in a free marketing system—through this crisis we must try to manage our supplies to mitigate the problems we have.

Mrs. Rose-Marie Ur: Are all the slaughtering facilities that are at present in existence running at full capacity?

Mr. Stan Eby: They've been running at about 115%. For the processors there's obviously an incentive there. They've stepped up to the challenge, pushed their people extremely hard, and got a lot of animals through the system. We appreciate that. The economics we could debate for a while.

Mrs. Rose-Marie Ur: What are we doing to ensure that when, hopefully sooner than later, the borders open, with these new facilities that have gone up, and all of a sudden the climate changes, we have a commitment by the producers to support the present facility that's taking the long shot?

● (1225)

Mr. Brad Wildeman: Again, I think that was one of the reasons a number of these new entrants were trying to get some producer participation, to get that loyalty in there. Quite clearly, that's a big issue, and that's why we haven't been pushing very hard, quite frankly, for the federal government to pour millions of dollars into building these facilities for producers, because if the border opens, there may not be a sustainable business plan. But the key point we also need to make is that one of the good things about revamping our existing facilities and buildings is that the newest, most labour-efficient technology available should allow us to compete, particularly as we see what's happening with our Canadian dollar and the arbitrage that's going to occur in our two systems.

Mrs. Rose-Marie Ur: For the gentleman from Gencor, what would your suggestion be with what you have gone through in the last few months getting your operations going? Would it be sufficient if perhaps CFIA set aside one person to work with a company, rather than wasting time going back and forth, as you said, for three or four weeks? Would it help speed up the process?

Mr. Mark Ishoy: That is a potential proposition at the moment. In the long term, is it an efficient use of the CFIA's manpower? I don't know, because it becomes a fairly specialized field they get into. Maybe designating some outside agencies that could bring the process up to 95% completion that could be recognized and certified may help, if the private sector played a bigger role and the CFIA role were reduced.

Mrs. Rose-Marie Ur: Hopefully, things will move forward in Japan for Canada. Do you suppose the fact that we have the tracing system in Canada will provide an opportunity for Canadian producers to move their animals more quickly than those in the United States, or will we have to wait for catch-up for the United States to start moving our product?

Mr. Mark Ishoy: At the trade mission two weeks ago Minister Mitchell was assured by the Japanese that there would be basically one protocol for North America. We see the protocol that the U.S. has. We know that CFIA is sending people to Japan at the end of this week; this Friday they have appointments in Japan to work on protocols for Canada. And yes, our identification system is a positive, and we intend to take full advantage of it.

Mrs. Rose-Marie Ur: Thank you.

The Chair: Thank you very much.

We'll move to Mr. Gaudet for five minutes.

[*Translation*]

Mr. Roger Gaudet (Montcalm, BQ): Mr. Chairman...

[*English*]

The Chair: Mr. Gaudet, you're hungry, but I should point out that this committee agreed—you were here—that we would forgo lunch. You'll have to convince the other members that you need lunch if you want lunch next week.

[*Translation*]

Mr. Roger Gaudet: That is fine.

[*English*]

Hon. David Kilgour: Just as a point of order, I was denounced by my colleague for leaving last week. I'm sorry I had to leave. It was a Canada-U.S. parliamentary group. I wish now they hadn't served lunch at the meeting, because my colleague couldn't have attacked me.

The Chair: Mr. Gaudet, I won't take that out of your time. You have five minutes.

[*Translation*]

Mr. Roger Gaudet: I would say to Mr. Kilgour that he could have told us that when he left, and that would have settled the matter. We were under the impression that he had sneaked out to go and eat. We thought that he was hungry.

Mr. O'Connor, a number of groups have spoken out against the large slaughterhouses that also have animals for slaughter. They are accused of using their own animals in order to influence the prices paid to producers. So when the demand is high, they slaughter their own animals, and when it is low, they use the producers' animals. Do you think there should be a law in place to prevent such situations, which look like a monopoly?

[*English*]

Mr. Brian O'Connor: I'm not sure how, in a market that is as free as the meat market, you would introduce those types of things. I guess the way we look at it more is that as a producer-run group, if we do the right job and run an efficient business—and we have every confidence that Mark and his team will do that—then producers are going to be willing to participate in that type of arrangement.

So we'd turn it the other way and say that if we can be successful, and we believe we can, at what it is we're planning to do, then that in and of itself will help keep things in balance. We'd come at it from the other way.

● (1230)

[*Translation*]

Mr. Roger Gaudet: Unless I am mistaken, Mr. O'Connor, you said earlier that it was really important that all the standards be applied uniformally throughout the country. I would like to hear your description of these standards. Some provinces may be more advanced than others. Let us take Quebec as an example. It has a system that looks at the life of an animal, from birth to death, and this is applied from *A* to *Z*. That means we know if the animal changes location. I would therefore like a better explanation about why it is very important that the system be standardized throughout the country.

[*English*]

Mr. Brian O'Connor: I think Mark was referring more to the CFIA standards at each plant. As it relates to the ID, as an industry, as producers, we're working to harmonize the ID systems. I think it's essential. And yes, Quebec took a very significant lead on that with the RFID. The rest are quickly adopting the same type of system.

That's on the ID side, but I'll let Mark speak about the standards.

Mr. Mark Ishoy: I think the standards have been quite well done over the years. As we go through the whole BSE in the over-30-month cattle, the fact that you have to remove the meat one inch from the bone, all the way down through the backbone, needs to be....and I'm not suggesting it wasn't, but when we started, I told my counterparts at CFIA that we needed to make sure that anything we did in the plant to remove the SRM was consistent across the country. That is key.

When you leave an inch of meat on the bone, you probably leave.... I haven't done the math entirely, but it costs $40 or $50 to leave some of that meat on the bone. Some of that meat is from higher-value items, such as strip loin and rib-eye. So it needs to be standard throughout.

[*Translation*]

Mr. Roger Gaudet: I would like to ask all our witnesses another question. If each province had its own separate inspection system and regionalized marketing procedures, what do you think would have happened during the current crisis? I would like to hear all our witnesses's views on this.

[*English*]

Mr. Mark Ishoy: I am a strong proponent of the federal system, of one system throughout the country. I've been a member of the Meat Council for a number years, and their stated preference is one system. Then we would accept the meat from be it a provincial abbatoir or not, because there's a different cost structure to run a provincial abbatoir as opposed to a federal abbatoir.

If a provinces wants to be able to sell meat outside the province, they should be required to meet the standards of a federal plant. It's very important, when we export meat, that the countries we export our meat to have confidence in our system. We've seen how shaken the system has been by BSE. We just need to make sure that if meat is moving across provincial boundaries the standards are the same.

The Chair: Thank you, Mr. Gaudet.

Now we move over to Mr. Easter.

Hon. Wayne Easter (Malpeque, Lib.): Thank you, Mr. Chair, and thank you, gentlemen, for coming.

I do want to make a point, Mr. Chair, in relation to what Mr. Ritz and Mr. Anderson said. One of the things I'm finding in the country is that we're getting several different stories no matter what the federal government tries to do.

To David's point that the minister came back empty-handed from Japan, that's not correct. In fact, I would ask Stan or Brad to further their comment that while the minister was there, and because of the work of the CFIA prior to the minister being there, the Japanese have said they will treat this product as a North American product.

Is that not correct?

That would put Canada in, I think, an extremely advantageous position as compared to the U.S. because of our traceability and where we're at in terms of identification.

All I'm saying, Mr. Chair, is that I don't think it's helpful for the industry out there to be misinformed. I know how difficult it has been for the CCA to be supportive of the government on many of these measures. It's been difficult. But if we're going to move ahead, then we have to try to at least be factual in getting the information out to producers, and I don't believe Mr. Ritz and Mr. Anderson have been.

My question is to the CCA. What specifically did the Japanese say to the Government of Canada relative to North American product?

● (1235)

Mr. Stan Eby: That they recognize North America as one producing region. The minister had assurances that there would be one protocol for Canada and the U.S.

While the minister was visiting with those officials, Ted Haney, Brian Read from the Meat Council, and I were visiting with importers and distributors who very much wanted Canadian product, and said it was very timely that we were there. The Canadian ambassador felt it was extremely timely for the trade mission and the information that was shared, not only from the government side but also the industry side, in terms of our identification that we could accommodate their demands.

Hon. Wayne Easter: Thank you.

My second question is on something that's been raised several times. It really relates to the CFIA and to Mark's comments. I was dealing last week with the Salmon Arm plant as well. It seems to me, from what you've stated and from what they've told me in that plant, that they feel they're behind two weeks now also because of a blueprint problem. I'm trying to understand why CFIA couldn't move faster on that than they have. I'm not being overly critical of them, but it's the exchange of blueprints from the region to Ottawa that seems to be the problem. I would like us to be able to talk to CFIA.

I think you've suggested that maybe we could go to the private sector to do 95% of the work. Rose-Marie has suggested that maybe we need dedicated staff from CFIA to do that. But we certainly don't want, over just a blueprint exchange problem, to be losing two weeks here and two weeks there in new plant capacity. I wonder if you could firm that up for me.

Mr. Mark Ishoy: I'd almost need to work for the CFIA to totally firm it up for you, I think.

One the things we found as we went through the process was that, through no fault of the individuals, they were working on BSE policies and they were being pulled off in other very important directions at times. So for the blueprint person, while that may have been his official function, he may have been pulled into SRM policy-making, or he may have been pulled off into some different problem with the BSE that came along.

I'm not speaking for the CFIA here, but I think they got themselves in a position where they had *x* amount of staff. All of a sudden they were short in human resources at the point in time when everybody was trying to start these plants. Being in the slaughter-house industry, there were times when I made calls and they probably pushed my file a little bit quicker because we were on the beef side. They have processing plants and they have other plants that are trying to get blueprint approval at the same point in time. They juggle a lot of balls in the air.

Hon. Wayne Easter: Brian?

Mr. Brian O'Connor: Mark mentioned the iterations. There was a critical point at which the individual involved came and we sat at the table to expedite the process. I think that was huge in allowing us to move forward a little quicker. So I think what Mark is saying is that when the staff resources are there and that can happen, it can save a lot of weeks.

The Chair: Thanks.

Mr. Miller, for five minutes.

Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC): Thank you, Mr. Chairman.

Mark, I had to kind of chuckle at Mr. Angus' comments about you being very polite and diplomatic as far as dealing with CFIA is concerned. I guess I understand that you don't want to burn any bridges, but I'm not going to worry about that type of thing. We all know you went through hell. It was unfortunate, and I think there were delays there that should never have happened.

You mentioned trying to streamline the process, and you gave us some ideas. Is there anything else you could say that could help with the reopening or the opening of a new facility that you haven't had at this point?

● (1240)

Mr. Mark Ishoy: If I can think of anything in the next fifteen minutes, I'll tell you, but I don't have anything at the moment.

Mr. Larry Miller: That would be good—and I do have other questions here.

You also mentioned that offshore meat was one of the things that made it hard for our packers here to stay viable. Is there anything else government could do or that the industry could do to try to keep our packers viable in the future once we get them open here?

Mr. Mark Ishoy: Maybe I need to repeat this, but I think the policy has to stay stable. If you go back and look at the history of the packing industry—and Stan may want to add to this a little bit—the packers and the processors have not always worked in harmony. I think that, as a group, they need to learn to work together more. If you get into a fight, you can always take your ball and go and do something else, but it doesn't really promote the working between the industry players.

One of the processors' complaints was that they can never get price quotes on their meat for the next twelve months. We're looking right now at quoting out meat twelve months in front, because we're making some assumptions that the border probably isn't going to be open for some period of time, that the supplementary permits are not going to be issued, and we're arriving at what we feel is a fair price in the marketplace to sell the meat. That's what can go on. But as soon as you allow everybody to have a safety valve every time they get mad, and allow them to bring in meat and to say “I told you so”, now you have a problem.

Mr. Larry Miller: The next question I have is for Stan.

Stan, we've been talking about the deal with Japan and the Americans, and how that could affect us. We talk about the protocol and about going over there to negotiate a protocol with the Japanese. If it's being treated as a North American product, I fail to see why we even need to sit down there. Why don't we just adopt the protocol that they've accepted with the Americans? Do you have any comments on that?

Mr. Stan Eby: That's a good point, but I feel we have some advantages that the Americans don't have, namely our identification system by which we can tie age verification to it. That's the major one, and the 21 months issue is big. Those are the kinds of details.... And to have an ongoing rapport with the Japanese technical people is very important also.

We still have our flag on this side of the border, and the U.S. has theirs. I think we have to maintain building our loyalty with those markets regardless of the protocol they would set with the U.S.

Mr. Brad Wildeman: If I could just add one supplementary comment to that, Stan, while we would—and certainly we will; we're better capable to address the protocol that's on the table now—clearly that's not where the U.S. intends to be in the longer term. They've stated many times that once their enhanced surveillance is complete and if they've found no other cases, they want to differentiate their status from that of Canada. If that's their strategy, it's important that we continue to have discussions in order to make sure we don't get left in the dust and end up with a much more severe set of restrictions than what the Americans can have by using this to their advantage.

One of the things we've had to realize is that we've become a very major world hitter. We were the number three exporter of beef in the world and the number two exporter of pork in the world. When we go into those places, people are going to try to use the best advantage that they can against us, so we need to be there, making sure we're looking after our own interests.

Mr. Larry Miller: Do I have any time left, Mr. Chairman?

The Chair: Half a minute.

Mr. Larry Miller: I have one thing having to do with the CAIS program. We all know it's a disaster. I know that in the figures I have, 70% of the people in my riding just aren't eligible. It just seemed to be drafted more like an insurance plan, an ongoing thing, instead of something to deal with a crisis.

Does the Cattlemen's Association have any ideas on where, if we ever run into one of these things in the future, hopefully we can have something in place?

Mr. Brad Wildeman: From the very first day, we've expressed that issue. We tried to frame this in the aspect of a disaster, like any other disaster in which you have 70% loss of income. Unfortunately, that's not the approach they have taken, so we're working with what they've given us and we're trying to work it through. Our recommendation to them now is simply to get the answers out to producers so that we know if it works or it doesn't. If it doesn't work, can we fix it or not?

But we clearly don't see this as a normal loss of income, and never have.

● (1245)

The Chair: Mr. Drouin, for five minutes.

[*Translation*]

Hon. Claude Drouin (Beauce, Lib.): I too would like to thank the witnesses for appearing before the committee today.

Mr. Dessureault, I understand from what you said that you would like greater flexibility as regards to programs, but based on a fair share. I would like you to tell us in writing what you mean by greater flexibility, how you would like to see that implemented, and what you mean by a fair share and what we could do in that regard. I would like you to send these comments in writing to the committee or, just to me if the committee is not interested in receiving them.

If I understood correctly, you say in your presentation that assistance for slaughtering animals should be provided by the producers. I am far from being an expert on the crisis, but I want to learn as much as possible as quickly as possible. Since we have huge surpluses, animals must be slaughtered quickly. The figures we got last week from Agriculture Canada showed that we have reached 90% of the production figures before May 2003, and imports have dropped by 68%.

In order to meet the demand quickly, would it not be advisable to give more preference to existing slaughterhouses, without eliminating the option of having some of the slaughtering done in the community?

You also say you want the assistance to be in the form of subsidies, rather than loans. I am wondering how the Americans would react, because they are very touchy about subsidies. The situation with the hog section is a case in point. In my opinion, we should be cautious. We might consider opting for interest-free loans, which would be preferable, to avoid a boycott by the Americans.

Mr. Michel Dessureault: First, with respect to assistance for existing slaughterhouses, I think they have demonstrated that increasing their slaughter capacity could compromise their supply. In my opinion, once producers own their own slaughterhouses, there will be a new solidarity which will motivate them to deliver their products to the slaughterhouse. That is how it works in Quebec. They remain in the market and ensure that it is properly supplied.

The Americans don't need this pretext to attack us. The crisis in the cattle industry has shown that the price of certain categories of product, including veal, was higher during an embargo. The Americans are preparing to levy anti-dumping duties on Canadian veal producers. We are preparing for that. It looks like the same thing could happen in the cattle sector.

In my opinion, regardless what steps we take to slaughter our animals, we can sell all of our cull cow meat on the Canadian market. Should we do what we did in the past, namely have a different, American-style production system for the Americans? As far as I am concerned, I think the crisis has taught us a good lesson. We must make distinctions within the market.

For example, the markets want us to be able to identify cattle from their birth until their death. We are doing that in Quebec, but at the moment, this information stops at the slaughterhouse, because the marketplace simply does not want to pay the cost involved. We're not talking here about benefiting from this practice, but simply about paying its cost. There is room in certain markets other than the United States for Canadian beef. It is possible that the product may be different, but producers from Quebec and Canada are prepared to go forward with this.

If we were to produce only for the Americans, we would ultimately be asking the type of questions you are asking here. We must therefore make some distinctions. With slaughterhouses, and with a good identification system, we could differentiate our products better.

Hon. Claude Drouin: You've just raised an important point. Consumers are not prepared to pay the cost of tracing animals. They do not want to pay a higher price. In fact, they do not want to pay this cost at all, if I understood you correctly. It would be important that they do that. In light of the crisis we are experiencing, has this attitude not changed? Do people not want a safer product?

● (1250)

Mr. Michel Dessureault: I think that consumers are calling for this information. However, people in the distribution network at the moment can get a product with good tracing information at no cost. That means they can supply this information to consumers who want it.

As you know, in the Canadian system, at least in Quebec, distributors control consumers to a considerable extent. Distributors put the product consumers buy on the shelf, and they dictate the price people pay. As a consumer, you have certain choices available to you. I can give you an example of some grocery store chains that have limited these choices in recent years.

[*English*]

The Chair: Time has expired.

We move to Mr. Bezan, for five minutes, please.

Mr. James Bezan (Selkirk—Interlake, CPC): You guys were talking about the CAIS program. There's been quite a bit of discussion around CAIS, and the program isn't working. The recommendations from the Canadian Cattlemen's Association on the cash advance, did it include delivery and cash advance through CAIS?

Mr. Stan Eby: Yes, and we've been involved with three ministers of agriculture on this issue, in trying to make CAIS—

Mr. James Bezan: What would be the logic of that when the industry has been saying all along, especially at the grassroots level, that the program is not working?

Mr. Stan Eby: For the advance, we've been assured that there would be a simple two-page form similar to what some other provinces have used to get cash into the countryside—as an advance. That doesn't clean up the problems with the operation of CAIS. We want to give cash into the countryside.

Mr. Brad Wildeman: Originally, we'd said this was an income loss like a disaster, not like a normal circumstance, so the moneys that were received should help producers with their reference margin to allow them to participate. Those weren't the decisions that were made. We were told that using CAIS as the vehicle to deliver the money was the most expeditious way to do it; so we've agreed with that because we knew that producers needed to get the money as quickly as possible. But again, we were playing with the cards that were dealt to us in trying to get the best deal for producers.

Mr. James Bezan: We already had the experience with the TISP program, which got the money out extremely quickly into the hands of producers. I fail to understand why that approach wasn't used this time around.

Mr. Brad Wildeman: It was also a CAIS-administered program in that those moneys go against your future CAIS payments.

Mr. James Bezan: We understand that. But it was delivered through various facilities, whether it was through the FCC or crop insurance or however. It wasn't being dealt with through the CAIS administration, which is slowing down the delivery of funds.

Have you guys accounted for the huge retention of females in this country, not just the retention of the increase in cull cows, but also the increase in heifers that were retained last year? In my area of Selkirk-Interlake, and throughout Manitoba, the number of females that have probably been retained is 40% versus the normal of 15%. So we've got a lot more cows out there. Have you built that into the projections in slaughter capacity needs, along with cull cows and a set-aside program now that is encouraging more heifer retention at the calf level rather than retention of steers?

Mr. Brad Wildeman: Actually, I think if you look at the Stats Canada numbers you'll see that the heifer slaughter is actually up. Perhaps in your area, where there's a lot of feed, there was more of that, but certainly if you look at the numbers we've seen higher heifer slaughter numbers than we've had before. It appears to us that what's happening is that people are clearly keeping that cow for one more year and trying to get a calf out of her, because she's virtually worthless right now; she's down in the $200 range, and they can still sell a heifer for $600 to $800. So we have not seen heifer retention to date, although we have seen it in some specific regions—and you're in one of them.

Mr. James Bezan: Have you looked at the price relationships so far? You mentioned a dollar a pound on calves since the program was announced. You feel that's strong enough—although in Manitoba I know you'd be hard-pressed to find a top steer bringing 85 cents at 500 pounds.

I was talking to some buyers on the weekend, as I've got some calves I'm trying to sell. If you can get me a buck, I'll move them right to you.

Mr. Brad Wildeman: I'd buy them. I buy them out of your country every day.

Mr. James Bezan: At a buck? I'd better bring them out in the yard then.

I just wanted to get a little more detail on what the price relationship has been since September 20.

Mr. Stan Eby: It's definitely difficult to compare a cap price prior to a run-in. We're just in the run, with the market numbers right now. Larry, there was a strong sale in your area last week, and maybe your calves were there.

Look at him smile.

We feel the optimism in the industry is rebuilding some confidence, and it's showing at the market site. Is it going to continue through the heavy numbers of the run? That's something we'll have to live through yet.

● (1255)

Mr. Brad Wildeman: I think there are two things that are starting to spread the differential between steers and heifers. Clearly, there's the anticipation, and we still do have U.S. investors buying cattle and placing them on feed, at least in western Canada, and I'm sure down here, knowing that if the border does open to feeder cattle shipments, that will be for not sexually intact animals, which really means steers. We're seeing that. Second, I think people say that if they do need to set them aside in the feed lot, a steer is much easier to manage. We're seeing in the feeder cattle set-aside program high rates of heifer retention.

Mr. James Bezan: Do I have time for another one?

The Chair: Actually, you're out of time.

I'm going to give the last question to Mr. Angus.

Mr. Charlie Angus: Now I have to decide whether to hardball it or softball it. I think Stan's probably taken more hardballs than anybody this last year, so I won't go with my hard one.

Stan, you mentioned that feeder set-aside is now starting to happen. How many of the producers are involved? I'm asking because a lot of the guys I've been talking to have heard about it, but they have no idea how it's going to work or where it's going to work, and they're not doing anything with their cattle right now. How much awareness is out there among your own members, and how many are starting to respond?

Mr. Stan Eby: I'm going to ask Brad to respond to that, because he's on the advisory committee. For Ontario, details were just released last Thursday, but I'm not up to speed on those details.

Mr. Brad Wildeman: As a clarification first, on the feeder cattle set-aside, there is no auction system. The auction system is only for the fed cattle, finished with the cattle set-aside program. We're still working through the details, but one of the things is that it took a long time for the provinces to determine whether they were in or out of each one of these programs. We are starting to see some participation, but a lot of provinces have yet to sign up their producers. So that process is going on.

The other significant point I'd make is that where we are seasonally, we're seeing cattle bringing very nearly the predetermined or minus $25 to $30 base we've always talked about. Cattle are trading in that range right now, so there's no motivation to put them in. Clearly, if we see prices going down into the 60 and 70-cent range, we'll see a massive sign-up.

On the reverse auction thing, it will be quite interesting. We'll need to monitor it quite closely, as the cost structures in each of the provinces are not identical. We understand that eastern Canada has a higher feeding cost structure than western Canada. We need to deal with that.

Mr. Charlie Angus: To go back to CAIS, I asked the same question last week, concerning people who put in for CAIS and are being rejected. Is that a sizable percentage? Is that a natural function of a bureaucracy that's overloaded, that you just start sending out rejection letters? The banks have been waiting, but when these guys are getting their CAIS rejections, they've run out of room, and each time they get a letter, it is as if the barn just blew up. What are you hearing from your members?

Mr. Stan Eby: Major frustration. There doesn't seem to be any pattern in it. I would solicit the help of this committee to pressure the CAIS administration. I would suggest that some policy decisions have to be made here. Let's expedite this thing. I really feel the program can be workable, but it's not working. Let's all put our shoulders to the wheel and make it work, because it is a vehicle to get cash into the countryside.

The Chair: Thank you.

I just want to follow up on that. There was something said by Mr. Dessureault that I want to have you comment on quickly, if you can. I think you made mention of the fact that the CAIS program probably works in the grain sector, but probably doesn't work very well in the livestock sector. Would you elaborate? Did you say that, or did I just pick that up?

● (1300)

[*Translation*]

Mr. Michel Dessureault: No, I said that CAIS did not work at all at the Canadian level. At the moment, CAIS, which is based on farm income disparities by covering negative margins, is definitely not a program that will help the Canadian industry, particularly if there is a crisis. CAIS has done nothing to help grain producers, who have been facing a crisis for a number of years.

Consequently, in Quebec, we fail to see how CAIS could provide funding to help out cattle producers.

The program dates back to 2002. It will soon be 2005, and so far farmers have received no money. In the meantime, let us count on the Canadian government's ad hoc programs. Let us renew the BSE 3 and BSE 4 programs with the money left over from the former programs, so that we can calm down the bankers and help producers feed their families. That is what we should be doing so that this money can be distributed quickly to Canadian farms.

[*English*]

The Chair: Thank you very much, Mr. Dessureault. I gather what you're saying is that there are no wheels under this at all.

Thank you very much, witnesses, each one of you, for coming, and committee members for your good questions. We look forward to seeing you again.

The meeting is adjourned.

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