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Chair

Mr. Paul Steckle

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● (1110)

[*English*]

The Chair (Mr. Paul Steckle (Huron—Bruce, Lib.)): Gentlemen, we will now bring the meeting to order. This morning we want to continue the study on the strategy for the repositioning of the livestock industry. We've been on that for a number of meetings now.

This morning we have the Department of Agriculture and Agri-Food in our first segment, from 11 o'clock through to 12 o'clock. We may go a few minutes after 12 o'clock and then break it up, because we were a few minutes short getting started this morning.

Again, with us from the Department of Agriculture and Agri-Food are Gilles Lavoie, senior director general, operations, market and industry services branch; and Danny Foster, director general, farm income and adaptation policy.

Are you speaking on behalf of the group, Gilles?

Okay, you have 10 minutes or less.

Yes, Mr. Miller.

Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC): Mr. Chairman, on a point of order, a week ago today we had the introductions and what have you. Is it necessary to add more to that? Is there anything new to add?

The Chair: I guess that's what we'll find out in a few minutes. If we find that it's repetitious, we may just stop them, but we have to hear them.

Mr. Lavoie.

Mr. Gilles Lavoie (Senior Director General, Operations, Market and Industry Services Branch, Department of Agriculture and Agri-Food Canada): Thank you, Mr. Chairman.

I'm indeed pleased to be back with you. As already indicated, I will try not to repeat what was said last week. I will simply outline briefly the purpose of the four programs and which provinces have already indicated their participation, and then we can go to questioning.

The Chair: Mr. Kilgour.

Hon. David Kilgour (Edmonton—Mill Woods—Beaumont, Lib.): I think we're all up to speed on that. Could we skip going through what we all know and just get to questions and comments?

The Chair: If Mr. Lavoie feels that we've heard this before at some point in time, or if it's new material....

We have brought them to the committee to bring new material. This has to do with the financial aid package, not with some of the other aspects. We wouldn't have brought them back to repeat what was said the other day. So let's give Mr. Lavoie an opportunity. He will know what he has said before and hopefully leave out those elements.

Mr. Gilles Lavoie: Thank you, Mr. Chairman.

I will start with the feeder calf set-aside program. The purpose of this program is to encourage producers to retain some of their calves born in 2004 and delay their slaughter until 2006 when more adequate slaughter capacity comes on line. The objective is to set aside 1.5 million calves across the country nationally. The contribution is $120 from the federal government and $80 from the provinces, for a total of $200. Producers must enroll 30% of their calves.

To date, Ontario, Manitoba, Saskatchewan, Alberta, and British Columbia have confirmed their participation. Quebec is very interested but has not yet publicly confirmed.

The application forms for the programs have been posted and sent out by Alberta, Manitoba, and British Columbia. We have been informed that Saskatchewan will likely do so today and Ontario early next week.

For the fed cattle set-aside program, the purpose is similar. It is to assist in repositioning the Canadian beef and cattle industry by better balancing the supply of fed cattle with slaughter capacity. Producers who want to participate must register with the province in which they operate. We use a reverse auction mechanism to determine which animals will be set aside. Cattle owners bid on the basis of a per animal, per day payment that they are willing to accept to set aside the eligible animals for a specified period of between 90 and 100 days.

The cattle must be ready for slaughter. For example, the average weight of a lot should be 1,300 pounds for steers and 1,200 pounds for heifers, with an individual minimum of 1,000 pounds for heifers and 1,100 pounds for steers.

We had the first auction on October 11. We have weekly auctions and are in the third week.

Ontario, Manitoba, Saskatchewan, and Alberta are participating already. Quebec has also shown interest but has not yet publicly confirmed.

● (1115)

[*Translation*]

The aim of the program for older animals is to give producers a tool for managing cull cattle by helping them to dispose of these animals in such a way as to avoid problems that could affect the welfare of the animals and of the environment.

Eligible animals are those that have no commercial value and cannot be kept any longer for production purposes. Producers will be paid to dispose of these animals. Governments will cover the cost of transporting these animals to slaughter, the cost of the actual slaughtering and the cost of disposing of the carcasses. To date, Manitoba has confirmed that it will be participating in the program. Ontario and Nova Scotia have expressed their interest in this initiative, but have yet to give formal confirmation of their participation.

The aim of the Loan Loss Reserve is to facilitate increases in ruminant slaughter capacity—this program is not limited to cattle, but rather to all ruminants—by creating a loan loss reserve to offset a portion of future losses. In order to be eligible, a slaughterhouse must normally be up and running before the end of 2006. Loans shall be awarded by recognized commercial lending institutions and a reserve shall be established for each capital supplier.

[*English*]

I'd be pleased to respond to any of your questions.

Danny Foster, as you mentioned, is also here to address the cash advance and the money included in the strategy.

In addition, you will remember, Mr. Chairman, that last week there were a few questions posed to which answers were not readily available. I have them with me. I can present them now or later, at your preference.

Thank you.

The Chair: Some time later, unless people feel they need those responses in terms of their questioning this morning. But we want them on the table before you leave.

Are you finished?

Mr. Gilles Lavoie: Yes.

The Chair: That's wonderful. Then we'll move on to questions.

Mr. Ritz first, for seven minutes.

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

Gentlemen, it's good to see you again.

Before we move into the programs you've announced, there's another one coming down the pipe that will hit us on January 1. That's the electronic traceability program that will be mandatory January 1. Who's going to pay for that?

Mr. Gilles Lavoie: As part of the series of initiatives announced by the minister in September, there is one component that is part of the market export government incentive. There is $16.1 million that has been allocated to help the industry build the infrastructure required to move as fast as possible toward electronic tags.

It includes assistance to help them build the infrastructure to enhance their database. They also need a portion for the mapping of the farms: where we have cattle in this country and who farms what in the country. All of that is included in terms of contribution.

Mr. Gerry Ritz: But I'm talking about the actual electronic button that's to be attached to the calf. Who is going to pay for that?

Mr. Gilles Lavoie: The owner of the cattle will pay for the tag.

Mr. Gerry Ritz: At a time when everybody is losing major dollars on every animal, is it fair to ask them to do something more that will affect their bottom line?

Mr. Gilles Lavoie: It will affect their bottom line in the sense that their animal will have a better market value.

Mr. Gerry Ritz: That's your best guess scenario at this point. Anyway. I'll leave that for now. We'll get back into that one later. We have a couple of months until that hits.

On the set-aside program, you're talking about holding back calves at the primary production level, the cow-calf operator. He's going to hold back calves—30% of his herd—for a minimum of 90 days. Is that right?

● (1120)

Mr. Gilles Lavoie: Do you mean the feeder or fed set-aside? The fed cattle set-aside is 90%. For the feeder calves it's up to the end of 2005.

Mr. Gerry Ritz: Okay. It's not clear out there. I'm getting calls from a lot of folks. There is a lot of confusion between the two programs. Is there any way we can put out better information that clarifies it?

Mr. Gilles Lavoie: Yes, we will. We have already put some description on the web, and the provinces have done so as well. We will ask the communications expert to further verify that and to try to avoid any confusion.

We also have 1-800 lines for producers who want to have more information. That is available nationally, and the provinces have also established 1-800 lines.

Mr. Gerry Ritz: The problem with the 1-800 lines is you can get a lot of folks who don't understand the programs themselves. They're basically babysitting, and that's not adding anything other than more stress.

On the summary of the business risk management program I asked for last meeting, you guys have submitted it and it's great. There is a sad lack of administration costs. There is no line item for administration costs. I would like to see that as well, if you possibly could.

There are a number of discrepancies that I've talked about here. The very first one out of the CAIS program, you have year of coverage, the 2003 tax year, plus the 2004 tax year interims included. That includes the advances on 2004 and a lot of these other programs that have been added.

When I get down to the bottom line, you don't have Ontario or Quebec included, which is fine, but the bottom line to this point—and this is 2003 and it's finalized—is less than $50 million to less than 3,000 producers. Do you call that successful?

Mr. Danny Foster (Director General, Farm Income and Adaptation Policy, Department of Agriculture and Agri-Food Canada): Yes, on the 2003 number, those are interim payments. If you flip over to the second page you'll see 2003 final payments. On the copy you have—and let me verify that—

Mr. Gerry Ritz: It's broken down into 2003 and 2004, which is fine, but again, Danny, you're still talking $250 million out of $1.5 billion for 2003 alone.

Mr. Danny Foster: Yes. Currently, over 18,000 producers have received payments in excess of $280 million. We're in the midst of processing the 2003 final applications right now. The 18,000 that were paid is based on about 32,000 applications processed.

If we look at what our total participation in the program is, at around 130,000 to 140,000, and you multiply that out, you're getting over $1.2 billion.

Mr. Gerry Ritz: But again, that's a best guess.

Do you have a date on your watch, sir? Could you really tell me what the date is? I mean, we're talking about 2003 here on the books, and 2004 is winding down. These guys needed cash six months to a year ago, and they still haven't been able to access it.

Mr. Danny Foster: The applications have been available for a long time. The information in terms of the final applications is coming in now. It's been coming in over the last two to three months, which is typical when you set the deadline for a final application to be processed.

We're processing these things as quickly as we can, but producers in many cases are waiting to file, through their accountants, the final application numbers.

Mr. Gerry Ritz: They're not even applying, sir, and the reason is the cash on deposit. A tremendous amount of producers are just walking away from this because they either don't have the cash or, if they do, they don't qualify for the program, and their accountants are saying don't bother.

We're not helping the guys who need it the most.

Mr. Danny Foster: I would just add that right now we have more than 119,000 producers who have actually selected coverage. There's still another month to go for those producers to sign up for the 2003 program. We expect that well over 130,000, especially with the Quebec numbers still to come in, will have signed up for the 2003 program. I think the sign-up is actually quite substantial for the first year of a new program.

Mr. Gerry Ritz: But there's no guarantee that those 130,000 applications will actually qualify for any money.

Mr. Danny Foster: In terms of the payout rate, right now approximately 60% of the applications are triggering payment. As I mentioned at the last meeting, it's higher for cattle producers. More than 70% of the applications from cattle producers that we're processing are triggering payment under CAIS.

Mr. Gerry Ritz: I would suggest that the percentage of disqualification will ramp up as more people try to apply. The ones who felt they could qualify for anything had their applications in six months ago. Now you're into the borderline ones who may or may not, and then there are a lot of others who never will. They're grasping at straws, trying to make these things work.

Mr. Danny Foster: It's hard to say which way it'll go. As I mentioned in the last meeting, I've been with these programs for a number of years, and producers do wait until the deadline. A significant number of producers triggering payments are waiting until the deadline to file their application.

● (1125)

Mr. Gerry Ritz: Their banks aren't allowing them to wait for the deadline. They're pressing them to get going too.

One of the other programs you list here is the cash advance programs that are all sent out through various things. I know that in western Canada the cash advance is handled through the Canadian Wheat Board. How is it done through the rest of the country? Is there a myriad of different delivery groups?

Mr. Danny Foster: It's done through producer organizations. It can be canola producers, soybean producers, corn producers—a variety of producer organizations.

Mr. Gerry Ritz: Thank you.

The Chair: Thank you, Danny.

Now we move to the Bloc, with Madame Poirier-Rivard.

[*Translation*]

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

I'd like to go back to some questions that I had in mind last week and that have yet to be clarified for me. My question is directed to Mr. Lavoie.

Several weeks ago, we learned through media reports that the lone cow discovered last year in Alberta to be infected with BSE was processed into animal meal. Were these reports in fact true? If so, was this meal contaminated? Are there herds, in Quebec or in Canada, that may have consumed this meal?

Mr. Gilles Lavoie: Mr. Chairman, that does not fall within our purview. The question would best be put to our colleagues at the Canadian Food Inspection Agency. However, we could take note of your question and ask the Agency to provide you with a response.

Ms. Denise Poirier-Rivard: May I continue? Will you be able to send me a response to my question?

Mr. Gilles Lavoie: Yes, I certainly will.

Ms. Denise Poirier-Rivard: I'd also like to know if there are provisions in place in Canada to prevent cattle from being processed into animal meal. Can you cite any cases for us to show that this still applies to those person who have registered?

[*English*]

The Chair: I might point out that this morning we want to stay on the subject matter of programs. There shouldn't be questions on CFA issues this morning because we can't expect the answers. Perhaps you would question the gentleman on the matter we're discussing this morning.

[*Translation*]

Ms. Denise Poirier-Rivard: Could we come back to this question? We did not discuss it at length last week, and many questions have arisen with regard to this matter.

[*English*]

The Chair: Absolutely. We'll get back to them again.

[*Translation*]

Ms. Denise Poirier-Rivard: I have another question for Mr. Lavoie.

Last week, we met with the minister who said that he was in favour of renewing programs aimed at resolving the BSE crisis. In your opinion, what is the status of the talks between the Canadian and Quebec government on BSE?

Mr. Gilles Lavoie: Talks are progressing very nicely. As I indicated in my opening remarks, Quebec has yet to formally announce its participation, but it has expressed renewed interest in the two programs involving the setting aside of animals from market. In the case of fed cattle as well as feeder calves, a decision from Ms. Gauthier is expected sometime in the next few days.

Ms. Denise Poirier-Rivard: You mentioned Ms. Gauthier's name. Can you tell me if the floor price of cull cows was discussed at that meeting?

Mr. Gilles Lavoie: Yes, the topic did come up for discussion. Our minister undertook to review this option, but that won't be the only one under consideration.

Ms. Denise Poirier-Rivard: Was the embargo also discussed, that is to say the ban on exports?

Mr. Gilles Lavoie: The ban on live animal exports?

Ms. Denise Poirier-Rivard: Yes.

Mr. Gilles Lavoie: It was not. If they did discuss this topic, it was only very briefly, because in terms of exports and conditions imposed by importing countries, the rules and policies of the importing countries apply, not the policies of the Canadian government. We're doing everything possible to explain the situation in Canada clearly, to explain our inspection system clearly, and also to properly explain the guidelines developed by the International Office of Epizootics respecting diseases and infections such as BSE. Our aim in so doing is to ensure that trade partners apply these rules properly, rather than rules that are not based on hard scientific facts.

Ms. Denise Poirier-Rivard: Thank you, Mr. Chairman.

[*English*]

The Chair: I should point out to you, Ms. Poirier-Rivard, that next Tuesday we'll have CFA back at the table.

● (1130)

[*Translation*]

Ms. Denise Poirier-Rivard: Thank you.

[*English*]

The Chair: Does Mr. Gaudet have anything he wants to add? There's a bit of time left here for you people on your seven minutes.

[*Translation*]

Mr. Roger Gaudet (Montcalm, BQ): I for one find it hard to understand that forms were sent out and that Quebec hasn't signed on to most of these programs. Is there a determining factor of some kind? Have there been some disagreements? I'm looking at the forms that we were given this morning...

Mr. Gilles Lavoie: Mr. Chairman, I don't know whether a computer glitch is to blame, but there is a mistake. The total for Quebec under the transition program should be $64.7 million.

Mr. Roger Gaudet: And that would be on which page?

Mr. Gilles Lavoie: That would be in section 6 of the document under Transitional Industry Support Program. The amount listed here is $511.5 million. We'll send you an amended document. Quebec received $64.7 million, which means the total should be $576.2 million, rather than $511.5 million. We apologize for the error. We'll correct it and send the committee a new document.

Mr. Roger Gaudet: If I understand correctly, $50 million is approximately 10 per cent of $576 million. Does that mean that Quebec's capacity accounts for only 10 per cent of the overall total?

Mr. Gilles Lavoie: As far as the cattle industry is concerned, its capacity is 10 per cent. In fact, that figure is relatively high because Quebec has only 5.6 per cent of all steers. However, it accounts for a much higher percentage of dairy cattle, namely 41 per cent. Overall, however, these percentage are a fairly accurate reflection of the Canadian herd.

Mr. Roger Gaudet: Are cull cows included in this figure?

Mr. Gilles Lavoie: This payment did not include cull cows. It included steers, calves, sheep and goats. Cull cows were not included. However, they were covered under the Cull Cow Program announced last November. The program to which I'm referring was announced in March.

Mr. Roger Gaudet: How much did Quebec receive under the Cull Cow Program? There does not appear to be table showing the breakdown. There may be one, but I haven't seen it.

Mr. Gilles Lavoie: Yes, it's two pages further on in the document. You will note that Quebec producers received $17,751,996 out of a total of $102.7 million awarded nationally. Therefore, to all intents and purposes, Quebec received 17 per cent of the overall amount awarded.

Mr. Roger Gaudet: Seventeen per cent is not a very large figure. If you're replacing 25 per cent of cull cows and have 50 per cent of the Canadian market, then the figure isn't that high, in my estimation.

Mr. Gilles Lavoie: It's important to note that in Canada, there are one million head of dairy cattle and 5.5 million head of beef cattle. The replacement rate for beef cattle is around 12 or 12.5 per cent, whereas it is higher for dairy cattle, namely 25 per cent. Therefore, twice as many dairy cows are slaughtered, but there are only one-fifth as many head of dairy cows as there are of beef cattle.

[*English*]

The Chair: That's the end of your time, Mr. Gaudet. We'll have to get to you on the next round.

Mr. Drouin, seven minutes.

[*Translation*]

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

Mr. Lavoie, I asked you last week if all animals had been tested and you responded that from a scientific standpoint, such testing wasn't necessary. I can very well understand that.

However, is there a lesson to be drawn from what happened, if ever another similar disaster were to hit the agricultural industry? Even though it may not have been deemed necessary, it probably would have been less costly to test every single animal than to bring in all of these programs, with all of the attendant disadvantages.

Producers have had to fill out all kinds of forms and this had led to some delays. The minister must then review the applications. In the meantime, producers are facing hardships. No one is to blame for the problems. The culprit here is BSE. However, shouldn't all animals be tested?

Mr. Gilles Lavoie: Next week, I believe our colleagues from the Canadian Food Inspection Agency will be able to answer that question for you. I think they provided a partial response last week. As we said last week, according to the International Office of Epizootics, based on scientific criteria, there is no need to test all cattle before they are slaughtered. The main purpose of testing is to verify the quality of the surveillance program instituted by the various inspection agencies.

Importing countries do not necessarily insist on tests being conducted. The important thing, from the standpoint of animal health, is that specific parts of the animal that are at risk, namely the brain, the spinal cord and lymph nodes, among other things, be removed from the carcass when the animal is slaughtered so that these do not enter the food chain. This measure, not the testing per se, will guarantee that beef made available to importing countries and to consumers is safe to eat.

● (1135)

Hon. Claude Drouin: You haven't exactly answered my question. Your response was a good one, but it wasn't quite what I wanted to hear. I guess we can also check back again with the Canadian Food Inspection Agency.

Further to a question from Mr. Ritz, you mentioned the traceability program. I see this as an important measure to bring in to ensure product quality. Can you tell us more about this program? January is fast approaching. The program will be managed partly by producers and partly by the federal government and the provinces. Will the provinces in fact be involved in this? You haven't disclosed many details about this initiative.

Mr. Gilles Lavoie: Yes. There are some nationwide variations, but the Canadian Cattle Identification Agency has been in operation since 2001. Furthermore, in Quebec, Traçabilité Québec first made animal labelling or identification mandatory three years ago. A basic system is already in place.

We are helping the agency to implement these measures more quickly. Electronic identification measures are already in use in Quebec. However, elsewhere in Canada, a bar code system is used. Plans call for phasing in an electronic system gradually to facilitate identification and improve tracing with the help of a central data bank.

Hon. Claude Drouin: Will we be able to trace the animal parts at the slaughterhouse? It's all well and good to be able to trace the animal, but it's equally important to trace the animals accurately and quickly once they leave the slaughterhouse.

Mr. Gilles Lavoie: I don't believe that in phase one, it's possible to trace the animal from the moment it leaves the slaughterhouse. Some private companies already do that. In Quebec, for example, Salaisons Brochu also have a system of this kind in place. The aim of our national program is basically to lend support to our producers. No financial support is provided to processors or to retailers.

Hon. Claude Drouin: However, since the private sector already does it, shouldn't we require, in accordance with the standards of the Department of Agriculture that tracing be mandatory in the case of meat bound for the international market, while giving people time to make the necessary arrangements?

Mr. Gilles Lavoie: Yes or no, should this be made mandatory? Obviously, this issue will need to be discussed. There is considerable discussion of the issue within the industry at this time.

The consensus among cattle industry people is that tracing beef from the farm to the consumer's table should not be made mandatory. It may come to that, but right now, it should not be mandatory. In other sectors, for example, within the hog industry, much discussion is taking place about tracing provisions. The same is happening with respect to produce. Producers,therefore, on not all on the same page where tracing is concerned.

Hon. Claude Drouin: Earlier this week, Mr. Dessureault said that it was all well and good to have programs, but that he didn't see any money being available in Quebec. He likely had certain programs in mind, because according to your figures, there is money available. Could you clarify this situation for us?

He also talked about the floor price for cull cows. Where do you stand on the proposal to establish a floor price?

Mr. Gilles Lavoie: Mr. Chairman, if I understood correctly—I wasn't here but I read through Mr. Dessureault's statement quickly—he was alluding to the program announced on September 10. He commented that the amounts set aside for feeder calf and fed cattle in Quebec would be very low. We have estimated that 66,000 feeder calves would be eligible. At $120 a head, that would mean close to $7.9 million for Quebec for feeder calves.

In terms of slaughter cattle, it's impossible to give you a figure, because it will depend on the number of producers who take part in the auctions and on how much they are going to bid. There is no way of predicting this.

● (1140)

[*English*]

The Chair: Your time has expired.

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

Mr. Charlie Angus (Timmins—James Bay, NDP): I am concerned about two of the elements in the September program, the loan loss guarantee and this reverse bid option, because both of them seem to based on the principle of allowing the market to do what it normally does. But we aren't in a normal market and we have no expectation of returning to a normal market.

Does your department track the number of farmers who are going down now? Is that something the department does?

Mr. Gilles Lavoie: I'm not sure, Mr. Chairman. I don't think it is tracked on a systematic basis, but the last figures I have seen indicate there is no significant increase in the number of farmers who have gone bankrupt in the recent past. The data are available from Stats Can and we'll try to find it, and we'll be pleased to share it with you.

Mr. Charlie Angus: In light of that, we've been discussing CAIS and whether it works at all or it hasn't worked ever. We are getting CAIS rejections coming in from people who paid into CAIS but who now are not able to pay for the barns for the fall; they aren't paying their heating bills. I do not see anywhere in this September plan a way for these farmers, who are in crisis right now because of their CAIS rejections, to get any kind of debt deferral or even a loan loss to support the producers. We have a number in our region who have burned up 15 months of equity and there's nothing left. Do we have anything planned for emergency debt support for these farmers?

Mr. Gilles Lavoie: No. In the series of initiatives announced on September 10, there was no initiative or no program targeting a debt deferral. However, CAIS could help, because if they are in such financial difficulties, normally they should trigger a withdrawal from the CAIS program, including the disaster component. In the short term, they may be in financial stress in the sense that they may well not have realized the losses yet in terms of assets, but those who have realized the losses normally will trigger a payment under CAIS.

Maybe Mr. Foster will complement my answer.

Mr. Danny Foster: There are a couple of points. We did make an enhancement to the CAIS program. Some producers previously may not have triggered under the CAIS program because they didn't have a high support level or what we call a reference margin going into the program year. In other words, they didn't have a reference margin; their historical average income was low going into another bad year, 2003.

In fact, what we did through an amending agreement was to institute coverage for negative margins where producers' expenses actually exceed their allowable revenues, and the program compensates for up to 60% of that loss. So the program has been further enhanced through the coverage of negative margins to deal with the situation where producers had some bad years and are now going into a worse year.

There are producers triggering. In Saskatchewan, I think we're looking at something in the neighbourhood of 60% to 65% of the applications we've processed triggering payments right now.

Mr. Charlie Angus: For that other 35%, is there an appeal mechanism?

● (1145)

Mr. Danny Foster: Basically, it means their income relative to their historical average has not dropped. A 1% drop in margin in the current year relative to their historical average will trigger a CAIS payment; that's how the program works. It's based on your individual farm performance going into the program year, and as soon as that producer drops 1%, like I say, the program starts to trigger payments to the producer. The further the drop, the larger the share that's absorbed by governments.

Mr. Charlie Angus: So for the farmers who are getting these rejection letters, we've heard about an appeal mechanism. Again, they've burned up three generations of equity; they aren't really in a position to go anywhere else. Do you guys have an emergency response for this? If they phone, is there a way they are going to get someone to look at their case immediately, or is that just going to be put back through the system?

Mr. Danny Foster: As I mentioned at the last meeting, there is going to be an appeal mechanism. It isn't in place yet, but it's certainly going to be put in place once we have the committee members in place.

But if producers get that letter that says you did not qualify for a payment but they fully expected it, the CAIS administration will review the file. They will discuss it with the producers to understand why the producers thought they could expect to trigger a payment, and we'll review the file to make sure they have it right. But there will be an appeal mechanism put in place as well.

Mr. Gilles Lavoie: Mr. Chairman, the producers also apply under the renewal component of the agricultural policy framework and the Farm Debt Review Board to get assistance from the appropriate expert on how to help them keep their farm. If CAIS is not the appropriate answer, there are other technical services and advice that may be available to them.

Mr. Charlie Angus: We were asking again last week about the lack of plans—and it's been raised here today—for dealing with the floor price for cull cows. There doesn't seem to be any movement in this market. Gencor is a very small operation, but there doesn't seem to be any way this market is going to change the dismal prices they're getting. Will you come forward with a recommendation for dealing with the cull cow problem?

Mr. Gilles Lavoie: Yes, the older animal program that has been announced deals with the humane slaughter and proper disposal of the carcass of those animals that do not have market value. It's not intended to solve a price problem; that was not the intent of the program.

If we look at the prices received for D1, D2, D3, or D4 cows today in relation to the price of steers versus what the situation was for the same categories of animals in 2002, the difference between the price paid for a steer versus the price paid for a cow has increased by around 10¢. When you consider the fact that they have to remove the SRM and other things, there is no obvious conclusion as to abuses. The price of cows is low because the price of steers in comparison is also low.

Then you have the possibility to buy a steer at 79¢ a pound, which is more or less the price today. In normal circumstances there's about a 50¢ difference between cows and steers. At the moment you can buy a D1 or D2 cow for around 18¢ to 20¢, so there's a 60¢ difference instead of 50¢.

The Chair: We're out of time.

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

Mr. Larry Miller: In the interest of time, I'm going to split my time with Mr. Bezan.

I want to go back to this CAIS program, but before we get into that, I find it really hard to imagine why we didn't have an emergency plan or ability already in place to deal with a crisis like this. I want to know, basically, why we didn't.

Further to that, the CAIS program, as designed, is so non-functional. We're the largest beef producing riding here in Ontario. We're keeping a log at home of calls that are coming in, and when I left there the first of the week, 70% of the people were not going to get anything. They just can't get anything out of it. So I'd like to know, Mr. Lavoie, were you instructed by the minister of the day? Were you instructed by government to create the plan in the order it is? How did you come up with it in the manner in which it is?

● (1150)

Mr. Gilles Lavoie: I've not been involved in the development of CAIS, but my colleague has. Maybe I'll let him answer.

Mr. Danny Foster: Just for clarification in regard to "the plan", are you talking about the CAIS plan or the plan to provide assistance in addition to CAIS?

As we moved from the Canadian farm income program—and in Alberta, it was the farm income disaster program—plus NISA, to the CAIS program, there were a number of initiatives that governments did put in place. There was $1.2 billion paid out in 2002 and 2003, in $600-million instalments. Then further, this past March, the transitional industry support program was announced, which was $995 million, which included $678 million for direct payments to cattle producers and another $250 million for payments to all producers. They could apply through the NISA program. There was another $65 million that was a top-up or a final payment on the Canadian farm income program. So as producers were transitioning to the CAIS program, there were a number of initiatives or payments, other program payments, that we were putting out over the last two years, and we made the final payments just in the last two months.

Mr. Larry Miller: I'm quite aware of them, Mr. Foster, but the problem here is that you've designed a program that's set up like an ongoing insurance program, which is no good under the circumstances. You need an emergency thing in order to deal with this, and you don't have anything that I've seen.

Mr. Danny Foster: There are a couple of things. On the CAIS program, we do have the interim payment mechanism. I think you're probably aware that in Alberta they've introduced two versions of that. We have the regular interim payment mechanism and what they call an equity-based loss interim payment mechanism, which you're using to pay out. That's so that producers can get access to at least a portion of the CAIS benefits before the final payment.

Similarly, in other provinces we do have interim mechanisms. We've announced the $100-per-head advance, which was part of the announcement on September 10. We sent out 34,000 application letters. In federal delivery provinces alone, we've already received 4,500 applications back in the door. Those payments will be put out within 30 days. Basically, all the producer had to do was sign the bottom and say, "Yes, that was my inventory on December 23," and they would get a $100-per-head payment. That counts against their final CAIS benefits for 2004. So I think we've done a number of things to improve the responsiveness of the CAIS program.

It's not going to change the fact that if a producer's margin in the current year did not drop below what their historical farm performance is, they're not going to trigger a payment. But basically what we're saying is that 2003 and 2004 are really bad years. If they're that bad and we're basing it on historical performance, then those producers are going to trigger payments under the program.

The Chair: Mr. Bezan.

Mr. James Bezan (Selkirk—Interlake, CPC): First of all, I want to make a request for information. I don't expect that you'll have the information available, Mr. Foster, but I do want a breakdown as to what has been paid out of the CAIS program so far, as well as the BSE recovery plan and the test program, an inventory of how much was paid to cattle feeders, how much was paid out to cull calf, and to producers of sheep and other ruminants. I'd like to see that broken down so that we know what each of the industries has received.

But I do have a quick question for Mr. Lavoie on the Farm Credit Corporation investment program that could have been used in start-up companies in trying to resolve the shortage of slaughter capacity. Right now, I understand that the program doesn't allow new start-ups to enter in. It's all for existing operations. That's what I've been told from FCC directly. Can there be some policy changes made so that they can finance new start-ups?

The Chair: Quickly.

Mr. Gilles Lavoie: Mr. Chairman, the FCC will be eligible to participate under the loan loss reserve program. Then if they have an application for a start-up, they will have to—

Mr. James Bezan: But they have the equity investment fund as well. They have two programs there, loan loss plus equity investment. Equity investment requires some policy direction to modify the program from being for existing businesses versus new start-ups.

Mr. Gilles Lavoie: I cannot answer the question relative to the policy direction for FCC. We can take note and come back.

The Chair: Would you take that under advisement and try to provide that information, Mr. Lavoie?

We move to Mr. Kilgour for the first part of the five minutes and Ms. Ur will conclude.

● (1155)

Hon. David Kilgour: The only thing wrong with this is we're dealing with a crisis of a kind that probably hasn't hit the prairies at least since the thirties. Yet you talk as if everything is kind of getting better and better; the world's just ducky.

I'm sure all of us here who talk to producers know that the world is terrible. Again we were told at a meeting in Innisfree, Alberta, that the average farm beef producer lost $20,000. What's it going to be this year? We haven't heard one single word at this table—I don't know whether the two of you were here last time, but the

[*Translation*]

President of the Fédération des producteurs de bovins du Québec

[*English*]

said the CAIS program was a disaster. Apparently it works for potatoes but nothing else. For anything with live animals, CAIS is a disaster. If you can produce anybody to come and defend CAIS for us, other than yourselves.... We all recognize you have to defend it. That's what you're paid to do, to defend CAIS.

How surreal can we get around here, when you officials get up and say it's just terrific? You don't say it's terrific, but you don't admit that it's a disaster.

Two billion has come out of NISA. How much of that has gone to livestock producers affected by the mad cow crisis? Is that in your document this morning?

Mr. Danny Foster: No, it isn't, but I could get that for you.

Hon. David Kilgour: Okay, please do, Mr. Foster.

Your set-aside program assumes the border is going to open, doesn't it? When do you think the border is going to open? We'd all like to know.

Mr. Gilles Lavoie: The set-aside program does not make such an assumption. We tried not to speculate on the industry. This is an agreement with the cattlemen's association and others not to speculate on a date.

The fed cattle set-aside program is targeted to end at the end of 2005, as indicated in September by the minister. In early fall 2005 we will sit down with the industry, the federal and provincial governments plus the industry, to review the situation. The objective of the program is to reposition the Canadian industry in such a way that we are less dependent on live cattle exports to the U.S. Then it's to push onto Canada that, yes, we do want the border to open, but if it doesn't open we are in a better position tomorrow than what we are in today.

Hon. David Kilgour: How many animals will be withdrawn from the market under the set-aside, do you estimate, and what compensation will farmers receive?

Mr. Gilles Lavoie: Under the—

The Chair: He can answer the question.

Mr. Danny Foster: I would just like to add, I have so many stats here that I can answer Mr. Kilgour's question with respect to the NISA.

With respect to cattle producers, we had 50,000 cattle producers in NISA. They've withdrawn, since January 1, a total of $225 million from their NISA accounts. There's a remaining balance in those NISA accounts for cattle producers of $256.6 million.

Thank you, Mr. Chair.

The Chair: Ms. Ur, do you have a question? We have time for another question.

Mrs. Rose-Marie Ur (Lambton—Kent—Middlesex, Lib.): I'll make it a quick question.

On the information you handed out on the BSE recovery program, it has here “packer incentive” and under that it has a note saying that Alberta is now paying its 40% share of the packer incentive program; however, the federal government will still pay their 60%.

I find that quite interesting, because with the profit margins the packers have made out there on I guess just the federal contribution and no provincial.... That really gets my ire up as to the number of dollars the packers have made on the backs of our producers, if I'm reading it right.

Mr. Gilles Lavoie: Mr. Chairman, you will remember that in the context of last June, when the program was initiated, in order to help the movement of products there was a portion of the program that went to packers, and the federal government feels obliged to respect what was announced. Some provinces believe they can now change the rules, it's their choice, but as far as we are concerned, a commitment was made, the program was announced, and we are respecting the rules that had been put in place at that time.

Mrs. Rose-Marie Ur: Thank you.

Mr. Foster, regarding the CAIS program, you said 70% of the cattle producers are triggering. I must be hearing the other 30% in my office then, because it certainly is quite devastating out there.

What they have also told me is that they hope when the review process gets there, we're not going to look at it for a year before we decide what's going to happen. They need to have the answers ASAP. It's critical, very critical.

I'm not sure on this, but I thought I was told not too long ago that the administration cost was $14 million for CAIS. Am I correct on that?

● (1200)

Mr. Danny Foster: For the total administration costs for CAIS—a question that was asked at the last meeting—we're projecting it will be $515 a file over the first three years of the program per participant. Right now, for the first year of the program, we're looking at about $86 million.

Mrs. Rose-Marie Ur: Right. And the problem too is that our farmers are complaining as well that they've over-deposited into the program; it's their money and they can't get it out. Surely we can have some kind of mechanism in there so they can get their own money back. It's not our money; it's their money.

Mr. Danny Foster: Mr. Ritz raised that at the last meeting—

Mrs. Rose-Marie Ur: Yes, he did.

Mr. Danny Foster: We're trying to get an amending agreement in as quickly as possible so we can allow producers to take out any deposit in excess of that one-third deposit required.

Mrs. Rose-Marie Ur: I would really, really encourage you to do that.

The Chair: Thank you very much.

A point of order, Gerry.

Mr. Gerry Ritz: I want a clarification, Danny, on your response to Mr. Kilgour on the NISA just triggered out by cattle producers. You talked about 50,000 cattle producers triggering $2.25 million.

Mr. Danny Foster: It was 50,000 cattle producers with over 50% of their gross sales from the sale of cattle. Those 50,000 producers, since January 1, 2004, have triggered out $225 million from their NISA accounts.

Mr. Gerry Ritz: Right.

Mr. Danny Foster: There is $256 million remaining.

Mr. Gerry Ritz: I understand that, but the way the CAIS rules are written, when they triggered that NISA money, 100% of their CAIS deposit was then taken out of that NISA payout. So I would like to know what the percentage of that is. They still didn't get access to that cash, because you guys siphoned it off into the deposit at 100%, not the one-third it is now, so they're stuck in this Catch-22 as well. The folks that needed it the most who triggered their NISA still never got to touch the money.

Mr. Danny Foster: I think we're supposed to be back here next week on CAIS, so I will see what I can do in terms of further analysis of how much money was actually rolled over to CAIS.

Mr. Gerry Ritz: Thank you, because I'm getting calls from those folks too, saying, “How do I get my two-thirds?”

The Chair: We are dealing with a lot of technical matters this morning, and obviously we all have matters that are very much relevant to the questions we get from our constituents. That's reflected in what you've heard here this morning. Believe me, I also hear that.

Thank you, gentlemen, for appearing this morning. We look forward to your coming back next week.

We will now hear from the Dairy Farmers of Canada. We have with us Jacques Laforge, who is no stranger to this committee. He's been here many times. He's president of the Dairy Farmers of Canada. We have Marcel Groleau, executive member; and of course we have the eminent CEO, Richard Doyle.

Thank you for appearing today. We look forward to your presentation. This should be an interesting session.

Jacques, I think you're the one who will be speaking. Keep it as brief as you can, because there will be a lot of questions from a lot of people.

● (1205)

Mr. Jacques Laforge (President, Dairy Farmers of Canada): Thank you very much, Mr. Chairman. It is a pleasure for us to be here this morning to talk again about this important crisis.

Basically, the Dairy Farmers of Canada have made different attempts to point out the BSE impact on dairy production, especially on the cull cow side. I will not read through the document. I will just focus on the major points. There are a lot of references inside the package that was supplied.

Basically, on a 12-month basis we have estimated that the impact on dairy farmers is about $419 million. You have a breakdown in your kits of that $419 million, which is basically bull calves, cull cows. The livestock genetic export that we used to be doing has completely stopped. As we speak, every day inventory is piling up on farms of cattle that usually were moving out of this country either for export or in other categories. That does not touch the embryo-semen sales because the border has been basically reopened.

On the first page we have the graphics. Before we discuss any of the other elements, that graphic is called “Evolution of the Share of the Consumer Dollar for Lean Ground Beef”. To start the focus on the discussion paper, it is worth taking the time to look at what has happened since the BSE crisis on a dollar-per-pound basis at the retail level, the wholesaler level, and at farmers' share. Very simply, in a nutshell the farmer has absorbed everything that has been going on and the consumer has really not enjoyed any benefit of that. I think the focus of this discussion is really based on that graphic.

The first point we have in the document basically says, looking at that graphic, that there is only one simple solution that will not cost taxpayers any additional money because of the additional programs that have been put out by the federal and provincial governments. It is basically by setting some kind of minimum floor price for the cull cow market in Canada. We view that as a problem, not just if the border reopens for the rest...it's a long struggle.

I think in the shortest time period we have to look at implementing a floor price. We also have to look at this as probably being a five-, six-, or seven-year problem when you look at the cull cows. It is a domestic problem. It will not go away. That was one of the options we looked at. We want to express that today. They say in tough times tough solutions don't come easy, but we have to have the right solution. We feel this is one of those that has to be put in place.

In the meantime, because of the element of putting this in place, we need short-term measures. Things like the cull animal program that was put in place for last year is something that has to be repeated in the meantime. All kinds of data exist. Dairy farms have put in their inventory status at the end of 2003 and they have received payments on that. That can easily be repeated inside two weeks if we want to address the cashflow problems on those farms. The government can easily announce additional payment based on that data, which could be done fairly fast.

The additional one is more long term. From a cull cow perspective, based on the older animals we have, a cull cow program has been announced on September 10 that deals with cattle that really do not have a home for beef for different reasons. We feel that under the dairy perspective longer-term programs could be put in place in combination with that cull cow program, a kind of Johne's program where you would test all the older animals. I think it's from four years up.

● (1210)

These would be the animals selected to move into those categories with fair compensation from government. We also support the activities of the Canadian Animal Health Coalition and the Canadian Livestock Genetic Association. Johne's is more for animal health. Because we have these additional animals, if we are able to put a program in place that helps us eradicate some of these health or disease problems, it would be a win-win situation. You would get to have better livestock genetics and you would be able to position yourselves better in the future for the export market of genetics and so on.

The last one is that Canada has basically the best Holstein genetic in the world. With BSE, very few people realize the negative impact it has long term. From a Canadian perspective, if we don't start moving live export cattle in the near future...from a genetic perspective, all the progress we've made in animal genetics and so on will be lost and we'll become number two, number three, or maybe number ten. That's one of the areas we really have to concentrate on, because that's where most of our equity comes from—a dairy perspective.

We made a presentation to the Minister of Agriculture on October 5 after he announced his program on September 10. It was based on two facts. One was the loss of revenue from the sale of animals and the other was the erosion of equity. We gave him the example—using my farm—of milking 100 cows. My inventory was calculated at about $1,900 an animal for a dairy milk cow. Today the only figure I can't use is the cull cow market, because the border is shut down for the export of genetics, and that's basically $100 to $200 an animal. I'm going from a $200,000 inventory or equity perspective down to $20,000. If you have a farm that is carrying a fair amount of debt load and you get that erosion of equity...and we know there have been a few cases where bankers have basically taken some action. There is the question out there of whether that market will come back, and the value of those cattle is basically based on the export market of that good genetic.

This is one aspect. The other is revenue.

In conclusion, we lose, as an overall industry, about $419 million every 12 months. The government up till now has compensated to the tune of $157 million, because of the past program. This recent program is more of a transitional program for slaughterhouse capacity buildup and does not really address the loss of revenue to the producer.

That is the conclusion, and in the meeting with the Minister of Agriculture on October 5, the minister made the commitment for his staff and our staff to work together to try to improve that announcement of September 10 if possible, because that particular announcement represents a maximum of $150 to $300 of revenue per dairy farm. It really just touches the cull cows that are not destined for the slaughterhouse. We also made the point that the CAIS program does not apply at all to the dairy operation because it's under supply management. It really does not trigger anything for us. We are used to a very stable income. The overall loss of all these sectors is tremendous, and that has to be realized.

The final point is that for us, BSE is creating quite a funny situation based on the milk market. We've always operated under the COPformula, where the Canadian Dairy Commission sets its price for milk. Basically, the BSE impact is working against us on the milk formula because the inventory on our cost of production is calculated at about $1,800 a head. We keep more cattle on hand because we can't get rid of them, so they are calculated at $1,800 a head. It looks like our inventory is building up and we are making money or building equity, but these are all cull cows that we can't get rid of.

● (1215)

It's not constructive. We're trying to explain this to the farmers, and they're saying it doesn't make sense. Something has to be addressed.

Our case today is basically that if you actually end up setting a floor price for cull cows—I'm talking specifically about cull cows—you will address the long-term problem that the farmers are being faced with for the next five or six years.

Mr. Chairman, those are the points we wanted to make today.

The Vice-Chair (Mr. Gerry Ritz): Does anyone else have a point to make before we get into the questioning round? No? All right.

Mr. Anderson, for seven minutes.

Mr. David Anderson (Cypress Hills—Grasslands, CPC): To start off with, there are a couple of discrepancies in your figures here, and I'm just wondering which ones are accurate. In the graph at the bottom you say there are about 100,000 cull cows slaughtered every year, and in the middle of the other sheet, under “Estimated losses due to decreases in market value...”, you talk about 250,000 cows being culled yearly.

I'm just wondering which of those two figures is accurate.

[*Translation*]

Mr. Marcel Groleau (Executive Member, Dairy Farmers of Canada): The graph that you see here confirms the data contained in the submission of the Dairy Producers of Canada concerning the situation in Quebec. It shows the price variation in the beef and live animal markets, based on an indicator of 100. This is represented by the red and purple lines at the very bottom of the page. This graph shows that retail prices have increased since the crisis. Elsewhere, they have remained steady. The price gap has widened in the case of fed cattle and feeder calves. All this to say that, based on an indicator of 100, the variations in...

[*English*]

Mr. David Anderson: I understand the graph. The graph is for Quebec. Are the other figures national?

● (1220)

Mr. Marcel Groleau: Yes.

Mr. David Anderson: Okay, thank you.

Mr. Angus talked earlier about declining farm numbers as a result of BSE. As I look over the figures for dairy farms over the last 10 years, you've averaged a decline of about 1,000 farms per year, which may be causing some concern.

Can you tell me, has BSE accelerated that? Has it amplified it? Have you noticed a change in those figures?

Mr. Jacques Laforge: I would say up to now it has not accelerated the exit of the dairy industry. It's pretty well constant. What we have seen, though, is a situation where dairy farms, at least a few that I know of, have had to shut down based on pressure from the financial institutions because of erosion of equity, which we've never seen before. Before, they would decide to sell out if there was a financial burden or whatever, but now it's a totally different dynamic because the equity has been eroded drastically over a short period of time.

Mr. David Anderson: What has that done to quota prices?

Mr. Jacques Laforge: Quota prices have stayed relatively the same over the last two or three years now. From one province to the next it can fluctuate, and overall you have 10 provinces to consider, but it has basically stayed relatively the same.

Mr. David Anderson: We heard a little bit about the negative impact of having to keep the cull cows around, even on your pricing formula. You have some stability in your industry, actually, compared to some of the other sectors like the beef industry.

Have you investigated the possibility of putting together your own processing plant to deal with cull cows?

Mr. Jacques Laforge: I think almost every province, at least in the Maritimes, where I come from, is talking about processing facilities. The big question is, if we do set them up based on what's happening out there now, and then all of a sudden the U.S. market opens up in two or three years, will we still be competitive? That's a big question mark. There are even questions about.... To put slaughter capacity up, it takes about 24 months of planning before you get animals arriving at the plant. That's the risk factor.

A lot of people are talking about it, but let's put it this way: there's more talk than action.

The Vice-Chair (Mr. Gerry Ritz): Mr. Miller has a question.

Go ahead.

Mr. Larry Miller: On creating your own markets or your own slaughter capacity, I think the industry—meaning dairy, because they're part of the beef thing too—is going to have to accept the fact that it may be a cost of doing business and staying competitive. Otherwise we're continually going to be put in a position where we're at the mercy of the U.S.

Do you have any comments on that?

Mr. Jacques Laforge: Yes. I think the announcement by the minister to increase slaughter capacity is part of the solution. There's nobody who will stand in here and say, “If we keep the status quo, we'll be all right”. Additional slaughter capacity is needed.

The problem with the cull cows is that we're dealing with a problem of a dysfunctional or disorganized market right now, based on the Americans not coming in to buy live cattle, live cull cows, to slaughter in the U.S. So it made it dysfunctional. It created a situation where the larger operators for cull cows in Canada are basically in a unique position, and probably increasing their slaughter capacity to accommodate some of this, but it does not capture.... If you look at what the consumer is paying versus what the producer is getting, somebody is capturing a lot more than they used to capture.

Mr. Larry Miller: Mr. Laforge, I'm quite familiar with that. I'm a cow-calf producer myself; I've got a whole pile of cull cows at home that I'll sell you any day.

Mr. Jacques Laforge: Okay!

Mr. Larry Miller: My question here and what I'm trying to get at is, and I guess I'll put it in a different way, would the dairy industry be willing...if the government, whether provincial or federal, invests in getting you more slaughter capacity, whether it's a plant in Quebec and one in the Maritimes and the rest of the country...? What I am suggesting here is that we need to look very seriously at...so that afterward, even though the border opens, the industry may have to help subsidize that slaughter capacity to keep it competitive, so that it doesn't go by the way. In Ontario here, where I'm from, we have Gencor, which you've probably heard about; it's like a cooperative. They went there. I know for one that I'm going to have to make a point as a producer to stay loyal to that.

I know there's also the other thing, that I don't think the packers overall in this country have been very loyal to us, which is another question.

Mr. Jacques Laforge: I get your point now.

I think Gencor is a perfect example probably of how it was put together by producers. I'm not sure you can repeat the Gencor scenario in every province, because of the timing and what was already there, and so on, but it's an approach that everybody should follow. The more small ones you build, competiveness becomes a question when you have to compete with the major ones already here.

● (1225)

[*Translation*]

Mr. Marcel Groleau: Quebec producers are prepared to buy the slaughterhouses, in particular the Viandes Levinoff slaughterhouses. However, the owner must be willing to sell. If governments were willing to back producers in their efforts to buy this slaughterhouse, the price they receive for their product would increase dramatically. Right now, the owner is not interested in selling his slaughterhouse. He has received several offers, but he's not interested because he's never been in such an advantageous position since the crisis hit the industry.

Ms. Denise Poirier-Rivard: My question is for Mr. Groleau. A new trend is emerging where milk products, rather than milk, are being imported. European producers are subsidized in this area, but not our producers.

Do you feel that the government in Ottawa is taking the appropriate steps to address this situation? What steps is it taking at the WTO level to give Canadian producers the same level playing field as their European counterparts?

Mr. Marcel Groleau: As regards import controls on dairy ingredients, the Canadian government could in fact take steps to limit the import of these ingredients, which causes Canadian dairy producers who are not subsidized to lose some market share. We suggested solutions to these problems in a report we submitted to various government departments and employees. There has been no follow-up on our proposals.

As for cheeses, there are minimum standards in the United States, for example. We also recommended minimum standards here for 42 cheeses. We have not yet succeeded in getting these minimum standards established, although they do exist in the United States. So if the Canadian government wanted to take steps, it could put in place effective measures to support the Canadian dairy industry. I am not referring solely to producers, I am also referring to processors and distributors.

Ms. Denise Poirier-Rivard: Mr. Groleau, on the issue surrounding the mad cow crisis, do you think that the federal government has taken into account the concerns of the Canadian Dairy Commission?

I would also like to hear your views on the idea of a floor price in this context.

Mr. Marcel Groleau: Recently, commissioners at the Canadian Dairy Commission asked provinces to send in information on the impact of mad cow disease. We did so, thinking that there would be a price adjustment in September, but that did not occur.

However, it is rather unusual to ask consumers of dairy products to pay more, when the money generated through the sale of our cows is still in the market. Simply put, this money is not currently being distributed down the chain, and we all know why. The Commission is nevertheless concerned with the consequences of the mad cow crisis on dairy producers. As Jacques explained, the cost-of-production formula only partially takes that into account. So there is a problem there.

As for your second question on a floor price, it is clear to me that until the border reopens, the only way for consumers not to pay twice—when they buy their meat and through contributions to the various programs that have been set up, which have few long-term effects because the government is always trying to solve ad hoc problems on an ad hoc basis—would be to have a floor price, at the very least for dairy cull cows.

Moreover, the meat markets are very distinct. Mr. Lavoie said earlier that if there were a floor price for cull cows, people would buy steer, etc. However, the cull cow market is for a very specific market, which the steer market cannot meet. So having a floor price for cull cows does not mean that slaughterhouses would automatically start buying steers. The market for dairy cull cows is very different from that of beef cull cows. So there are specialized markets in all of these sectors. In the dairy sector, if we had a minimum price in place for cull cows until the crisis is resolved, we would have a permanent way of overcoming the problem that producers are currently facing, without passing the price of this crisis on to consumers of dairy products.

● (1230)

Ms. Denise Poirier-Rivard: Mr. Laforge, I would like you to talk about Canada's policy on import controls. Could you paint us a picture of the problem as you are experiencing it? Give us some solutions that could be beneficial to Canadian and Quebec dairy producers.

Mr. Jacques Laforge: How much time do I have?

[*English*]

The Vice-Chair (Mr. Gerry Ritz): It's in the context of BSE, pigs, and so on.

[*Translation*]

Mr. Jacques Laforge: In my opinion, the question is very relative both in terms of BSE levels and imports. For example, if the Canadian government followed the recommendations of the Dairy Farmers of Canada on imports, and ingredients, etc., we would have more options for our cows. As for the heifers that we normally exported, a one per cent increase in production means another 9,000 heifers in production. If the government wants to do something about the problem of exports and borders, these are factors that we could easily justify, given everything we have gone through. In short, I think that would be one approach to consider so as to solve both problems at once.

There are also long-term approaches. There are negotiations, so these issues must be evaluated.

[*English*]

The Vice-Chair (Mr. Gerry Ritz): Thank you.

Mr. Easter for seven. It pains me to say that.

Hon. Wayne Easter (Malpeque, Lib.): That's good. I like it when you're in pain. Thanks, Mr. Chair.

On your chart, the wholesaler share and retailer share are absolutely startling. It is in fact, Mr. Chair, one of the reasons why supply management was brought in at the beginning, to ensure there was fairness in the whole system and that the pricing sector right from the farm gate to the retail sector was fair to the producer and to the consumer.

On this particular chart, do you have any suggestions for this industry about how we get around this? It is an absolute rip-off of producers and an absolute rip-off of consumers.

I think we have to keep in mind, Mr. Chair, if the retail level is high, then there is no question right now that there are a lot of beef producers doing custom work out there. When they're doing it themselves, they are gaining an economic return in the custom-work business. But this is ridiculous, when you look at these shares.

Do you have any suggestions, Jacques, about how we can move? Or do we just accept it as a foregone conclusion and have it go to farmers' markets or whatever?

Mr. Jacques Laforge: Wayne, one of the suggestions to resolve this, at least so it doesn't get wider, is a floor price or minimum price-setting. That's one of the best tools. In any commodity I've been involved in with farming, every time the producer has lost part of the consumer margin it has been proven he never gets it back. The only way we could get this back in this kind of market, or at least freeze it where it is and improve it to a certain extent, is by minimum price-setting, or some kind of price-setting.

This reminds me that every time you get into a crisis, everybody finds different solutions. When you combine all of those solutions together, you finally find the final solution. It's not just one.

If I look at the minister's announcement on increased slaughter capacity, if I look at what DFC and others are saying about minimum price-setting, if I look at the processors or the abattoirs saying they can't process all the beef, it means the market is out of order. We have to form some kind of order. To form some kind of order, you have to treat everybody in the chain fairly. For me, forming some kind of order would be setting some price that the farmers are able to live by, some kind of delivery system to the slaughterhouses saying they would be receiving so much, and taking it from there—from the cull cow.

The reason I say this is that long-term—let's anticipate the next 18 months—if we all focus on thinking that when the U.S. border opens everything will be resolved, as time goes by that will prove to be false thinking. The prices in the U.S. are actually coming down slowly, because they're building up, and when you start building up your inventory, the price jumps up because there is a lack of animals available at the slaughterhouse.

Any farmer to whom you give a higher price here will produce more. What they are actually doing is building their inventory of cows and other animals to produce more. If this keeps on another 18 months, there will be lots of cattle in the U.S. When we open up this border, that will actually have a negative impact. Our prices might not change at all, because you're going to flood the U.S. market, you're going to have your own market flooded, plus they will have built up production.

● (1235)

Hon. Wayne Easter: That's right. I don't think there's any question about that, but I do have a problem in terms of how to make a floor price work. That was why we went with the fed cattle program, the feeder cattle program, to try to manoeuvre the market, because we could have implemented floor prices there as well, but we didn't think it would work.

I do think, though, that as a way of manoeuvring or manipulating the marketplace somewhat to make it work, the Johne's surveillance and cull program is a good idea, because we could utilize it as an opportunity to improve our basic herd, and also as an opportunity to move cattle into the industry, which would bring the market more in balance.

So I guess my question to you is, do we need both, or can we do what you want with the surveillance and cull program? How do you foresee making a floor price work? It's easy to say we've looked at it, but I think it's impossible to make it work.

That's one question before I get cut off, Mr. Chair.

Is there not any way of alleviating some of the problem through the cost of production formula? I mean, you don't want to go too far down that road, but should we not be looking at the cost of production formula as well? Is there a need in the industry right now? When the industries were in trouble previously—and that would relate to beef as well, Mr. Chair—we did bring in fairly tough farm debt review boards. It's only in the last three to four months that the banks have started to move. But do we need to look from a government perspective at trying to protect the farm community from the wrath of the lending community through farm debt review boards if necessary? Do we need to look at that option?

Mr. Jacques Laforge: I know Marcel will probably have some comments on floor price ideas, and so on.

When it comes to the different programs to move different cull cows out of the system, hoping there will be less cattle available and that we improve the price, we are quite doubtful this will happen, because the cull cows have to be slaughtered and eaten in Canada, and there are few large players. They actually sell in the market and buy; they're at both ends. You could create a lot of small slaughterhouses, and inside of two years those major players could actually dictate what's going to happen to the small slaughterhouses. That's why at least we have to work on the floor price and make it workable.

Each little bit helps, Wayne. I don't want to be negative about the other approach. A Johne's program would definitely improve the quality of animals here from a genetics standpoint, and we could show the rest of the world that because we had BSE we have this program. We eliminated Johne's, as an example, and we have better cattle than we had prior to BSE. This is a promotion item, plus it helps us deal with farming issues.

When it comes to minimum price-setting, everybody has his theory, and we have provincial jurisdiction and federal jurisdiction, but if we're able to show that this is a long-term.... Unless you tell me that the cull cow market will open up with the U.S. in the next 12 months, then the only thing we need is short-term compensation by government. But if we don't find a minimum pricing system that works, we'll be before you every 12 months based on loss of revenues, and it will not shape up. So we have to find a solution.

I think Quebec has explored a floor or minimum price the most.

Marcel, you might want to make some comments on that.

● (1240)

The Vice-Chair (Mr. Gerry Ritz): Could you keep your response very short? We're running over time. Thank you.

[*Translation*]

Mr. Marcel Groleau: First of all, applying a minimum price has some advantages. At present, supply at the slaughterhouses is very random. Producers do everything they can to keep their cows as long as possible. Nevertheless, this fall, when it starts to get cold and it will no longer be possible to keep them, there will be a surplus of cows on the market. The following week, there will be fewer. If a minimum price were applied, it would be possible to control supply at the slaughterhouses.

Of course, for now, slaughterhouses prefer not having a minimum price. In fact, different solutions with the same outcome could be explored. Ways of controlling the market exist. I am convinced that the people at Agriculture Canada, who are so creative when it comes to dreaming up programs, could use their imagination and succeed in implementing a floor price.

[*English*]

The Vice-Chair (Mr. Gerry Ritz): Thank you.

Mr. Angus, for seven minutes.

Mr. Charlie Angus: Thank you, gentlemen, for coming today. I would like to say how much I appreciate your presence here and your presentation.

I have felt somewhat that the members of this committee were like Chicken Little running around saying the sky is falling, while wiser voices tell us not to worry.

These numbers are sobering, they're dramatic, and if it's not a doomsday scenario for the future of Canadian farming, I don't know what is. I'm particularly struck by the fact that you said we are looking at a five- to seven-year problem that needs to be addressed, because I do not see that being reflected in the plans that are coming forward. I'd like you to speak to that as well as to the figure of $200 million a year in business and breeding that we are losing. What is the long-term impact on genetics and breeding for our industry if this crisis continues?

Mr. Jacques Laforge: If we don't address breeding soon, it's a catastrophe. It took us years and years to build this up. It took us the last 35 years to built this up, the reputation, the breed, and everything that goes with it, the semen, the embryos. That can be lost extremely fast, because it's quite a competitive world. It has to turn around.

The issue of exporting livestock right now is a question: which country is going to be the first one to receive, to bring it in? We have a lot of discussion with Mexico. It's always a conditional thing that the U.S. puts on. If we move cattle to Mexico, even now we're looking at moving them by boat to Mexico. We're trying to get this going. If we get cattle moving at the same price as the price it was before, it will at least balance off the erosion of equity.

As far as the six- to seven-year scenario, if we don't find any other cases in Canada.... If you look at simply exporting genetics or young animals that have never been impacted, I see the cull cows—like a two- or three-year-old animal that will live for the next five or six years. As long as those animals are in the system, or a portion of them, and unless we have a totally different approach from the U.S. and international perspective on BSE, I don't see cull cows moving. That's why I'm using six to seven years .

● (1245)

Mr. Charlie Angus: I guess I will say one other thing. I don't think I need to use my seven minutes here, because you've given us a very straightforward response on a very straightforward issue. I would say that as far as I'm concerned, I've heard the message. This is what we've been asking. We've been asking about the issue of a floor price and you've delivered us the facts. I would like to think that this committee could find a way to make it work, because it needs to work.

The Vice-Chair (Mr. Gerry Ritz): Thank you, Mr. Angus.

Mr. Bezan.

Mr. James Bezan: Like you gentlemen, I'm a cattle producer as well—a cow-calf operator—but I also have experience in the dairy industry. Up until May 20, 2003, I was also a dairy cattle exporter.

I do want to challenge your one number here, though, your loss of $119 million you have for heifers. You can't call them a zero loss. They haven't died.

Mr. Jacques Laforge: We called them a zero loss because basically there's no market. The only place there is market is if you send them for beef or you raise them all and you cull stronger in your herd. But the cost of producing those extra cattle is way beyond the value of the animals. I could have actually made a negative if I wanted, saying I'm eating up a thousand dollars every time I'm raising an animal. But I said let's be fair, let's put it at zero, at least a zero loss, regardless of where everybody sells them, because if you raise them.... When you were raising them for the export market at $2,000 a bred animal, that's gone. We felt it was fairly conservative to put it at zero, because you've absorbed the loss of raising it.

Mr. James Bezan: I think it's erroneous to rate them at zero, because there has always been a percentage of these heifers that have gone into the breeding herd. They'll probably continue to increase the number of females entering the herd. You have to have a value for that. The other point is that you're not going to raise them as bred heifers any more. You're going to raise them as beef heifers now, because that's where they're going to end up. So you have to place a value on them.

Mr. Jacques Laforge: I don't dispute that, but the problem is if you raise them. That's why you're putting zero value on them. If you sell them at birth, for example, a bull calf for $50.... In some isolated areas the bull calves are getting shot right now because you can't market them, depending on whether you're close to Quebec or Ontario. Our point was that if you actually end up raising the heifer to displace a culled cow, there's zero value, because of the cost of raising an additional one just because you can't export it.

Mr. James Bezan: Then you should net out the cost on the other side. If they were averaging $1,924 before, then show me the net cost.

Mr. Jacques Laforge: I'm not following you.

Mr. James Bezan: You're saying on the one side you're going to show what the average value of an export heifer is—it was $1,924. Then you're making the argument that there's a loss, or a negative margin possibly, in what's happening today. If you're going to take the cost of production against what that heifer is worth today, then take the cost of raising that heifer before, when heifers were worth $1,900. You have to compare apples with apples, not apples with oranges.

Mr. Jacques Laforge: Yes, but there's still a loss in sales.

Mr. James Bezan: There is, no doubt. I just challenge that $192 million as an exaggerated number.

Mr. Jacques Laforge: Out of this country we exported, before 2004, over one hundred—

Mr. James Bezan: I'm not challenging how much we export and what they're valued at. I know what I paid for heifers and I know at the end we were buying regular-grade heifers for well over $2,000. I'm not saying that the number of $1,924 is erroneous; I just think you have to place a value on what that heifer is today. I think it's misleading to leave it the way it is.

Mr. Jacques Laforge: I think Richard just stipulated here that if you really calculated based on that evaluation, there would be about a $15 million difference in the total number; it would be $15 million less.

Mr. James Bezan: I know my colleague has a question. I just want to ask one really quick question as well.

There was an announcement made in China, when Mr. Mitchell was over there, that they were going to start taking embryos and semen, but the caveat is that it's for animals under 20 months of age. How are we going to be able to raise animals with any predictability?

Mr. Jacques Laforge: Quite frankly, I hadn't heard about the caveat of 20 months of age on embryos or semen.

● (1250)

Hon. Wayne Easter: The “under 20 months of age” relates to the market in Japan for live animals.

Mr. James Bezan: I thought there was a caveat on the China deal.

Hon. Wayne Easter: The two are not combined. The China deal is separate and apart from the 20 months. The China deal relates to bull semen and embryos only.

Mr. David Anderson: I'm wondering, concerning the Johne's disease that's in the herd, did you insist that the cow cull program be geared to dealing with that disease when you heard the program was being announced? If not, why not?

Mr. Jacques Laforge: From a Johne's perspective, it's the one we could identify the fastest. It doesn't mean it's only Johne's. There are other diseases we would want to include, but Johne's was one of the ones that were more prevalent, especially as you get older cattle. We selected that one as an example.

Mr. David Anderson: Is it targeted to that or not?

It never was? Why not? Or would you insist on that in the future?

Mr. Jacques Laforge: It was to enlarge the cull cow program. If you had too many cattle and you wanted to clean up some of these areas, we thought instead of the minister announcing a program for a few culled cows that didn't have a beef market, it should be enlarged to clean up these areas at the same time. That was the only....

Mr. David Anderson: My question is, why are you not insisting that this be the case?

Mr. Richard Doyle (Executive Director, Dairy Farmers of Canada): The Johne's program is something that's going to be long-term. It's not something you can do overnight, as you can with other diseases. It will take quite a number of years before you can actually identify the animals and shut down the disease.

We're saying that the programs, when we started these things several months ago, tended to be more short-term. We're now realizing, and the message we're sending here is, that this is going to be a long-term problem, not a short-term problem.

If you're going to have a long-term issue, then we have an opportunity to look at how we can improve those particular systems of addressing the financial situation of the producer, but improve it by also saying that if we have to cull animals, we'll identify those animals that are more prominent for culling for other reasons, and improve the herd.

Mr. David Anderson: Well, the biggest problem is probably that too many people have seen this as short-term right from the beginning. It's been a two- or three-month...and the industry has failed in that. The government has definitely failed in that. We knew it wasn't going to be short-term, but nobody wanted to accept that.

The Vice-Chair (Mr. Gerry Ritz): Thank you, Mr. Anderson.

Thank you, gentlemen.

Ms. Ur.

Mrs. Rose-Marie Ur: Thank you, Mr. Chair.

I have never seen a breakdown for one dairy cow as to the value of one dairy cow versus the percentage of that as a cull cow. What is the percentage of the value of that whole while it's producing milk, the costing or the value of that cow producing milk, versus what the costing is when it goes to slaughter? What is the percentage value.

Mr. Jacques Laforge: Do you mean inside the COP formula for milk?

Mrs. Rose-Marie Ur: For milk. That animal brought you in *x* thousands of dollars from your milking it. Before BSE, what was that portion of that cow worth?

Mr. Jacques Laforge: I'll go with rough numbers here from a farm perspective and what I know of COP.

Basically, in raising a heifer to become a cow, you have a cost varying from about $1,400 to $1,700 to put it in calf. The first calf she brings you is the amount of money you have in that animal. If she ends up staying in the herd for three or four years, you cover the cost of raising her through the milk return. But basically, the approach is that every time you bring one in, you bring a cull cow out. That cull cow was bringing you $700 or $800 before, so that was subtracted from the cost of raising the heifer. It was $1,000 to raise that heifer coming into the line, let's say. Now, it still costs you the same amount to raise that heifer regardless of the value, but you subtract $100 or $200 from it.

I'm not sure I'm answering the question, but that's—

● (1255)

Mrs. Rose-Marie Ur: Maybe I'm not asking the question right.

What does one dairy cow bring back in value in milk product?

Mr. Jacques Laforge: Per year?

Mrs. Rose-Marie Ur: Well, in its lifetime.

Mr. Jacques Laforge: The average herd has a lifetime of three and a half to four and a half years. If you take four years as an example, with a cow producing 9,000 litres...not per product.... That's 9,000 litres multiplied by 62....

Mrs. Rose-Marie Ur: The long and the short of it is, what is the disadvantage now with the cull program? Obviously, you used to be able to get rid of 25% and it's around 15% now.

Mr. Jacques Laforge: Basically, there are two things from a cull cow perspective, and one is not seen at all. The first one is that when we used to sell it at $700, you subtracted that heifer cost...instead of $700 you actually have a loss of $600 for every cull cow you sell if you compare it to the situation prior to BSE.

The other impact is something nobody is talking about but that is happening daily on farms. Let's say you're looking at a live animal that has a value of 150 bucks, like a cull cow that's maybe into her last calving or whatever, and she gets sick somehow with either milk fever, mastitis, or whatever it is. You're looking at something standing there that's worth 150 bucks, and you say, do I phone the veterinarian? She has to be a pretty darn good cow for you to put $100 of vet visit and medicine in her. What happens is you basically end up making a judgment call as a farmer, treating it yourself with penicillin or something depending on what the signs are, and probably ending up losing three-quarters of those animals. They get shot and they get buried behind the barn.

Over the last 18 months on my farm—I'll be quite frank—I did about fifteen cows. I just took the chance there was no.... And that's on 100 cows; that's 15%. If you look at 18 months, it's maybe 12%. But this is a loss of revenue where before, when she was worth $700 or $800, you would phone the vet, save the animal, and maybe sell her at a later date. This is a tremendous loss nobody's seeing; it's not accounted for.

The Vice-Chair (Mr. Gerry Ritz): Is that all?

Mrs. Rose-Marie Ur: I don't know.

Mr. Doyle, did you have—

Mr. Richard Doyle: As to your question, if you take four cycles, you'll probably generate between $20,000 and $24,000 per cow on the life cycle of the cow. That's just revenue; that's not net after cost, obviously.

Hon. Wayne Easter: Just so it's on the record for some consumer reading this, that isn't profit. You have to raise it and you have to push that animal too to get the milk.

Mr. Jacques Laforge: If you take CDC's COP number, less than 30% of the producers were receiving their costs prior to BSE. Don't view that as net revenue.

Hon. David Kilgour: Your chart is very strong, and I haven't seen this before. What is your source for all of this?

Mr. Richard Doyle: These numbers came from Stats Canada and Agriculture Canada.

Hon. David Kilgour: Now just to be absolutely clear about this, would your wholesaler's share include the packer's share? How would that work?

Mr. Richard Doyle: My understanding is that it does include that, but I can verify it and get back to the committee.

Hon. David Kilgour: Do we know how much would go to the packer and how much would go to whomever the wholesaler might be, assuming it's not the packer?

Mr. Richard Doyle: I don't think we can know that.

Hon. David Kilgour: You should get that out.

Mr. Jacques Laforge: The last comment is that when you actually look at that chart, go in the store, and look at farmer revenue, you see that exact graph in your mind.

Hon. David Kilgour: Thank you.

The Vice-Chair (Mr. Gerry Ritz): Thank you, Mr. Kilgour.

Just on that point, gentlemen, is that not typical of all farm produce? I mean, we have this breakfast on the Hill. You buy that in a restaurant and it's $6.95, and the farmer's share is 87¢. So would that graph not go beyond just beef at this juncture?

Mr. Jacques Laforge: If you compare it to other meat sectors, there's a wide gap—if you compare it to poultry, hogs, and so on. It has a tendency to vary with declining prices. If hog prices go down you usually see a little dip in the store, but in this case you saw the dip and it went back up, but it never went back up to the farmer because of the slaughter capacity.

● (1300)

The Vice-Chair (Mr. Gerry Ritz): Right. Thank you.

Mr. Gaudet.

[*Translation*]

Mr. Roger Gaudet: Thank you, Mr. Chairman. I will be brief. The other day, I was talking to an official who told me that cull cows represented only 10 per cent of your revenues. That might be the big problem and that is perhaps why they have yet to come up with a solution for you.

What solution or argument could you give me so that I can respond to that official?

Mr. Marcel Groleau: When we talk about 10 per cent of our revenue, we mean 10 per cent of our gross revenue. I want to talk in terms of net revenue, because there is no production cost associated with a cull cow. We are disposing of an asset that has depreciated.

As a result, when you look at the study on production costs, you see that net revenues are approximately $13,000. That is the average over the past four or five years, $13,000 or $14,000.

As for cull cows, annual losses per dairy farm are about $14,000 or $15,000. So 100 per cent of net revenue is affected by the loss of 10 per cent gross revenue.

Mr. Roger Gaudet: Do the officials know that?

Mr. Marcel Groleau: Well, we have already told them.

Mr. Roger Gaudet: That is great, but I will tell them again. Thank you. I have no further questions.

[*English*]

The Vice-Chair (Mr. Gerry Ritz): Thank you, Mr. Gaudet.

Mr. Drouin.

[*Translation*]

Hon. Claude Drouin: Thank you, Mr. Chairman.

You say that you have lost about $419 million. The Government of Canada's contribution is $157 million. If the provinces had respected the 60:40 ratio, as they often do—some programs are that way—provinces would have contributed $104 million. In total, there would have been $261 million to cover losses of about $419 million.

An hon. member: *[Editor's Note: Inaudible]*

Hon. Claude Drouin: You say it is included! If it is included, the document is not correct. In fact, it says in the document that the federal...

Mr. Jacques Laforge: We apologize and we'll take note of that. It's $157 million...

Hon. Claude Drouin: I just wanted to clarify the situation and make sure I understand, because it is important for our work.

Let's talk about slaughterhouses. You spoke at length about a floor price. You have helped us understand the dynamics involved as well as Agriculture Canada's concerns. Mr. Groleau, you told us that there was a different way of doing things. However, in the past, smaller slaughterhouses were not able to survive. In fact, the larger operations make better offers, producers can't resist and sell to the highest bidder. As a result, smaller slaughterhouses close down and then the larger operations drop their price because they have a monopoly.

Since the industry cannot discipline itself, it has asked the government to establish a floor price. At least, that's how I understand it. But I may be wrong. I'm not saying that I'm right.

However, as far as I'm concerned—and I am far from being an expert in agriculture, but I think it's very important, and it certainly is in my riding of Beauce—people have to understand the situation. I am playing devil's advocate, because this is the type of question or answer have to deal with.

Mr. Marcel Groleau: The difference is that at the time when the smaller slaughterhouses were closing, there was still one competitor: the market—American buyers. As a result, there was a market dynamic which ensured that even though there was competition amongst the meat packers, the price paid to producers remained the same.

Now, however, there are no longer any American buyers to compete with Canadian buyers. Smaller slaughterhouses would survive in today's market if they decided to reopen; there is no doubt about that. The supply price is so low that anyone with a bit of business sense would be able to make money in the beef industry.

Hon. Claude Drouin: You are right, Mr. Groleau. However, we are in a crisis situation. One the crisis is over, I am not so sure that the ratio will remain the same. At that point, we will still be playing the same type of game.

Mr. Marcel Groleau: That is apparently why investors who are being asked to equip slaughterhouses hesitate to do so. They know that when the crisis is over, they will be in a difficult situation.

Hon. Claude Drouin: The producers themselves would have to be owners. In that case, there would always be a steady supply.

Mr. Marcel Groleau: That's also an option, Mr. Drouin. It's the option we prefer. The idea that producers should also own the slaughterhouses to take advantage of the strong market is far from ridiculous. If governments wanted to help producers acquire slaughterhouses, it would certainly be of assistance to them.

● (1305)

Hon. Claude Drouin: Do you think that the traceability program to be implemented in January will have an immediate, positive impact, or will it rather be felt in the medium and long term? It will surely have a positive impact. Do you think that we will be able to guarantee a better quality product through the traceability program? There definitely be an impact.

Mr. Marcel Groleau: In the short term, as long as there is no competition within the live animal market, there will be little impact. Quebec has had a traceability system for the last two or three years which enables us to identify each animal from its home base and to trace it wherever it goes, but the price in Quebec is not different from that of the other provinces.

Hon. Claude Drouin: Our system in Quebec is more advanced, I am aware of that. However, the system does not apply right up until a quarter of beef reaches the meat counter. Some private companies do that. The provincial system does not tell us precisely from which farm and which animal the beef cut up in a slaughterhouse comes from. Or am I mistaken?

Mr. Marcel Groleau: You are not mistaken. The system is not yet implemented all the way to the meat counter, so that we can identify the animal that a meatball comes from. That will be our next step in Quebec. For now, that is far from the case, even for retailers.

Hon. Claude Drouin: I have met some promoters who want to do that and who are now ready.

Mr. Marcel Groleau: Yes, but retailers were not very enthusiastic about that idea either.

Hon. Claude Drouin: Why?

Mr. Marcel Groleau: Because it is easier now. That adds an additional administrative step.

Hon. Claude Drouin: Are you talking about the retailer? Does the retailer have to manage that?

Mr. Marcel Groleau: He will have to manage the traceability, with the slaughterhouse. I know that retailers were not very enthusiastic about that.

Hon. Claude Drouin: I know that retailers have responsibilities at that level, but are they supposed to put in place a computer system themselves, or would they have a computer system implemented by the province, with slaughterhouse codes, that would be used and that would ensure that the products are labelled before they reach the meat counter?

Mr. Marcel Groleau: That is done in Europe, and that type of system is very difficult to manage. It puts requirements on retailers and distributors. At present, when meat reaches a supermarket, it is not always packaged. It arrives in bulk and is packaged at the supermarket. The bulk meat may contain meat from Brazil, Quebec, or Western Canada. When you want to link each piece of meat to a particular animal, that considerably the changes the entire meat distribution system.

[*English*]

The Vice-Chair (Mr. Gerry Ritz): Mr. Kilgour for 30 seconds.

[*Translation*]

Hon. David Kilgour: I will just take a couple of seconds, Mr. Chairman. I forgot to ask a question. Who will set the minimum price? In your opinion, is it the provincial or the federal government?

Mr. Jacques Laforge: I think it should be a combination of both. If each province decided to set its price individually, as is currently the case with fluid milk, it could work. But some provinces have no slaughterhouses, so the meat comes from elsewhere. It must be done by the provinces, and there could also be some federal involvement.

[*English*]

Mr. Richard Doyle: Just quickly, Mr. Chairman, on this question, if I may, you need to cover both the federal jurisdiction of interprovincial marketing and the provincial jurisdiction over intraprovincial.... So you need legislation on both sides.

The Vice-Chair (Mr. Gerry Ritz): Thank you, gentlemen. It's been an interesting round.

[*Translation*]

Mr. Marcel Groleau: When we talk about a minimum price for cull cows, we immediately think about a single price for all cows. There are four categories of cull cows. Each category should have a price that reflects its market value. The minimum price should be established to enable each link in the chain to make a reasonable profit, so that it remains advantageous for that player to continue to buy the product.

We know that consumers have not reduced their meat consumption and that the demand is still there. If we implemented a minimum price without there being a demand for these products, it would obviously not work. But the demand is there and so is consumption. The profits simply need to be shared more evenly among the various links in the chain.

● (1310)

[*English*]

The Vice-Chair (Mr. Gerry Ritz): Thank you.

We will close this section of the meeting and I'll just ask my colleagues to stay for one minute for a short in camera meeting.

[*Proceedings continue in camera*]

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