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Chair

Mr. Gerry Ritz

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• (0905)

[English]

The Chair (Mr. Gerry Ritz (Battlefords—Lloydminster, CPC)): I call this meeting to order.

Good morning, ladies and gentlemen.

It's a pleasure to have you here at the first official non in camera meeting we're going to have this year. Of course, it's a very interesting topic, the protein concentrates issue that just keeps bubbling along—almost ten years now, I guess.

We're pleased today to have with us Don Jarvis, president and CEO, Dairy Processors Association of Canada; Kempton Matte, senior vice-president, industry and government relations; Yves Leroux, vice-president, government affairs—you guys really like government; and Pierre Nadeau, *président-directeur général*, Conseil des industriels laitiers du Québec.

Welcome, gentlemen. It's a pleasure to have you here.

We have ten minutes for opening comments. If you can stay within that timeframe it gives us more time for questioning. We have about an hour for this segment of the meeting, and then we'll move into questions.

Mr. Easter, I knew you'd do that.

Hon. Wayne Easter (Malpeque, Lib.): A point of order first, Mr. Chair.

The committee the other day made a request to the minister to appear today and, obviously he's not here. When can we expect him to appear? If he's not going to appear for some time, will he at least make a ministerial statement to clear the air in terms of when and what money will be coming so farmers can predict, both for their creditors and themselves, this supposed spring money?

The Chair: Thank you, Mr. Easter, for that point of order.

Mr. Anderson, could you give us an update on that? You were talking to the minister.

Mr. David Anderson (Cypress Hills—Grasslands, CPC): Actually I can, Mr. Chair.

As you know, the minister has been very available since he's become minister. He's met with over 250 farm groups and farm organizations across the country, and he continues to do that kind of consultation. He's happy to meet with the committee, and the intention right now is that he will be here before the end of the month, on May 30.

The Chair: Thank you.

Does that answer your question, Mr. Easter?

Hon. Wayne Easter: That does, but it's certainly not the direction the committee moved in. The fact is, he has not cleared the air relative to cash for spring for farmers. We have a statement by the chair of the committee indicating there won't be an ad hoc payment this spring, but we have nothing from the Prime Minister or the minister to establish for the farm community if there's money for spring or not. That's what we need. If he can't meet with us, the least he could do for the farm community is issue a ministerial statement.

The Chair: Thank you, Mr. Easter.

You've actually got a purged statement from the chair of the committee that you chose to clip and edit to your own means. That's fine, and you're certainly allowed to do that. That's what politics is all about.

The minister has made several statements. He actually made a speech in Calgary last Friday that outlined the billion dollars and how it would be available. You may want to go online and refresh your memory with that.

Mr. Miller.

Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC): I wanted the minister here today too, Mr. Chairman, but it didn't work out. He has given us a commitment to be here on May 30. I think we would all agree it would be nice if he were here sooner, but that's not the case.

The other side of it is he's made it very clear that some changes need to be made to CAIS, and I think every member in this room will agree to that. They're working on that very diligently, and I know his intention is to get that money as soon as possible. I think for him to try to announce something when it really isn't in place yet would be premature anyway. I think his intention is to do that, and I think we have to trust him on that.

The Chair: Thank you, Mr. Miller.

Does anyone else want to weigh in on this, or will we move to our witnesses?

Thank you, Mr. Easter, Mr. Anderson, and Mr. Miller.

Gentlemen, please, who will be presenting for you?

Mr. Jarvis.

Mr. Don Jarvis (President - CEO, Dairy Processors Association of Canada): Mr. Chairman, thank you very much. Thanks for the opportunity to appear before you today. Our chairman, Andy MacGillivray, is unavailable. He is actually out of the country, in Central America, working with some producer groups on behalf of his cooperative, so he extends his regrets that he couldn't be here. As well, one of our other major members, Agropur, is unavailable. They had a prior commitment, a three-day management retreat that began last night. If it hadn't been for the short notice, they would have been here as well. However, my colleagues will be adequately representing our industry and I will be calling upon them for some brief comments as well.

DPAC and dairy processors are very concerned about farmers in the dairy industry as a whole. We want to make it clear that DPAC members understand why DFC members, Dairy Farmers of Canada members, are concerned with the state of the dairy industry in Canada and why the milk protein concentrate, milk protein isolate, issue has taken on the importance it has.

Dairy farmers have taken four quota cuts in the last year, with more perhaps looming, as prices for milk continue to increase. DPAC understands that the price increases do not offset the financial impact of the quota cuts that directly attack the producers' equity. Also, BSE issues have caused considerable financial hardship for many farmers.

Consumption of traditional dairy products is dropping as the consumer market changes. The aging population and the new ethnic mix in the Canadian population means that different products are now coming on the market. The best example of that is that Health Canada is fundamentally changing the food guide. There used to be a milk products, or a milk category, that is now being changed to milk and alternatives. I think this is the best example of how formulations and foods are changing in the marketplace. Of course, this is not only occurring in this country, it's occurring around the world.

DPAC will not deny that MPCs or MPIs do have some substitution effect on domestic skim milk powders. This impact is considerably less than the DFC purports. Indeed, it's only a symptom of a much larger problem in the Canadian dairy industry.

We would point out that the level of MPCs/MPIs imports over the past three years has remained steady and has therefore not accounted for the production side challenges in the last couple of years. In other words, Mr. Chairman, stopping imports or the use of MPCs/MPIs would not solve the dairy industry's problems but would likely enhance them even further.

Before we get into that specific subject, I want to describe to the committee members the state of Canada's dairy industry as we see it as dairy processors.

First, all of you have been provided in the blue folder some information on our organization and on the industry. Our members purchase, process, market, and distribute more than 90% of all the milk produced in this country. The dairy industry represents a very significant segment of the Canadian economy. Last year dairy processors shipped \$12 billion worth of products, making up more than 15% of all food products shipped by the food and beverage industry. About 27,000 people are employed in the processing of

dairy products. In Canada, fluid milk and cream production represents just under 40% of total milk production, while the remaining 60% is dedicated to other manufactured dairy products.

We have a real concern. The following facts were relayed by our chair, Mr. MacGillivray, here in Ottawa only a few months ago, and I think it's worth repeating some of those facts. It's a concern centred on growth, or the lack of it, and the long-term implications for this industry. The facts best demonstrate that concern.

Over the past nine months we've witnessed these four cuts in MSQ quota, reflecting the state of demand for dairy products in Canada.

● (0910)

Over the past 12 months, as reported by ACNielsen, consumer purchases or demand in key categories is seriously down. All fluid milk, including specialty milk, shows a 1% drop in volume. Butter shows more than a 4% decline. Cheese shows zero growth, with a 4% decline most recently. Even yoghurt, the star category for the past decade in our industry, has very modest tonnage increases nationally, compared to the almost double-digit annual growth. And ice cream continues a very serious downward slide.

At the same time, by sharp contrast, consumer demand for competing categories is showing increases. The best example is the case of soya and rice drinks, showing a 5% per annum increase in volume, with an 8% increase. Refrigerated juices show more than a 10% annual increase in volume. This ACNielsen data provides a very accurate measurement of sales in the major supermarkets right across Canada, in all cities, towns, and regions.

A closer look at our two largest regional markets reinforces this very disturbing picture. For example, butter sales in Quebec are down 6%. Yoghurt sales in that province are not showing any growth whatsoever. Cheese is down 16% in Ontario. By contrast, in Quebec, soya and rice drinks are up 21%, and over 25% in the last year. We see in other data that there is a similar story unfolding in the food service restaurant industry, where growth in dairy product use is reported as slightly negative or zero over the past 12 months.

If we dwell a bit longer on the fluid milk category, we see that over the past 10 years, per capita consumption has declined by 14%. This is the largest category in the grocery stores, with probably the fastest turning and highest consumer involvement of anything occurring in the grocery business, yet usage continues to shift to competing beverages: soy, soft drinks, and fruit juices. All those categories that we compete with in today's marketplace are driven by innovation, strong consumer focus, and independent strategies for growth.

Now, DPAC spent considerable time over the past couple of years working and explaining and worrying about the situation with the dairy farmers of Canada, trying to understand the problem, trying to find ways to address it. DPAC likes the process outlined to us by the minister a month ago. We want to work on a working group to get at the real root issues that are causing this problem. All the old processes and discussions won't work.

A month ago, Minister Strahl invited our chair, Mr. MacGillivray, to begin working on these problems in a dairy working group, with representation from DFC. The minister advised us that he wanted to do a number of things. He said there are a number of serious pressures currently facing the Canadian dairy industry: processors are concerned about flat or shrinking markets for dairy products, and about the ability to develop new products and associated technology to grow the market; producers are concerned about issues such as recent quota cutbacks, the size and cost of the skim milk surplus, the undermining of domestic markets through imports of certain dairy products, and of course the uncertainty of upcoming or current WTO negotiations. Both producers and processors are concerned about the declining consumption of dairy products and about pricing and profitability issues.

A month ago, the minister laid out for us a reasonable process and a timetable for this working group. In fact, he hoped that we would be able to agree on key principles and a strategic framework by early next week, with detailed work and agreements between producers and processors under way by late June, and a complete report and a way forward with recommendations by the fall.

Now, Mr. MacGillivray and DPAC and our members have readily agreed to this process, but to date the DFC has not.

• (0915)

Before turning to my colleagues to discuss MPCs and MPIs, I think it's important to state up front what the real issues facing our industry are.

The market for dairy products is not growing. The market for traditional standardized products is stagnant. Consumption is dropping. There have been significant price increases in the past three years, with very serious consequences in the marketplace. Dairy is losing ground to its competitors in the marketplace, especially non-dairy substitutes, and there is no incentive any more for new investment. There's no incentive to develop new products. The regulatory system discourages innovation.

We need to be ready for the future, whether there's a Doha Round, a WTO agreement, a new agreement, or not.

We know technological change will not stop. We know Canadian demographics do not mitigate in favour of increased consumption of full-fat dairy products or traditional dairy products. We know Canada will have to provide increased market access for dairy products by 2013. Already agreed to market access means, according to the chairman of the Canadian Dairy Commission, a 5% to 6% further cut in MSQ, and we're not ready for that.

We need to retain the good. DPAC and its members want to save supply management for dairy. The stability of the system is and has been an advantage. The stability of the system has allowed Canadian

dairy farmers to provide high-quality product on a continuous basis for many decades, but we need to look at it and perhaps reform it.

The dairy system is the first supply-managed system implemented in Canada, and it's now over 40 years old. Today's pricing and allocation systems are no longer working well within Canada and within the world realities. The regulatory system for dairy products at both the provincial and the federal level is archaic and counterproductive in today's marketplace. And, finally, the system is not keeping up to dairy developments in the rest of the world and economic realities right here in Canada.

With those opening remarks, I'm going to turn for several minutes to my colleagues to get into the MPCs.

I'll turn to Mr. Nadeau to provide the members with a good description of MPCs and MPIs.

Mr. Nadeau.

• (0920)

The Chair: Mr. Nadeau, I'll ask you to keep those remarks fairly short. We're stretching our time already. Thank you.

[*Translation*]

Mr. Pierre Nadeau (Chairman and Chief Executive Officer, Conseil des industriels laitiers du Québec, Dairy Processors Association of Canada): Thank you, Mr. Chairman.

I will take a couple of minutes to draw your attention to the document, a table, in your blue folder. The table is in English on one side and French on the other and describes milk and its constituents. As you can see from the table, milk is made up of several ingredients, the first one being water, followed by lactose, butter fats, and finally proteins, the constituents we are interested in.

Milk is 3.2 per cent protein. There are two kinds of protein: 80 per cent of the protein is milk protein, the kind that can be turned into cheese, and the other 20 per cent is lactoserum, the cheese byproduct, whey.

At the bottom of the page, you will note that skim milk powder is solid milk, with no fat, no water and 35 per cent protein. That is in its natural state. The term protein concentrates applies when there is more than 35 per cent protein present. Substances that are 85 per cent protein are called protein isolates, the subject of today's discussion.

Protein isolates, and other forms of protein, are used outside the dairy industry. They are used in hospitals for increasing muscle mass, in health drinks and energy bars, for example. They are also used in other foods for very specific purposes, for example, as extenders in some types of meat.

That concludes my remarks.

[*English*]

The Chair: Thank you.

Mr. Jarvis.

Mr. Don Jarvis: Mr. Chairman, I'm going to turn for a few minutes to Mr. Matte to explain further the issue around MPCs and MPIs.

Mr. Kempton Matte (Senior Vice-President, Industry, Government, Producers Relations, Saputo; Dairy Processors Association of Canada): Thank you, Mr. Chairman.

I'll assume I've been asked the question, "How come we use MPCs and MPIs?" I think it's a very important question. The dairy processing industry functions with one foot in the supply management system, from the standpoint of milk supply. We buy our milk in each province from a monopoly supplier, which is a producer-run dairy board. Everything else we do is in the free market, so from an operating perspective, we of course have all of the market-driven initiatives to seek efficiencies in our plants and to apply the latest modern technology.

Traditionally, when we made cheese, for example, the whey Pierre just referred to, the *lactosérum*, was simply pumped back out of the plants, spread on fields, dumped in ditches, put in lagoons, sent into rivers, and so on, which was acceptable at the time, but as environmental concerns arose, it emerged as a very major environmental issue, which the industry had to address. It did so by applying technology to this product, knowing that within the product were dairy proteins, some fat, as well as other material. It developed technology to recover these fats and the protein and the ability to use them in cheese-making.

You have to remember that this is a product that is simply the by-product of taking milk and making cheese with it. It's a domestic product. By far most of the whey protein concentrate used in the dairy industry is this type of product; it's domestically produced, and probably 95% or more of it is this product. So we've been able, through the use of technology, to reintroduce the whey protein concentrate into cheese-making to the benefit of the industry. It reduces costs, and there are more efficiencies, and so on.

The other aspect of the proteins, which seems to have drawn the attention—but in my mind this file gets totally confused. It involves the imported isolates that come into the market. By the best measure available to Ag Canada and Stats Canada, there are 3,000 to 5,000 tonnes of these products used in the dairy industry. The reason they are used is that they bring to processors performance characteristics that are not available in the domestically produced whey proteins. The technology is not in place in Canada to produce these products, so they are bought on the world market at world market prices.

They are used in a variety of uses in the dairy industry, but also outside of the dairy industry in further processing of foods, in the chemical industry, in the nutraceutical industry, in the pharmaceutical industry, and so on.

The comment that is often made is, you buy these cheap subsidized imports and use them domestically. I think the first misconception is that they're subsidized. The vast majority of them, according to my understanding, come from New Zealand, and there are no subsidies attached to those products. I think if you inquired at the EU, you would learn that today there is virtually nothing or very little—I believe nothing, but maybe it's very little—in the way of subsidies attached to the exports of those products from Europe as well.

• (0925)

The other interesting thing about those products is that contrary to what is often implied, they are very high-quality products. A large part of the business of the company I work for, Saputo, is food service, where we manufacture a cheese that meets all Canadian standards and all Canadian regulations but that we develop really to the customers' specifications. This means it has to brown at a certain temperature in a pizza oven within a certain period of time, it has to stretch a certain distance, and so on and so forth. Some of these characteristics you can only achieve by blending some of these imported isolates with our domestic source raw material. It's not only a question of buying cheap and selling high; it's a question of applying the best available technology to produce the best quality product, which you can then market at a competitive price. I think it's something that is often overlooked in this discussion.

The Chair: Thank you, Mr. Matte.

Mr. Don Jarvis: I'll ask Mr. Leroux to finalize our opening remarks.

The Chair: You have 10 seconds.

Mr. Yves Leroux (Vice-President, Regulatory and Government Affairs, Parmalat; Dairy Processors Association of Canada): Okay. I'll be brief.

On my background, going back 45 years ago, I'm a cheese-maker. To tell you a little about the utilization of the MPI that Mr. Matte mentioned, when we use MPIs that we import—and there are possibly between 4,000 to 5,000 tonnes of MPI being imported—for us as processors it is an advantage. I will tell you the reasons why.

I would say that the bulk of the MPIs that are being used in the dairy business are used, as an example, in mozzarella. Possibly 70% to 75% is used to produce mozzarella that they use on pizzas, for example, for the food service. By using the MPI, which is more than 85% protein, that product comes in with a denatured protein and it also comes in without lactose. The denatured protein allows you to maintain a certain amount of moisture in your cheese. Because the protein has been denatured, it certainly allows for elasticity and makes a beautiful cheese that will spread on a pizza.

It's contrary to what it used to be five or ten years ago; you used to have a lot of bubbling on a pizza and some burning on a pizza. That doesn't happen today because the product we are using to supplement the milk is free of lactose. The lactose is a sugar, the ingredient that gives you the problem on top of a pizza, because it burns.

There are definitely some functional reasons for why we use the product. It is true that it is imported. As far as we know, it is unsubsidized, or the bulk of it is unsubsidized. It also allows us to maintain our prices and be competitive with the food service.

If we don't do that, if we don't give them the product they want, then we will be forced to produce cheese analogs. We will produce a product that will replace the dairy products on the pizza. That's coming. Canada has shied away from it so far, but for whatever reason, if we were not allowed to do that, I'm afraid we would lose a good segment of the food service on the mozzarella we have today.

Mr. Chairman, thank you.

• (0930)

Mr. Don Jarvis: Thank you for your patience, Mr. Chair.

We wanted to make sure those key points were made.

The Chair: Well, I'm stretching the time a little. It is a very important issue, and we want to make sure we get all the information.

We'll start the round of questions with Mr. Steckle, for seven minutes, please.

Mr. Paul Steckle (Huron—Bruce, Lib.): I may defer to my colleague, because we're running out of time here.

The Chair: That's fine.

Mr. Paul Steckle: Mr. Jarvis, we want to thank you for coming, because this is an important issue.

The dairy industry is hurting today, and they obviously look to the processors because they use these products. It's probably one of the reasons the ice cream industry is suffering and is dramatically down. But you're saying the whole market is not growing.

This morning you were pretty scathing and condescending when you made that statement in terms of our supply management. I think the farming community and the dairy community are certainly going to be saying this. Mind you, we know now where the processors stand. If that is the position of the processing industry, then I think it's pretty clear that there is a wall of divide between you people and the primary producers. I think that is some reason for concern, and I have a real problem with that.

I realized this morning that we've come here to talk about a matter that is perhaps not understood as well as it should be by many people.

The fact is that you said the industry is not growing yet, but the soya industry is growing in terms of soya drinks and those kinds of products. What is happening? Have we lost the ability to convince Canadians? Are we losing the market because our product is not as healthy as another product in the marketplace? I think there are a lot of things, but who has failed in this issue?

Obviously, the soya growers are going to tell you that they're not making any money producing soybeans. But is the processing industry making more money selling soya drinks, rather than the others, because of the way they can buy the product, and it's a controlled product in the supply management sector?

Let's get some things cleared up here, because if money is the issue that's driving it and it's not a health issue, then I think we need to have that on the table.

Mr. Don Jarvis: Thank you, Mr. Steckle.

First off, what remarks did I make that were scathing and critical of supply management?

Mr. Paul Steckle: When you said it's not helping the industry and this has to change; you've been 40 years with the same system and it has to change. I think there have been a lot of changes. But I think you will find that later, in this next two hours, somebody at the table will probably tell you why that industry is flourishing. Anywhere in

the world where they don't have it, you show me where they're making a lot of money in the dairy industry.

Mr. Don Jarvis: I think I particularly emphasize that our concern is based on our desire to save the system to make sure it doesn't collapse in terms of the competitive marketplace pressures we're feeling. I think, in response to your observations about the competition, we are facing a much more competitive marketplace. I reference that with respect to different consumer demands, demand for health profile products.

In fact, in the *Globe and Mail* just yesterday, Mr. Steckle, there was a very good example of how quickly and rapidly the marketplace is evolving around the world. Yesterday it was reported in the *Globe and Mail* that Wal-Mart stores in Britain are introducing—and it's made by a British cheese company—something called Heartfelt Plus Natural Cheese. It's enhanced with an ingredient, an innovative product, made here in Canada by Forbes Medi-Tech, a phytosterol. It reduces cholesterol. In England now, in a market twice the size of the Canadian market, they are in fact putting in the marketplace a product called a cheese. It has a low fat content of 12%, and a typical cheddar cheese is usually between 30% and 40% fat. This cheese tastes like real cheese, unlike other low-fat offerings usually made with vegetable oil, and it certainly offers a great alternative to traditional low-fat cheeses, which have been poor tasting and poor in texture.

That's where the marketplace is going. The problem we have in this country is that we are not allowing our regulatory system to adjust; there is a continued demand at the producer level to produce only high-fat products. This product would not be allowed in the Canadian marketplace; it's a functional cheese, a functional food. We're constrained, as processors, in meeting those new demands in the marketplace. We're looking for more flexibility. The consumer is demanding these products. Our customers are demanding these products. That's Wal-Mart. Our customers are the major super-markets or the food service companies.

Mr. Leroux referenced the fact that he's competing, at the food service level, with non-dairy ingredients to make "cheese toppings". That's what we're competing with.

• (0935)

The Chair: Mr. Easter.

Hon. Wayne Easter: Thank you.

There's no denying that the marketplace is changing, and we have to find ways whereby we can change to meet marketplace demands. But the key problem here is that the intent of the supply management system in the beginning was, and still is, to be able to manage your industry in a way of having a predictable market. The MPCs are taking that predictability out of it and leaving the industry with, as you indicated, a declining marketplace. There may be a number of reasons for that. As Paul said, other raw materials are cheaper because they're under different systems. It may be a heavily subsidized U.S. product that claims to operate in the free market, but the Treasury bails them out once in a while and as a result the raw material can be cheaper at times.

But what's the solution you would put forward to maintain at least predictability in the industry? What would you lay on the table? That's key. If there's not predictability there, in terms of that supply system, then we've got a severe problem. What would you do in that regard?

Mr. Yves Leroux: I think one of the solutions is for our dairy farmers, our dairy producers, to be more competitive. Let's not kid ourselves, in the last two years prices went up probably an average of 15% from the farm aspect, and then by the time the consumers were buying it at the retail level you were looking at possibly 20% and 25%. Consequently, that's what it's done. It's really played a hell of a number on our butter consumption and our cheese consumption. So we need to be more competitive. Our prices are going up and consumption is going down. We have to stabilize this. We need to grow this industry, not continue to shrink it. One way to do it is to understand our price structure and how we can be more competitive.

The Chair: Thanks, Mr. Easter.

Mr. Miller.

Oh, sorry, Mr. Bellavance.

Mr. Larry Miller: It was a pleasant surprise.

The Chair: I was just making sure you were awake. See, André was.

Mr. Bellavance.

[*Translation*]

Mr. André Bellavance (Richmond—Arthabaska, BQ): I am pleased that the committee agreed to hearing witnesses on this issue so quickly because it is a priority for the Bloc Québécois. There are 7,400 dairy farms in Quebec. I come from the region with the most dairy farmers in Quebec, the Arthabaska region. This is therefore a very important issue for me.

Mr. Jarvis, you mentioned that the industry is experiencing difficulties. Yet, at its annual general assembly, Agropur announced profits of over \$2 billion for the first time. I do not think things are going too badly and I am pleased. In fact, this co-op was part of a group of 63 milk processors who joined with the dairy farmers in asking Ottawa to slow down its imports. It is important to point out that the idea was to limit imports.

You mentioned prohibiting imports in your introduction but I do not think that was ever the intent of the producers. Even the use of article 28 of the GATT would involve a 10 per cent increase in imports. There is no question of prohibiting milk protein across the board. However, we need to be aware that if one of the pillars is weakened, in this case import limits, we will undermine all of the supply management system. The Federal Court's recent ruling has opened the doors to milk protein imports and threatened supply management.

Yet there is unanimous agreement on this. I mentioned 63 dairy processors, in other words, members of your industry, who joined with dairy producers. Even the Quebec Minister for Agriculture, Fisheries and Food, Mr. Yvon Vallières, stated that there is no reason for the federal government not to act decisively on this issue.

On April 6 last, the federal Minister of Agriculture and Agrifood, Mr. Strahl, took part in the take note debate requested by the Bloc

Québécois, on the issue of the agricultural income crisis. In his speech, in reference to dairy protein, he said that

he was just as interested as dairy producers in finding ways of making sure that Canada would not be flooded with imported products. He added, that if they used article 28, and they were considering that possibility...

He was referring to some difficulties, but he did say that he could consider using that article.

I think many people agree that there is a problem. I would like to know if you are not somewhat alone in your position, given that you have indicated that there could be a general prohibition on milk protein imports, which I think is inaccurate. You would have to agree that something needs to be done in order to protect supply management, as you mentioned earlier. Otherwise the system, which has served Quebec and Canada well, could fall apart.

● (0940)

[*English*]

Mr. Don Jarvis: Let me start by indicating that we don't think there are a few difficulties in the industry; we think there are many. There are very difficult and profound issues that really need to be addressed.

The MPC/MPI issue is a symptom and one issue out of many.

Mr. Bellavance, you mentioned article 28, which we've examined as an industry. Of course, the Dairy Farmers of Canada initiated a request for an article 28 over a year ago. At that time, it was an instrument they envisaged being used for a whole host of imported dairy ingredients far beyond MPCs and MPIs. I think it included butter, all sugar blends, and a host of other ingredients.

When we examined it independently as an instrument, after serious examination, we concluded it would not work—now it has been reintroduced as a potential instrument to directly limit imports of MPCs or MPIs, which was confirmed by the minister and Mr. Verheul, our chief agriculture negotiator—because potentially it would only be used against our trading partners outside NAFTA, and MPCs and MPIs would still be imported via the United States. So using that instrument opens up a whole range of problems for the industry.

Our concern is that if an article 28 was proceeded with, there would have to be a negotiation with the Americans. We would be opening up a negotiation on supply management, and we do not want to see that happen. So that's one of our major concerns.

[*Translation*]

Mr. André Bellavance: Several countries, including the United States, have used GATT article 28. How can supply management work if we don't limit milk protein imports? How can the industry continue to operate if supply management no longer exists in Canada?

You may respond, Mr. Leroux, that's fine.

● (0945)

Mr. Yves Leroux: Mr. Bellavance, the system we have today is good for dairy producers, for processors and consumers.

However, prices have gone up to such an extent that the dairy consumption in Canada has decreased. We think that if dairy producers became more efficient and were able to provide us with a less expensive product, then we wouldn't need to rely on imports; we'll have our own non fat solids necessary to ensure the growth of our industry. Our industry has to become more competitive.

Mr. André Bellavance: Do you really think that Canadian and Quebec dairy producers can be competitive, given the existence of European subsidies, even though Mr. Jarvis said earlier that there weren't any?

That's not what we hear nor what we see. European agricultural industry is massively subsidized. How can our producers be competitive? Something has to happen at the WTO level, but what can we do right now?

Mr. Yves Leroux: That is a tricky question but don't worry, I will answer it.

Our industry currently uses between 15 000 and 20 000 tons of quality non fat solids which are sold to the animal feed industry at \$0.80 to \$0.90 per kilogram. The products that we'll be talking about, that come from abroad, are competing with our industry. Canada already has these products, as they are sold for animal feed at \$0.80 to \$0.90 per kilogram.

Our dairy producers can be more competitive. They can benefit from the non fat solids that are already sold to the animal feed industry, and make them available to the processors. That is one possible solution, Mr. Bellavance.

[English]

The Chair: Thank you, Mr. Leroux.

Mr. Miller.

Mr. Larry Miller: Thank you.

I'm going to take the first five minutes and Mr. Gourde will take the last two. I thank everyone for coming on short notice as well. It saved us wasting a day of meetings, which we certainly don't want to do.

One comment, Mr. Leroux, that I guess in my background as an agriculture producer I take a little offence to—and I'm sure most will—is your statement that farmers need to be more competitive, or what have you. I think all of our farmers in all commodities are very competitive and very efficient. I wanted to point that out.

Dairy Farmers of Canada have claimed that they're losing about \$175 million a year—that was a figure for 2004—and it's growing, on the imports of dairy ingredients. It's basically growing, I understand, by \$2 million a month. Is that a figure that the food processors agree with?

The Chair: Mr. Jarvis.

Mr. Don Jarvis: I believe the chairman read the mandate of this discussion. I think it's related specifically to the use of MPCs and the imports of MPCs/MPIs. It would not be a correct figure if what we're here to discuss is MPCs/MPIs. There's a host of dairy ingredients that go way beyond MPCs/MPIs. As Mr. Matte has indicated, the volume of those is 3,000 to 5,000 tonnes, and the value of those is about \$9 per kilo. So you can calculate the value, and that does not

in any way indicate or reference the numbers you're referencing, Mr. Miller. Indeed, as I stated in my opening remarks, the imports of MPIs have been steady for the last three years.

Mr. Larry Miller: Okay. You went through some things about what motivates food processors to use imported dairy ingredients, and you mentioned changes in consumer demands, but there have to be other reasons. Is it price? Is it quality? I would like to hear a few more comments on that.

The Chair: Mr. Matte.

Mr. Kempton Matte: Thank you.

I think you're right. There's a raft of reasons, and I would say it's all of those. There's price, quality, availability—those are basically the three—and technology. The dairy industry in Canada wouldn't be where it is today (a) without supply management and (b) without the use of technology.

I explained the evolution that allowed us to use whey protein concentrate in cheese-making, for example. That same technology is applied throughout the industry for all product categories, so it's not surprising to me and to industry people that every effort is made to produce the highest-quality product at the lowest possible price.

The irony of this is that the industry gets no credit for it. The fact is that by DFC's own publications, dairy product prices to consumers in Canada are a better bargain than dairy product prices to consumers in the U.S.A.

Now, bear in mind that up to 90% of a finished product's total cost is the price of raw milk. So the difference between that 85% to 90% and 100% is divided among the rest of that food distribution chain—the dairy processor, the wholesaler, the retail distributor, and so on. Considering that the raw milk price in Canada is about the third-highest in the world—depending on the year, anywhere between 25% and 40% higher than in the U.S., and it's currently higher than the price in Europe generally—the consumer's obviously getting a bargain. That effort, which has to be made somewhere in the chain, is being made in the processing sector.

I'm not crying poor-mouth here; I'm just saying that we're applying the best manufacturing technology possible to deliver the most competitively priced product into the grocery basket, and that's what's happening.

•(0950)

The Chair: Thank you, Mr. Matte.

We'll now move to Mr. Gourde for the final segment.

[Translation]

Mr. Jacques Gourde (Lotbinière—Chutes-de-la-Chaudière, CPC): There is a detail with regard to processing that bothered me. We all agree that Canadian producers produce a very high quality milk. A quality issue relating to isolates and concentrates was raised. You therefore prefer to import those products. You mentioned that this was a technology problem. So why don't the processors choose to import the technology rather than the concentrates?

Mr. Kempton Matte: I would like to point out that we did not in any way question the quality of Canadian products. We said that imported products, contrary to what some people might think, were not inferior in quality. Their quality is at least as good as that of Canadian products.

Moreover, if we have not imported the technology, it is because it is not viable economically, given Canadian milk prices. We could import the technology and set up one or more plants to produce these isolates, but their price would not be competitive. It would be impossible to justify such an investment to the shareholders of a cooperative or a private company. It is not economically justifiable.

That is why we have suggested in the past that a special category of milk be established. This already exists and does not break any WTO rules. That way, the necessary investment could be provided and production could take place here. But it will not happen until it is economically justifiable.

[English]

The Chair: To Mr. Gourde, for a short question.

[Translation]

Mr. Jacques Gourde: Could we see the numbers that show that doing so would not be economically viable?

Mr. Kempton Matte: I imagine those numbers are available. I mentioned earlier that we had one foot in a supply management quota system and the other in the free market. Regarding the sharing of this information, we have strict obligations as a business for competitiveness reasons. That said, there is no doubt that economic studies can bear this out. In our sector, competitiveness is dictated by the international market. There is no getting around that. If we are not able to produce these products here at prices equivalent to the international market, we obviously will not produce them.

• (0955)

[English]

The Chair: Mr. Jarvis, for a short redirect.

Mr. Don Jarvis: I'll just add to Mr. Matte's comments that the numbers, if they were crunched out.... First off, if you were going to make the necessary major investment in ultrafiltration to create these MPIs in Canada, you'd have to compete with sophisticated companies in New Zealand and in Europe that do it for the world market. We would not be able, of course, to compete in the world market. We are limited to the domestic market.

Second, these MPIs are used around the world—they are in fact regulated to be used in cheeses in France, for example, and they're used in the United States now—so we would be competing with very sophisticated companies who have huge investments. That's the other side of the competitive picture, the other foot we have in that camp.

The Chair: Thank you, Mr. Jarvis.

Now we go to Mr. Atamanenko for the final segment of this first hour.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): I don't have a lot of questions.

The ultimate goal is how to ensure our producers keep making money. That's the key within the system—to determine how we can ensure that your industry is able to survive and make some profit. I guess that's the overall goal.

Here is my first question: do you feel the government has a role here to do something, whether it's to limit the MPIs coming in or to somehow redirect our industry? Obviously, unless there's some kind of direction, it appears there won't be any kind of regulation here. That's my first question.

The other question is just a technical one. I don't quite understand; apparently there are no tariffs if MPIs of 85% or more are coming in, but if there's less, there are tariffs. That's something I'm not quite sure about. I'd like you to explain that. Thank you.

Mr. Don Jarvis: The first question is the question we're all asking ourselves—everyone around this table. The minister put forward a very good recommendation a month ago that we, the processors and the producers, should sit together and examine all these issues that we've put on the table and try to come up with some broad understanding and agreement on the principles involved, the underlying issues, and a way forward. We're certainly wanting and willing to do that, and I know the minister and the government support that effort.

Those are important questions. We do want to answer those questions and move forward.

On the technical question, simply put, in the classification system for tariffs used around the world, these particular MPIs—milk protein isolates—with a protein content of 85% or above are defined as protein products. They're not defined or recognized as dairy milk products.

The Chair: Are you done? Okay, then we'll give the final word to Mr. Boshcoff.

Mr. Ken Boshcoff (Thunder Bay—Rainy River, Lib.): Thank you very much, Mr. Chair.

When the processors came to see me, as did the dairy farmers...it seems there's some convergence of questions, so I'll ask both this round and next round. Philosophically, is it within your mandate to assume Canadians should expect milk in their milkshakes and cheese in their Cheezies and butter in their butter tarts?

Mr. Don Jarvis: Yes, of course. That's why we're in business.

Mr. Ken Boshcoff: Okay, so when we talk about the imported proteins—the use of butter fat and those kinds of things—these quantities are now becoming unmanageable. The Canadian dairy... the surplus milk protein and all these kinds of problems are more than the system can bear. With this collapse of the price structure, it's pretty plain that the \$2 million a month the dairy farmers are claiming to be losing and the 2.6% cutback...

I guess the concern is that these combinations of factors, which you understand very well, seem to be leading to an end to supply management as we know it in dairy production.

Mr. Don Jarvis: No. I disagree with that last comment. I believe the MPI issue is manageable. I've already addressed the numbers with respect to the....

The macro number is being referenced for a wide range of imported dairy ingredients, but the MPI, I think, is very manageable. Mr. Matte and Mr. Leroux referenced the functionality and the use in a very specific way in cheese; as an industry, we believe that particular usage has a ceiling, we believe there is a manageable level, we believe that's where we're at, and we believe it can be addressed without threatening supply management in any way.

• (1000)

Mr. Ken Boshcoff: Is your concern for performance characteristics displacing nutrition, quality, taste, and those types of things? When you talk about pizza browning, is that not an artificiality, as opposed to reality?

Mr. Don Jarvis: No, absolutely not. It has nothing to do with the nutritional value; in fact, as Mr. Matte said earlier, these are superior products that are imported and used. They are used around the world in making cheese, in most other jurisdictions, including France and the U.S.

Mr. Ken Boshcoff: When we talk about international rules, there doesn't seem to be as much fear for our Canadian farmers from the products you're importing from New Zealand as for those from the American tidal wave. New Zealand was one of the countries that essentially played by the rules 10 years ago and did the same things that Canadian farmers and producers did.

As for the high-quality end, is there not a world market for Canada to become known as the quality country, where you would actually have real quantities of true butter, cheese, and milk?

Mr. Kempton Matte: Well, there's always a market at a price. Canada can probably develop niche markets at very high prices, but it would never, ever, be a volume exporter of Canadian dairy products; we're simply priced out of the world market.

Our company intended to build a Canadian export-based business. After we lost at the panel in 2002, we actually went to every provincial government in this country to see if there was interest in setting up a WTO-compliant, exportable supply of milk within each province. We were rebuffed in every province. The result of that is that we have remained in the "export business"; we now export capital and jobs.

Since that time, we've invested in Argentina, where we now employ 1,000 people and are the third largest dairy processor. The reason we went to Argentina is that Argentina, like New Zealand, produces milk at an internationally competitive price, which allows us to serve export markets. We recently invested in Europe, where the price of milk is less than it is here, which gives us access to the European market for product. So while there are possibilities for specialty or niche products from Canada, in terms of volume it's not even thinkable.

The other problem that arises is that prior to December 2002, Canada and the supply management system were able to ship offshore the surplus production here—the structural surplus and any other surplus that was produced. That door was slammed shut, and, frankly, that is one of the greatest challenges facing the Canadian

dairy industry. If we continue to create or form or manage a supply management system on the basis of the domestic requirement for butter fat, we will always have a structural surplus, which will always cost producers, or the industry, or the taxpayer, funds to clear the market, if we're going to maintain the price levels we have. And we're not opposed to the price levels domestically; a bankrupt farmer is of absolutely no use to a dairy processor.

It's not a question of trying to beggar-your-neighbour here; it's a question of how do you develop growth that would allow everyone to grow while maintaining those prices? We have just experienced a significant or major price escalation, which is having a market impact 12 months later, which is compounding the issue. It is all tied into this confusion that is focused on MPCs, which I believe are a scapegoat for a real or fundamental issue here.

This is a good system; it's been good to everyone. But it has to change to meet current realities in the marketplace. While changes have been made, in my opinion, for what it's worth, they have not been sufficient to maintain the industry's momentum, to maintain the ability of processors to reinvest, or indeed.... I am constantly amazed that dairy farmers themselves risk their money in buying additional quota; I can't understand it under the circumstances.

• (1005)

The Chair: Thank you, Mr. Matte.

Gentlemen, thank you so much for your presentation here today. We're sorry for the short notice; it was just one of those meetings we wanted to get on with as quickly as we could.

This committee will stand suspended for about a minute as we change our witnesses at the end of the table.

Thanks again.

• _____ (Pause) _____
•

The Chair: Could we have everybody back to the table; time is burning here. If everybody would take their chairs, we'll start again. Ladies and gentlemen, you're losing questioning time here. I'm going to get a whistle or one of those registered guns.

This committee is back in session.

Thank you, gentlemen and mesdames, for your appearance here this morning. We realize it's short notice, but it is one of those issues that we want to start off the session with and work towards.

We have, of course, Jacques Laforge, who is no stranger to the committee; Mr. Richard Doyle, the same; Bruce Saunders, who has also been here before; and Madame Gosselin.

Welcome, ladies and gentlemen.

We have a short presentation time for you as well.

I imagine, Mr. Laforge, you will lead off.

• (1010)

Mr. Jacques Laforge (President, Dairy Farmers of Canada)
Thank you, Mr. Chairman.

My first part will be done in French and English. I'll do the introduction, and then Richard will give us a lot of facts and figures about what's going on.

[*Translation*]

I would like to thank you for having us here today. We need to have a debate on this very important issue, and decisions must be taken quickly. We cannot afford to wait six or nine months.

It is a bit strange to be here today. I feel like we are saying the same things that we said a year ago. I hope that you will be patient. We will go through the same exercise.

I will begin by describing the reality of dairy farmers right now. We are very concerned about the impact of future WTO negotiations. We are at the point today where we are wondering about import controls. After nine years of imports of butter oil and sugar mixtures and, since 1999, protein concentrates or isolates—use whichever name you like—milk protein is coming into the country without any controls. We have known that since January. The door is open to imports because of tariff line 35.04.

We are also convinced that all this is a question of price. It has nothing to do with functionality. We could have been making protein concentrates in Canada for a long time, but someone found a very cheap protein source, subsidized or not, depending on whether it comes from New Zealand or elsewhere, and they are trying to find justification in order to import it, because it is functional, etc.

The dairy industry receives no subsidies. Our income comes from the market, from consumers. Right now, the main focus of dairy farmers is the image of the dairy industry. Everything that is at risk is on the producers' shoulders. We buy back surpluses of non-fat solids at the CDC. We buy them back from the same processors who import protein concentrates. That makes no sense. We are taking protein that used to bring in \$12 a kilo for cheese production and selling it at \$1 a kilo to the animal production industry.

[*English*]

I have to say that this process cannot last if we're going to have a supply management system that is viable. We definitely know the processors are viable. You have to look at their numbers since 1999. They are viable. We're not jealous of that; it's just that if they're viable we don't want it to be done at our expense. There is a form of supply management for processors.

Import control for finished dairy products protects dairy processors in this country. They have high tariffs and they're in a closed environment. They compete with each other, and if they buy the raw material at the same price, they're not treated poorly. The over-quota tariff for them protects them as much as we do.

Coming back to the actual milk protein concentrate scenario, I don't want to play politics too much here. If I look at the scenario over the last two years, the previous minister who started a working group—and we were involved—definitely had the luxury of appealing the CITT decision. That bought time and kind of partly froze the issue. But since January 31, this new minister has had a hell of learning curve to get his mind around this in taking the proper decision. In between that and the confusion of all the technology and

everything you can put with that, it's quite an amazing learning curve to take the right decision.

He does not have the luxury of waiting. A short-term decision has to be made here and action taken really fast. I know that Richard will get into some of this, but this matter has to be resolved and solutions found in the next month to month and a half, not 12 months from now.

• (1015)

We've heard from the processors. I think we could get into all kinds of technical debate here on what's right or what's wrong. The question is, do we still have milk supply management in Canada? We have a House motion basically saying that all the parties support supply management, and I think that motion is fairly strong. Now we're waiting for action on import control.

The WTO will be another process, but if we cannot take action on import control, with all the issues facing us... Our farmers are wondering what the hell is going on and what we are doing.

I'll now pass it to Richard for all the technical aspects that need to be covered here.

Mr. Richard Doyle (Executive Director, Dairy Farmers of Canada): Thank you, Mr. Chairman.

[*Translation*]

Thank you.

Before I begin, I would like to call your attention to the kit that has been distributed. I would particularly like to draw your attention to the appendices to our presentation. These appendices include a chronology of significant development since the 1990s and the Uruguay Round. The appendices also comprise an explanation of the chain impact, the economic impact, resulting from uncontrolled imports of MPCs. There is also an explanation of the two relevant tariff lines and levels of import, in more technical terms.

In my presentation, I talk about the legal rationale vis-à-vis GATT and NAFTA. Unfortunately, we could not provide everything in the two official languages, but we will be able to give you the missing appendix a little later today.

In the interest of time, I am going to highlight only the salient developments that led to DFC, Dairy Farmers of Canada — requesting the Government to take action to re-establish controls on imports of milk protein concentrates.

During the Uruguay Round and the WTO negotiations, the government of Canada negotiated ceilings on imports of dairy products, including milk protein concentrates or MPCs. MPCs were clearly covered by tariff line 04.04 as products consisting of natural milk constituents. A tariff rate quota was negotiated limiting the imports of these products to 4,345 tonnes.

The United States challenged the application of these tariff rate quotas to the U.S. through a NAFTA dispute settlement process in 1996. Canada won the panel, and TRQs — including the one on tariff line 04.04 — have always been applied to all countries, including the U.S.

A notice issued to importers on October 19, 1999 by the Department of Foreign Affairs and International Trade (DFAIT) clearly stated that milk protein concentrates in blends of natural milk constituents were the major products covered by tariff line 04.04.

At almost the same time, despite this notice by the department responsible for the WTO negotiations, the Canada Border Services Agency decided to classify a milk protein concentrate, PROMILK 872, which comes from Switzerland, in tariff item 35.02, which covers other protein substances and their derivatives, not elsewhere specified, and which are tariff free. If I remember correctly, tariff item 35.02 covers albumin proteins.

In 2002, Dairy Farmers of Canada noticed a rapid rise in protein imports classified under Chapter 35 and asked the Canada Border Services Agency to explain this increase. In April 2003, the CBSA reviewed its classification and re-classified PROMILK 872 B, a milk protein concentrate with 87.5 per cent protein content, into tariff 04.04.

Advidia, the company that imports the product, challenged the re-classification before the Canadian International Trade Tribunal. On March 8, 2005, the CITT ruled that PROMILK was properly classified, not under tariff item 35.02 but under tariff item 35.04, which covers protein substances not elsewhere specified that are better described as milk protein concentrates than natural milk constituents.

Despite the fact that this clearly does not reflect the intent of the Government of Canada, the Federal Court of Appeal found the CITT ruling on January 31, 2006 to be "not unreasonable."

[English]

This decision takes away a right that the Government of Canada obtained and negotiated under the WTO in 1994. It is the Government of Canada's responsibility to correct the situation.

As of now, milk protein concentrates with less than 85% concentration remain under tariff line 0404, while those over 85% are classified under tariff line 3504 and enter the country tariff-free. It should be understood that this 85% threshold is not a solution. It is only a question of time before the industry adopts a purer form of milk protein concentrate in their manufacturing.

● (1020)

From a producer perspective, each kilogram of imported protein concentrate displaces a little bit more than two and a half kilograms of Canadian non-fat solids. With the existing technology, up to 25% of the milk protein found in Canadian industrial milk could be displaced by imports.

Unrestricted protein imports could increase non-fat solids surpluses beyond 100 million kilograms. This is more than the system can bear and will lead to the collapse of the domestic price structure for non-fat solids, putting a very quick end to supply management in Canadian dairy production.

In a relatively short timeframe we have estimated the loss of income to producers to be in the magnitude of \$500 million. This is why Dairy Farmers of Canada has been requesting the government take immediate action. It is not that the government does not have

the tools to address this issue. The government has a number of legislative and regulatory options to address the issue.

I would like to go back to a point made by Jacques earlier. Neither the producers nor the processors are responsible for ensuring adequate import controls. That responsibility rests with the government, which possesses the tools and the right to restore predictability in the import of all milk protein concentrates. If this right is not restored, then the import control pillar will be lost and the entire system of supply management will collapse.

I recognize that any solutions to be implemented by the federal government will have consequences, either with our trade partners, who will complain, or with our own processors, who will do the same. But as parliamentarians, we ask that you weigh these consequences with those that will be incurred by the production sector of our industry if nothing is done.

DFC has recourse through GATT article 28 as the most expeditious way for the government to cap milk protein imports under heading 35.04. The government would immediately enter into consultation with its trading partners and domestically modify its tariff schedule by way of legislation passed by Parliament. This approach provides for compensation to our trade partners, limiting the risk of an international challenge.

The federal government has expressed concerns that such action under article 28 may not be applicable to the U.S. under NAFTA, even though we provided a legal opinion to the contrary. We have yet to understand this line of argument.

DFC has also suggested that if the government is not prepared to undertake an article 28 action, the government could harmonize Canada's classification with that of the United States. The U.S. considers all MPCs with a concentration between 40% and 90% to be properly classified under tariff line 0404. We find it unacceptable that under the current circumstances a product would be classified differently entering Canada than the same product would be if it were to enter the United States.

Earlier this week DFC's board of directors met in Ottawa to discuss the current proposal of Minister Strahl to form a working group to address industry challenges. Now for dairy farmers it is very clear, yes, we need to deal with compositional standards. There is total confusion with competing interpretation and lax compliance, which is in turn further complicated by two conflicting sets of regulations with different definitions of what constitutes a milk product.

So yes, we need to deal with compositional standards. However, that will not replace the need to ensure imports are limited to what was negotiated in international trade agreements. Effective import controls are still required.

On Tuesday this week, Dairy Farmers of Canada sent a letter to Minister Strahl agreeing to participate in the working group, provided the timeframe be accelerated and that the key objective of the discussion is to address how producer, processors, and the federal government will work together to ensure that imports of dairy products and dairy ingredients, now and in the future, do not undermine the maintenance of a strong and effective supply management system. It is our hope that this key objective is shared by all participants.

On that note, Mr. Chairman, I'll conclude our presentation. We all look forward to answering your questions. Thank you.

• (1025)

The Chair: Thank you, Mr. Doyle.

Mr. Saunders, anything at all?

Madam Gosselin?

Just before we move into the questioning round, there are two documents in the package you handed out that actually have "confidential" up in the corner. Do you want them back at the end of the meeting, or are they no longer...?

Mr. Richard Doyle: We're pleased to share those with the committee, Mr. Chair.

The Chair: That's great.

Then also, on that very first one you have a summary that talks about the TRQs and the negotiations and so on. I think a timeline for that would be very helpful as well. I don't see that on there. If you could get that for me, I personally would find that very helpful.

Mr. Richard Doyle: I'd be glad to do so.

The Chair: That, and also in there you don't talk about the appeal period, the timeframe that was available for that.

Mr. Richard Doyle: For the appeal...?

The Chair: Well, the CITT ruling. Is there an appeal period. What is it? That type of thing. There is no appeal period?

Mr. Richard Doyle: It was appealed. The appeal came out on January 31. You could proceed with—

The Chair: The final ruling on the appeal.

Mr. Richard Doyle: The final ruling on the appeal was issued on January 31, 2006.

The Chair: Is there no secondary appeal, no other avenue?

Mr. Richard Doyle: We could go to the Supreme Court, but we decided that would not be worth it.

The Chair: All right. A timeline and options on that would be great.

Thank you.

Mr. Easter, for seven minutes, please.

Hon. Wayne Easter: Thank you, Mr. Chair.

Is it okay to share confidential documents with others? This is a public meeting, I gather.

On the confidential documents, Richard?

Mr. Richard Doyle: Yes, Mr. Chairman.

If I may speak, Mr. Chairman. Annex A of my presentation has a timeline of events through the whole process since 1994-95. In part, that might meet your requirements.

Hon. Wayne Easter: Thank you again, Mr. Chair.

Coming back to the previous presentation, there was a suggestion that the minister had asked DPAC and DFC to come together to try to resolve this issue. There was an implication left that maybe the DFC was not willing to participate in that process. First of all, could you outline what the situation is there?

Mr. Jacques Laforge: First, I think this is the third process. We agreed to it now, but it's the third one.

In order to agree to it, there was a fair amount of dialogue at our board level because of all the time lost in the other two processes—especially for butter oil/sugar blends, which still is going on. The process will never resolve that one, I guess. There was a fair amount of dialogue with the minister on this.

Actually, our executive met with the minister. Even that day, we could not see eye to eye on the concerns we had, to a point where we had our board meeting, discussed the concern the minister had, and mixed it up with our concerns to come up with what Richard mentioned here a while ago.

Officially now, we've let the minister know we're willing to go into a process with a shorter timeframe and basically almost the same type of principle to the process. From the response we got, I think the minister—I don't want to put words in his mouth—is favourable to it, but he's waiting for DPAC to respond.

Hon. Wayne Easter: But the bottom line is, you're going to participate in the process, albeit maybe under a little different scenario than originally suggested.

• (1030)

Mr. Jacques Laforge: To conclude, it has to be in that short timeframe, otherwise we're going to go back to the same scenarios as before.

Hon. Wayne Easter: I think you were here for the previous presentation. Certainly one of the problems is the predictability of supply. Basically we are dealing with a world trade system, and it doesn't seem that the WTO is going to fix it. It is a world trade system that is based on the exploitation of labour and, in the process, of farmers, and on pushing raw commodities down to the lowest common denominator.

We have a system that works, but because it doesn't work in the rest of the world, we have a huge problem for farmers and, to a great extent, for processors too. That's a whole other issue.

Richard mentioned that the government could harmonize with the United States. Can you explain that further, Richard?

On the timeframe, Jacques, what are you suggesting: that the government use the tariff lines immediately and then set up a timeframe in which you would resolve the issues with the processing industry and with the various trade bodies? Is that what you're suggesting? I want to be clear.

Mr. Richard Doyle: I'll start on the first part of the question, Mr. Chairman.

In terms of harmonization, right now the United States has milk protein concentrates under 0404—well, 9010, but to keep it simple I'll refer to 0404—and has defined milk protein concentrate to cover any concentration of protein between 40% and 90%. The CITT, interestingly enough, was dealing with a product that was 87.5%. They didn't call it MPI or MPC, as we've heard before. They say there is no clear distinction in classification or definition of milk protein concentrates, and therefore they didn't set a level at which point over 85% it becomes an MPI or below 85% it becomes.... They made it very clear that they were not in a position to do that.

So that's what the U.S. does. What we're suggesting, simply, is that if article 28 is not the option, then basically the option for Canada is to pass legislation to put a note into the tariff schedule, under chapter 4, to explain that this chapter and this tariff line 0404 would cover milk protein concentrate up to a concentration of 90%. That way you would basically harmonize with the U.S.

Why 90%? Perhaps I can explain. If you're going to concentrate protein, you're still going to have some moisture. From a technology standpoint, as we were told, that could go up to 5%, and you're still going to have some minerals left. So it's very difficult to go into a concentration level that would be beyond 90%. I mean, you could add something, some blends and mixtures, but purely from the standpoint of ultra-filtering your milk, you have a technical limit of 90%. That's why this is the option.

Let me explain very quickly what this option does, because we are aware of the consequences. The U.S. would join you. On this issue about NAFTA or not NAFTA, whether it applies or doesn't apply, the U.S. would be in a tough position to challenge Canada harmonizing its system to be exactly identical to theirs.

New Zealanders, who are the exporters, if you will, and who would have lost the right that was confirmed by our own Canadian tribunal, might challenge you at the WTO. You may end up in an article 28 one way or the other, from a WTO standpoint. I don't want to speculate, but that is the potential situation. That's why we thought article 28 was a cleaner approach overall.

Mr. Jacques Laforge: With regard to your other question, Wayne, the timeframe given for this was to come up with finding some solution, not to take responsibility for import control. We made it clear to the minister that he'd have to implement some kind of import control. But for the rest, compositional standards and other issues of debate facing producers and processors, it would be nice to come to a conclusion or compromise between the two groups before we took any steps of decision in import control. Basically it's establishing a long-term plan or long-term dairy policy, that both parties agree that Minister Strahl knows what he has as a compromise before he takes any action, because one could undermine the other.

For example, I think Yves Leroux raised a while ago the structural surplus we have in Canada and so on. There is stuff we can do with processors, but to a certain extent.... On compositional standards, we have a very big question about the future in terms of having a protected supply management that satisfies producers and processors.

As to the timeframe and why it's so short, whatever we do, we feel that we need some kind of legislation process in order to get these

things done. After that, the legislation process is very long. We have to decide this fairly shortly.

• (1035)

The Chair: Thank you, Mr. Laforge.

André Bellavance.

[*Translation*]

Mr. André Bellavance: I would like to share some of my time with Claude.

Mention was made of the need to restrict imports. Although I alluded earlier to the fact that many processors in Quebec agreed with the dairy producers — even a large majority of them do — the industry representatives who are appearing before us today said that a ban on imports was what was being sought. And yet, before the decision rendered by the Federal Court of Canada, milk protein imports were allowed. Now that the door is open, they probably see dollar signs on the horizon. However, for the dairy producers, this situation...

I did not obtain an answer on this matter, but I said earlier that this was jeopardizing supply management, since import restrictions constitute one of the pillars of supply management.

It was said that dairy producers may lose up to \$500 million per year. In terms of money, this is serious; in terms of family life or even the very survival of the dairy sector, this is serious; it is also serious for the survival of supply management.

I would like you to tell us, from the dairy producers' viewpoint, what the consequences of this decision will be since we all fully appreciate that, beforehand, there were milk protein imports and the system managed to operate all the same, even though the situation was not ideal.

Mr. Jacques Laforge: I think that it always comes back to our ability to forecast what is going to enter. This is the basic principle enabling us to plan our production. Right now, it is impossible to forecast because the product corresponds to number 35.04. The situation is aggravated further since each kilogram of milk protein concentrate with a protein level of 87.5 per cent displaces 2.57 kilograms of skim milk powder, which we then buy. This situation is totally unacceptable. The same processors who use and import protein concentrates, dry our protein to turn it into milk powder. The producers pay them a margin, and we then buy back the product.

We know that there is a limit as to how much milk can be displaced. However, this quantity can reach a certain level if technology is improved in the plants, among other things. However, we now find ourselves facing a loss of \$500 million because we cannot do anything with this milk powder except sell it on the animal feed market. We cannot export it. Because of supply management, we have inherited this liability. We may enter into a cost-sharing arrangement, so that we are not the only ones to bear this burden. In the United States, when the surplus of milk powder hits a certain level, the government buys the powder. The same thing occurs in Europe, where the government sells it back. This is tantamount to an export subsidy.

Here, nobody does anything whatsoever. The processors certainly do not take our side and the government does not know what to do about this situation. We are trying to find some solutions. Meanwhile, our wallet is taking a hit. As long as the situation persists, we will have the same type of problem as that seen in the butter oil and sugar sectors.

Mr. André Bellavance: To protect supply management, the government has two solutions: it can use article 28 or the regulatory route, which would to some extent enable it to correct the error made by the Canadian Border Services Agency.

Earlier, a representative of the processors said that there was a danger pertaining to NAFTA. Moreover, in his most recent speech, given on April 6, minister Strahl said that it would be possible to use article 28, but that there were some risks pertaining to NAFTA.

Could you explain your opinion? Do you feel that using article 28 may bring in some potential conflicts with our American's partners?

Mr. Richard Doyle: Thank you, Mr. Bellavance. We have included in your kit a legal analysis that deals with this issue. It was prepared by our lawyers. As far as article 28 is concerned, the distinction to be made in this case is that Canada, until our tribunal ruled otherwise, already provided protection and surveillance under WTO tariff 04.04. As regards negotiations on our activities, concentrated proteins could be found in tariff line 0404.90.

In 1996, the United States did not want our new tariff quotas, which were negotiated at the WTO or as part of the Uruguay round, to be included but they did not win. More specifically, tariff line 0404.90 was at issue. At that time, the tribunal had said—and here I would summarize given that it was a complicated case—that Canada, prior to the establishment of tariffs resulting from the Uruguay round, monitored these proteins through a list of control products. According to the tribunal, the fact that tariff quotas were established to imitate this system meant that Canada's acquired rights and those set out in NAFTA were maintained. So we did not lose our rights under the WTO and the GATT.

A tariff quota comprises two tariffs: the one that is applied when the quantity falls within a quota and the one that is applied when a given quantity is exceeded. Consequently, the tariff quotas, particularly the quotas in the second category, were part of the conversion and applied under NAFTA.

We should be told if there is another legal case other than the government case or if certain facts contradict the legal opinion we submitted. We find this situation frustrating. The discussion is taken

place behind closed doors. These people received legal advice. We know that a meeting of experts was held. We were there, in 1996, and we are fully aware of what was said and what was done. However, we are being told that does not apply

I believe that an in-depth dialogue rather than a simple no would be preferable.

• (1040)

Mrs. Claude DeBellefeuille (Beauharnois—Salaberry, BQ): We hear a lot about the dairy producers. You, however, are part of an economic activity we hear very little about. If I understood you correctly, you generate 47 000 jobs whereas processors generate 27 000. We do not appear to realize that it is not in the interest of Canada and Quebec to weaken the dairy production sector, which generates so much economic activity.

I am newly elected and a very recent member of this committee. I find it difficult to understand the issues in the debate. Why do the processors have such fears? They are saying that it maybe dangerous to apply article 28 of the GATT because that would entail negotiating with the Americans, which would eventually lead to a discussion of supply management. You, however, are not at all afraid of this idea. Your opinion is even contrary to that of the processors, as far as the application of article 28 is concerned. Why are your respective positions so different?

Mr. Richard Doyle: In the case you are referring to, the question is whether the context surrounding section 28 applies to that product in particular or not, in other words, does it apply to tariff line 0404.90.

Based on the legal opinions we have received, we are convinced that it does. We do not want to launch a debate on whether section 28 applies entirely to the acquisition of new rights within the context of the WTO. We are saying that in the context of acquired rights, Canada has legal powers to defend itself and to apply that provision to the United States, as was the case before the intervention of the Canadian International Trade Tribunal. The Canadian International Trade Tribunal is not the WTO; rather, it is one of our own tribunals.

We therefore believe that this is a false debate, if we want to apply it, we can do so. The discussion we are having with the processors does not, in my opinion, deal with article 28. Rather, it is a much more complex debate which concerns those who import these products.

In fact, I would even go so far as to say that the beginning of the presentation was interesting in that it did not deal with the lower profits of processors, but on the lower production rate of producers. In fact, between 4 and 5 per cent of the quota cuts which occurred in the last few years were due to the increase in imports of substitute ingredients by importers. I don't buy for a moment the fact that this is the problem the industry must tackle. We have to stop imports.

[English]

The Chair: Thank you, Madame.

Thank you, Richard.

Mr. Bezan, you have seven minutes, please.

Mr. James Bezan (Selkirk—Interlake, CPC): Thank you, Mr. Chair. I'm going to split my time with David Anderson.

Thank you, ladies and gentlemen, for coming on short notice. We really appreciate it. The topic is of great concern to the dairy industry on both sides of the fence, whether you're a processor or a farmer. I know the farmers in my riding have met with me regularly on this issue.

I'm having some difficulty trying to balance some of the comments that were made earlier by DPAC. I guess I'm a little concerned about the talk that there is no innovation, there's no investment in new products, there's nothing being developed. Can you qualify that in some way? What is DFC doing?

• (1045)

Mr. Jacques Laforge: From a DFC perspective, from a Canadian Dairy Commission perspective, there are all kinds of innovation programs available and even some discounts available for domestic innovation. The fundamental difference between us and the processors is that when we look at market development innovation, we look at things from a domestic standpoint—at domestic price—as much as possible, and processors have a tendency to look at what kinds of innovations they can create with a cheaper raw material. They'll bring us back to special classes. They'll bring us back to....

The more our structural surplus increases, the more they look at that as an opportunity. They see us, because of the panel, now selling it for animal feed. We went through this dialogue at the CDC level and so on. Any innovation now in these areas is not based on world price, it's based on animal-feed price.

Very, very importantly, in 1999 the structural surplus was 26,000 tonnes, and that was roughly at the time that the imports of milk protein concentrates started to come in. Two years ago it was up to 75,000 tonnes of skim milk powder surplus. This year it's going to be around 60,000 tonnes. We've borne the cost of that. They see that as a little bit of a gold mine, to get cheap raw materials, and they're causing....

Mr. James Bezan: But that's not an accurate surplus, because even now with the changes.... We used to have the two-price system. You used to have your quota price, and your over-quota was the industrial price. Everybody's now getting penalized on over-quota, so they're pouring it down the drain. So there's actually a bigger surplus out there, because there's been milk that.... I have producers in Manitoba who do that. Instead of getting penalized, they'd rather dump a day's worth or a couple days' worth of milk.

Mr. Jacques Laforge: Not to get too technical, but over-quota milk, if you ship it, goes to even less than world price, so that's why they leave it on farms. In the old days, CDC would end up exporting it. Now we can't export it. That's supply management; you limit your production for your domestic market.

Mr. James Bezan: The question I have on the over-quota milk—because there has been a shift in policy in the last four or five years in how we deal with it, and a lot of farmers are dumping it rather than putting it into the marketplace—is whether there would be an opportunity to make use of that product to displace all these imports that are coming in, the protein derivatives.

Mr. Jacques Laforge: As soon as you start doing that, you start cannibalizing the domestic market with other milk that is domestic quota, first of all, because you have to produce one of these products. The only place you end up with a surplus is if you have over-quota

milk and you ship it—it ends up in skim milk powder, and butterfat ends up in stock, and it can be used only domestically.

So that butterfat would displace domestic butter, and that's why that levy or fee is there. It's to give everybody their fair share of the market, I guess. If the export market were still open, it would be a different scenario. But there is structural surplus there of skim milk powder that is going for animal feed and is at less than world price.

Mr. James Bezan: Just before I turn it over to David, I want to say that I appreciate your comments on article 28 and the idea about harmonization with the U.S. I think that might be the appropriate avenue to take. It's something that I'm definitely going to read more about in detail, and we'll see how we deal with that at committee here.

The Chair: Mr. Anderson.

Mr. David Anderson: Just quickly, I was looking at the bottom of page 4 here, where you talk about what would cause your system to collapse, and I was trying to work the numbers backwards. What level of these MPC imports would you say would constitute the breaking point for you? I don't know if I'm doing my math right, but I thought it worked back to 40,000 tonnes, and we're being told there's only 4,000 tonnes in the system right now.

What do you folks think would be the breaking point for you?

Mr. Richard Doyle: The way this analysis was done, it was using, I believe, 11.5% of the protein substitution for standardization of all milk and cheese and complete substitution of non-fat solids in yoghurt and ice cream. These numbers were verified by Canada, just as mentioned, because they wanted to have our analysis behind it.

• (1050)

Mr. David Anderson: What is the tonnage of MPCs, then, that you think is the breaking point? Do you have that?

Mr. Richard Doyle: It represents 25% of the protein market. I'd have to go back, because I don't have the exact numbers in my head. Sorry.

Mr. David Anderson: Okay, if you don't mind.

I'd like to thank you for coming on short notice today, and thank you for your willingness to work with the minister and DPAC to resolve the issue.

I would like Alex to have time, so I'll turn it over to him.

The Chair: Thank you for doing my job, Mr. Anderson.

Mr. Atamanenko.

Mr. Alex Atamanenko: I have just a very quick question, and forgive me if I don't understand this. That's why I'm asking the question.

As it stands now, if it's over 85% it's classed not as a dairy product but as a protein, and that's where the crux of the problem is.

What if this were classed as a dairy product? What would happen? Now it's classed as a protein and it's coming in with no tariff. If it were classed as a dairy product, what would the situation be?

Mr. Richard Doyle: It's an interesting debate, because the purer a dairy product is, the less it would be a dairy product under that kind of approach, which is why we're saying it doesn't make a lot of sense to make that distinction. This is an issue of pure protein. The milk protein concentrate that you're talking about at 87.5% is 100% dairy. It's pure dairy; it just has less water. There's only milk protein in there. So why is something that's 70% pure milk protein—a little bit more water, maybe a little bit more minerals—from milk more of a dairy product than one that has more milk protein? This is why the debate doesn't make sense.

To a large extent, one of the debates that the panel and the tribunal did not address is that all of these products were put in classification 0404, which deals with natural milk constituents. If protein is not a natural milk constituent, if butterfat is not a natural milk constituent, somebody will have to tell us what that particular section in 0404 is supposed to cover. Basically, what's left are minerals, water, and sugar. That's all you've got left—that's milk.

So at one point it doesn't make a lot of sense, the way they're approaching it. To accept that in a tariff line that talks about hide powders and peptones and other proteins—not milk, but other protein substances.... It makes more sense for pure milk protein to be there than in a section of natural milk constituents.

But that's my own view. I still haven't figured out why the tribunal came out with that decision.

Mr. Alex Atamanenko: To follow up on this, if that decision wasn't made, then we wouldn't be having the problem. Is that right?

Mr. Richard Doyle: No, it would be subject to the 4,345 tonnes of import quota.

I know you'll have other witnesses, and maybe one other good question you need to ask is this. How were the 4,345 tonnes of historical imports determined back in 1995, when you had to look at the imports of a whole different range of dairy ingredients?

I know milk protein concentrate is part of how that 4,345 tonnes was determined. The issue of the intent of the government during the WTO negotiations on covering these milk protein concentrates in 0404 is not under debate here. Now that our own tribunal has said we have to consider the definition in a different way, it's a question of whether or not we're prepared to let go of a right that we negotiated back at the WTO.

There is a tariff. There is an access for MPCs under the dairy tariff, if you want, under chapter 4. If you leave it in chapter 35, there's absolutely no limit on volume and the tariff is 6.5%, zero in the case of the U.S. and NAFTA countries.

Mr. Alex Atamanenko: We have to switch chapters. Is that right?

Mr. Richard Doyle: We should never have had a decision that forced us to switch chapters. We should have left it where we negotiated it.

Mr. Alex Atamanenko: Okay. Maybe that's the crux of our problem here.

Thank you very much.

• (1055)

The Chair: Thank you, Alex.

We'll move to Mr. Boshcoff, for five minutes.

Mr. Ken Boshcoff: Thank you, Mr. Chair.

When the dairy farmers of my riding come to me and when the dairy producers of my riding, company representatives, come to see me, both groups are mighty honest, hard-working, and sincere people, I believe.

This has been going on for quite some time, even before this January decision. The timeline of what seems to be a continuous crisis continues on, and it continues on now that the minister is saying we should all get together. How long before we actually get a long-term solution or a very short-term solution? How long can you hold on without a short-term solution?

Secondly, I'm going to ask this as a supplemental. Where can we get some philosophical conversions? Is there anything that the parties agree on at this stage? Where is there some common ground?

Mr. Jacques Laforge: I'll try to answer that, and maybe Richard will want to add to it.

To use article 28 today makes a lot of sense, but if we wait until three years from now, when de-escalation takes place, then it's worthless, because de-escalation will take place and the 10% compensation will do the same thing as the butter oil/sugar blends.

The timeline is such that as this working group is done, and the minister knows what we do on compensation standards and so on, then I'm pretty sure he'll make a decision on some of this stuff, because you might need legislation for a compensation standard and so on.

On import control, he'll know what we actually have agreed upon as a long-term vision, and then he'll know what kind of import control is best to use, once he has that judgment. You could have a compensation standard that you accept in pieces today, and it might not serve us well in the future if we don't mutually agree. I think that's the situation.

But remember that in order to do some of this stuff, you need legislation. Unless you tell me that legislation can be passed in a week, we have to address the other issues in the long term, and in the short term we have to complete the plan and take it from there.

Mr. Ken Boshcoff: All right. It seems to me that for several things you mentioned, the government considers it strategically unsound—for example, the difference between the quid pro quo for the 10% increase in levels of imports. You stated that the federal government has expressed concern that bringing some action may not be applicable.

During the course of this debate over the past couple of years, it seems to me that for the public service, notwithstanding the political diversions, politically you seem to have all four parties solidly lined up behind you. What is the stumbling block for getting our public servants to line up for you philosophically, spiritually putting their hearts and souls into it, so that you can actually have confidence that they're representing your interests wherever these talks are?

Mr. Jacques Laforge: I think the main concern here, of a political nature, is that ever since we had a panel decision that we could not export, everything we do in Canada is scrutinized by the international dairy community. Every time we're about to make a decision, we say, what will this do or what will that do?

Our point is that if we don't make a decision, regardless of whether it's the best one or not, we know what it will do to us: supply management will become eroded. It's our wallets. It's structural surplus. It's everything. So the status quo is not the answer.

Whatever we do, we probably will have to take risks. But we have to act. If there are some risk elements, we'll have to evaluate them as we go through, but we have to take action.

Mr. Ken Boshcoff: Is there any particular section or unit of government that is particularly non-receptive, shall we say—

A voice: Oh, oh!

Mr. Ken Boshcoff: Well, you can only go so long saying, "We've got the minister on board, no matter what party he is, and he's going to carry the ball for us, but we understand he's going to be undermined by people who don't agree that this is in our best interest". If someone is at odds, we want to get that resolved before we send our quarterbacks into the fray.

• (1100)

Mr. Richard Doyle: I'll have the first go at this, and Jacques may want to complete it.

This is the dilemma of this issue because it has four different departments under four different ministers involved. It has agencies involved and so on.

Canada is an exporting country, I don't deny that. And there's a lot of value to exports and so on. In our particular case, we have demonstrated that in agriculture, with a perishable product, the system we have, with some import controls—we're controlling some imports and making it predictable—works. It limits government intervention and limits the financial contribution by taxpayers and so on.

The problem is that we have a bureaucracy that doesn't necessarily deal with agriculture or dairy on a daily basis. When they get into trade and into finance but don't deal with agriculture, they are faced with a situation of, "Oh, what is this? This is totally contrary to the general direction and philosophy that this country has or that we as a department have." We tried in the past, because we've been at this for so many years, but it's not our job.

I think you asked the right question. The government needs to give a direction and be absolutely relentless in forcing the bureaucracy to come up with answers—not answers without any risk, because they won't be, but in six years the bureaucracy on this issue has submitted no solution to the problem. I think that's part of the issue.

Mr. Jacques Laforge: To conclude, in a nutshell, this is all about leadership. It's about giving direction to what has to be done.

The Chair: Thank you, Mr. Laforge.

Mr. Miller, for about two minutes. That'll finish the meeting.

Mr. Larry Miller: When we had previous witnesses up here we were talking about some of the reasons they want to purchase imported dairy ingredients. One of the reasons—and there are a number—was price.

Do you think the savings on the imports are reflected in the dairy products that end up on the shelves of Canadian consumers?

[*Translation*]

Mrs. Guylaine Gosselin (Director general, Fédération des producteurs de lait du Québec): We've checked the price of dairy products on grocery shelves. The products are the same, even when imported ingredients are used. Further, products which do not contain imported ingredients often are not more expensive. So it does not make any difference in the consumer price. In fact, this is logical, because our processors, when they sell their products on the market, do not have to face foreign competitors, because import quotas and tariffs prevent cheese from entering the market.

We were asked a little earlier whether it was possible for us to agree on this issue. We would like to, but please understand that those who use cheaper imported ingredients sell their products at the same price as the others. It's a good deal for them. If we stop importing protein, their profits would fall a little. They are taking advantage of the existence of two systems.

[*English*]

Mr. Richard Doyle: I'd like to make a quick comment on this, because I think it's a very key issue of misunderstanding in terms of the message you're getting in regard to producers and processors.

The processors say it's an issue of pricing, but the finished product they're competing with is in a closed market. We control ice cream imports. We lost 50% of the ice cream market to butter oil imports, a cheaper ingredient.

The market, as you were told this morning, is sliding down. Why? Consumers tell us it's because the quality is bad. Did the price go down to be more competitive? No, the price has gone up in the retail market.

So it's not the price of milk. You were talking about fruit juices and soya beverages. They're both more expensive than milk. So is water. Is that the dilemma of the market, the price of milk? It's not the price of milk. That's a false debate.

The Chair: I'm afraid that's it, Mr. Miller. You'll have to save your powder for next week.

Ladies and gentlemen, thank you so much for coming today. It gives us a lot of food for thought, and it's certainly an issue we'll continue to work on.

Mr. Bellavance, before the meeting is adjourned....

• (1105)

[*Translation*]

Mr. André Bellavance: Mr. Chairman, do we have an agenda for future business? The Steering Committee has already set its priorities. I would like to know for how much longer we will study this issue. Further, I believe that the minister is to appear on the 30th. Could the clerk give us an agenda of that meeting, if possible?

[*English*]

The Chair: We had tried to itemize the first three meetings, because then there's the break week and it gives us a little bit of chance to re-analyze, and so on.

I think the parliamentary secretary said the minister would appear before the 30th. He didn't specify that date.

He did? He'll appear on the 30th? Okay. So then we'll have to start to work towards a couple of other meetings in between that timeframe—one, actually. As we come back from the May break, the minister will be here, right? So that's Tuesday, May 30.

So then we have a meeting on the WTO, I understand, that we're working on. We'll have to find one more meeting for next week, move down our agenda. We can discuss that on Tuesday, if you'd like, if you want to bring forward a motion as to another issue.

Mr. Bellavance.

[*Translation*]

Mr. André Bellavance: I would like to know whether we will have another meeting on the issue of milk proteins.

[*English*]

The Chair: We don't have one slated at this point, but you're certainly welcome to put forward a motion, if you care to.

Apparently the clerk has already asked the department for Tuesday on this issue, so he's done a great job—Super Richard.

You're okay with that, then? Great. Thank you.

This meeting stands adjourned.

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