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Chair

Mr. Gerry Ritz

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• (0905)

[English]

The Chair (Mr. Gerry Ritz (Battlefords—Lloydminster, CPC)): We will continue with our discussions on the COMPAS report on the Canadian Grain Commission.

Joining us this morning is Jeff Reid, Ken McBride, and Marvin Shauf—Marv, you didn't get a title; we'll get you one. He is no stranger to the committee.

Ladies and gentlemen, we'll move right into the meeting. We do have some housekeeping things at the end of it, so keep that in mind for timeframe as well. Thank you for making the change to the 9 to 11 slot this morning.

With that, we'll turn it over to Ken. Are you going to lead off with a short submission?

Mr. Ken McBride (President, Agricultural Producers Association of Saskatchewan): Sure, I can do that. Thank you very much.

The Agriculture Producers Association of Saskatchewan is pleased to have this opportunity to address the standing committee on the important issue of the future of the Canadian Grain Commission. APAS is Saskatchewan's farm organization with a mandate to promote the interests of agriculture producers in Saskatchewan. As a democratic grassroots organization, our objective is to effectively influence government and other industry stakeholders through sound policy development aimed at improving short-, medium-, and long-term sustainability of agriculture in Saskatchewan and Canada.

Ours is an industry that's gone through many evolutionary changes over a relatively short period of a few decades. Many of the changes seen in Canadian agriculture have been, first, to develop a strong agriculture industry in this country, and second, to react to the impacts caused by agriculture policies of other countries. Over time, the institutions, processes, and infrastructure that have been developed to build this industry have come to play very different roles in a world driven more by economics than subsistence, more focused on mechanization, and have moved from a largely public paradigm to one that is much more privatized.

In many cases, the infrastructure and institutions that have been put in place for the purposes of streamlining and building the agriculture industry have not evolved at the same rate as the rest of the industry. That does not mean, however, that there does not continue to be value in the presence of those institutions for the benefit of the industry and the Canadian economy as a whole. The Canadian Grain Commission is one such institution. In the case of

the CGC, there is still value to the industry for the institution to deliver on the mandate on which it was originally organized. That is, one, to establish grain grades and standards; two, to regulate the transportation, handling, and storage of grain in Canada; three, to provide producer protection services; and four, to undertake and sponsor research in grain and grain products.

While there is little doubt that there is still value to be provided to the industry through the operations of the Canadian Grain Commission, the COMPAS report has, rightly in our opinion, identified several areas under which the CGC may need to evolve more quickly to streamline processes and practices to ensure maximum value is being provided to the industry and, more importantly from our perspective, to producers. For example, we concur with the recommendations made in the report that the CGC processes must become more transparent to the industry stakeholders, and that all stakeholders be afforded a more intensive opportunity to guide CGC policy and programs. We encourage the CGC to continue to work toward evolving the grading industry to ensure that producers in Canada continue to have competitive tools that ensure producer profitability on a global basis but don't limit Canadian producers from maximizing their ability to be profitable at home as well.

With the increasing trend toward privatization in the grain transportation and handling system, it is of paramount importance that producers are able to trust the institutions put in place to protect their interests. For this reason, it is of great interest to APAS that the CGC be more proactive in enforcing the Canadian Grain Act to ensure that producers' interests are protected, so that they retain and are able to continually enhance the power they hold in the marketplace.

Of the recommendations made in the COMPAS report, however, APAS is concerned with the recommendation that inward weighing and inspection services become optional in the system. With current mandatory use of inward weighing, producer-owned facilities, producers who utilize producer cars, and companies without export facilities are all able to access an objective assessment of the weight and grade of their grains and oilseeds going into the export terminals. This requirement provides stability and integrity for the entire system. Even in the case of inter-company transactions, the objectivity provided by the third party inspection allows for more stability in accurate weighing and grading. This could and should translate into a producer benefit, as companies are less likely to enlarge margins to cover error when purchasing at the producer level.

As stated previously, there continues to be net benefits to the industry through the use of institutions and processes that exist in today's environment. In the case of inward weighing and inspection, producers stand to benefit from a symbiotic relationship between the Canadian Wheat Board and the Canadian Grain Commission. Terminal gains that may be shared with the CWB are a direct result of Canadian Grain Commission inward and outward inspection at the terminals. Without an inward and outward weighing and inspection quantification, there would be no way of determining gains or losses other than by information supplied by the company.

● (0910)

Without a CWB there would be no mechanism to provide this value back to producers, as there are none currently for any other grains that are sold strictly on the open market. Without this inspection being mandatory, there is no accurate measurement of the throughput to determine terminal gains. From the perspective of maintaining producers' interests, the Canadian Grain Commission has an obligation to maintain the use of inward weighing and inspection to ensure that the grain handling system operates with integrity and honesty for the good of the industry and for the economy.

It is interesting to note that the move towards eliminating inward weighing and inspection services provided by the Canadian Grain Commission is largely being championed by those companies that own export terminal capacity. In the western Canadian system at present, the removal of inward weighing services would provide an extremely negative perception of the system, with those operators being given the ability to treat the rest of the system unfairly.

To mitigate the issues that eliminating inward weighing and inspection services would purportedly address, APAS would recommend that the differential in standards between country and export should be examined for the inefficiencies and added expense that it causes. Blending down or mixing in foreign material may be some of the most expensive practices we have, which will not be addressed simply through the elimination of inward weighing and inspection. There are some perverse incentives for operators to do the wrong thing because of the difference in standards between our country and other countries we trade with.

Producers will ultimately pay a large amount of the cost within the system. Even though other system participants ask for the service, and even if they pay for it, those costs will flow through to producers through handling and cleaning charges. Especially for the inter-company transfers, it is a net benefit to those companies to have the CGC facilitate shipment at the bottom of a grade. Those costs should not continue to be part of the costs that are for the public good or that are borne by the producer.

That's what I have to say right now. Thank you very much.

The Chair: Thank you.

We'll move to Jeff Reid, second vice-president of the Canadian Seed Trade Association, for a submission.

Mr. Jeff Reid (Second Vice-President, Canadian Seed Trade Association): Thank you very much.

I'd like to thank you, on behalf of the Canadian Seed Trade Association, for the opportunity to make our comments today on this

issue. We would like to limit our comments to KVD, or kernel visual distinguishability, rather than the whole COMPAS report.

My comments will be largely contained within the submission we made, which is available in both French and English, but rather than speaking directly from that submission I'll comment more directly, based on my own personal involvement in the seed industry and some examples we would like to share on opportunities for evolving KVD into the future.

The CSTA represents 143 member companies across Canada that are engaged in all aspects of the seed industry, including research, plant breeding, and production and marketing on both a domestic and international basis. Membership ranges from small companies to multinationals that market garden seeds and herbs; from large western grain companies to small family-run and farm-based businesses across the country. Our members produce about 50 different crops, including grains and oilseeds, special crops, forages, turf grass, flowers, vegetables, and fruits.

Every year over 1.2 million acres of pedigreed seed crops are produced in Canada by over 4,000 experienced growers. The Canadian seed industry makes a very important contribution to the agricultural sector and the economies of Canada and its provinces. The industry generates more than \$770 million in sales annually. In addition to 4,000 growers, Canadian seed companies employ an estimated 9,600 Canadians.

The seed industry also makes a strong contribution to Canada's export balance. About 25% of the seed produced in Canada is exported to over 70 countries. Exports of Canadian seed are valued at about \$188 million.

Agricultural production starts with the seed. Innovation in the seed sector has driven tremendous improvements in productivity in the past, and continues to be a critical tool for managing risk and increasing benefits to farmers. For example, there are new crop varieties on the horizon that will be increasingly resistant to disease and pests, have increased drought and salinity tolerance, and make better use of nutrients.

I also represent a seed organization. I'm the general manager of SeCan Association, which is based here in Ottawa. We represent about 1,100 member companies across Canada, including everything from small to large—in some cases multinational—independent grower/processors and grain companies. We market both publicly developed and privately developed genetics and are quite proud of the contribution we've made in that regard. We directly return over \$40 million back to research on the development of new plant varieties across Canada. We account for roughly 40% of the certified seed sold in Canada.

We have some definite views on kernel visual distinguishability and the impact it has on our ability as seed companies and seed marketers to be able to innovate and add value for our customers across Canada. I would like to share with you, largely on personal experience, what has happened when we removed the barriers on kernel visual distinguishability.

I was previously employed by a small seed company in Ontario that specialized in red wheat variety development. In the Ontario example, KVD restrictions were removed in 1989, and this allowed us to really innovate within the province. The industry speaks for itself on this point, in that it flourished and developed quite a broad array of new products and value-added opportunities for farmers, which have also led to increased investment downstream on the part of grain companies, food processors, and so on. All of this has decreased Ontario producers' dependency on export markets and has brought a wealth of diversity to the cropping options available to them. It has helped wheat acreage to actually increase and compete effectively with other production options, such as soybeans and corn.

● (0915)

So if we look to the future of western Canada, our belief is that what's happening right now is that we're on the verge of some exciting opportunities. Obviously we have a significant investment going on in western Canada in the feed industry, which would benefit from higher-yielding genetics that also have improved disease tolerance.

We also have the emergence of the energy opportunity, in terms of ethanol production in western Canada, which again is going to demand that some radically different types of wheat options be available to producers than in the past.

Based on this, we feel there's a great opportunity right now for us to embrace what is recommended in the COMPAS report, first by loosening up the KVD requirements on the minor classes. Further, we feel there's opportunity to make allowances for kernels to be included in other classes of wheat that in fact would resemble the CWRS and Canadian western amber durum classes.

The recommendations suggested by the Grain Commission to date include removing KVD from the minor classes. We certainly applaud this and think it's a step in the right direction. But we also believe we have a long way to go in terms of opening up KVD even further to bring the kinds of opportunities to western Canadian producers that exist in other countries and now in fact in Ontario.

We believe the cost of maintaining KVD in western Canada has been somewhat underestimated in the past. It's easy to underestimate the cost when you can't see exactly what you're missing. There have been some suggestions by a report that it's somewhere in the neighbourhood of \$200 million a year. That is arguably much higher when you consider the cumulative beneficial effects of plant breeding over time.

It's our feeling that Canada really does have a competitive advantage versus our North American and international counterparts in wheat production, and we would like to see those opportunities opened up and further expanded for the benefit of producers. As I mentioned, we feel that in particular this will result in increased processing capacity in western Canada, and a healthier feed and ethanol energy industry going forward.

Coming back to the Ontario example, since 1989 we've seen the number of classes and opportunities available to Ontario farmers increase dramatically, to the point where most of the varieties grown now are visually indistinguishable from each other. This has resulted in a significant increase in processing capacity and investment in

Ontario. A lot of that wheat, which is being supplied to domestic mills, is now displacing wheat from western Canada, where they are under the constraints of kernel visual distinguishability.

In addition, we've been able to bring in genetics from other countries that are suitable to many parts of Canada's production regions, but that are not visually distinguishable. In fact some varieties developed with western Canada in mind are now not eligible to be grown there, but can be grown in Ontario. So we feel there's a great deal to be offered to western Canada by removing those constraints.

Further, if we look within the COMPAS report, we talk about the opportunity that would be created by eliminating or reducing the constraints of KVD. We went back to a specific example in western Canada where one of our researchers from a CSTA member company—in fact, our company—made a comment that winter wheat breeders have not had a new hard red winter wheat variety supported for registration for five years, because the material is failing KVD requirements in western Canada.

Normally Canada western red winter has a smaller or less plump kernel than Canadian western red spring type wheat. However, in ideal growing conditions, red winter wheat varieties tend to plump up and produce larger kernels, so that they appear similar to Canadian western red spring. Hence, there have been no new winter wheat varieties in western Canada in the past five years. In contrast, in the east we now have about 20 different red winter wheat varieties available to producers that are offering all sorts of value-added opportunities—in fact, in some cases being identity-preserved for shipment to the U.S.

● (0920)

These are the sorts of opportunities we feel will certainly benefit western Canada in the future, if we're able to first of all embrace the concept of opening up the minor classes and further reducing the constraints of KVD on all classes of wheat in western Canada.

Thank you very much.

The Chair: Thank you.

Do you have anything to add at this time, Mr. Shauf? You are just here for the questions? That's great.

Thank you so much.

We'll move to the questioning round. Mr. Easter, you'll have seven minutes.

Oh, before Wayne starts, I'll just point out, gentlemen, that once our microphones are on, the BlackBerrys start giving us some distortion. If you're going to use it, get it down on your lap, away from the microphones.

Thank you, Mr. Thibault.

Go ahead, Wayne; I'm sorry.

Hon. Wayne Easter (Malpeque, Lib.): Throw the BlackBerrys out, Mr. Chair. It would be a good thing.

Thank you, gentlemen, for your presentations.

Starting with Jeff first, I don't think you'll find any disagreement around the committee on the need to develop new products for different characteristics. The key, though, with the Canadian Grain Commission is, when you can't grade a product by visual distinction, how the commission can ensure—in the case, maybe, of some high-milling wheat that's being sold to wherever—that the quality is there for its intended purpose, whether it's making bread in some foreign country or whatever.

That's the problem: how do we find a way to assure quality? Do we have to go to different technologies? We need the ability to assure importing countries that the product is what we say it is and that we do not get blended in with number one red spring wheat, a product that isn't of the same characteristics. That's where we have to find the balance.

There's a research centre in Charlottetown looking into farm products for health requirements, etc., so we are going to be in the future growing products for other than just straight food purposes. Ethanol is another example. How do you see, moving forward, the assuring of quality? You've had the experience of Ontario.

● (0925)

Mr. Jeff Reid: Thank you very much. That's really a critical question, moving forward.

If we look to the bigger picture internationally, it's my understanding, based on my experience in the industry, that Canada is the only place that depends on this type of KVD system. Obviously there are examples of systems that work around the world, and certainly Canada is not the only place in the world that grows and delivers good-quality wheat to its customers. So we believe there are options out there. Some that have been explored in the past include an affidavit type of system, which I believe is certainly an option and one that has been employed in Ontario.

If we look, though, to what Canada's competitive advantage is, we look to the seed certification system we have in Canada. We have developed in Canada a very effective system, where the CSGA—the seed growers across Canada—work hand in hand with the federal government through the CFIA to have what I think is a seed system second to none, which provides a guaranteed, known entity of seed when it reaches the farmer. I think that provides us with a good base for knowing what we're starting with, and combined with an affidavit system, we feel it can be quite effective and has been effective in the Ontario market.

We have some unique opportunities in Canada. We have a variety of registration systems that ensure we know what is going out there, what is available to be sold, and what is available to be produced by farmers. We have, again, a second-to-none seed certification system, so that we know the seed is being delivered in pure form to farmers and we know what we're starting with. Again, with an affidavit system we think we have a pretty effective option.

Also, I think it's been proven by both the Canadian Wheat Board and the private sector within Canada that we are able to do a good job of identity preservation, keeping things separate. The Canadian Wheat Board themselves run quite a number of IP programs, which I think have been quite effective, and certainly private industry across Canada has demonstrated in all sorts of crops that they are in fact able to keep things separate and know what they're delivering to their

customers. So where there's a demand by the customer to know what they're getting, that can be accommodated by industry, and I think that's been demonstrated quite well. As well, we can certainly have a testing system to verify this through the CGC.

Hon. Wayne Easter: Thanks.

I have a couple of questions to APAS.

Ken, you spoke against having optional inward weighing and inspection. Are you saying it shouldn't be optional and it should be compulsory? I don't think you specifically said either way.

You also talked about blending down. I understand what blending down is, but you came at it from the angle that, beyond ensuring quality on outward shipments, the Canadian Grain Commission is really there to protect primary producers from the grain companies to a certain extent.

You made the point that without inward weighing and inspection, there'd be no way to determine losses. Can you expand on that specifically? Are you suggesting that inward weighing and inspection should be absolutely compulsory and not to make that change?

● (0930)

Mr. Ken McBride: We believe inward weighing and inspection should continue as it is. It should be there for the protection of producers, for objectivity in the system so that everybody is operating under the same rules and producers know that what is weighed and delivered on their behalf to a shipper is actually what takes place, for the protection of our exporters, and for the protection of the people who are buying our particular commodity. We believe that integrity in the system, throughout the entire system, is extremely important. It's not only important for producers; it's also important for our shippers and exporters, and it's extremely important for our customers to know that what they're buying is actually what they're getting. We believe it's important for the entire system.

Hon. Wayne Easter: There's no way to determine losses.

Mr. Ken McBride: If there is no inward weighing, and you don't know exactly what the weight is when you leave, how do you know the weight is what it's supposed to be when it gets there? We see the inward weighing inspection as an important value for the system to ensure that integrity.

The Chair: Thank you, Mr. Easter.

On that point, Ken, before we leave it, do you have a preference? Should the CGC continue to do it or should it be contracted out? It was part of the issue in the COMPAS review as well, where the CGC feels it's not the best value for money. They're not specifically in favour of contracting out, but the industry said they'd like that option. What's in the best interests of producers?

I am certainly a strong proponent of inward grading. How do I control what I've delivered to the elevator if I don't have that ticket?

Do you have any idea as to the dollars that blending generates back to producers?

Mr. Ken McBride: I can't speak exactly to the number that's generated back to producers.

But as far as the contracted part of it is concerned, as long as the standards are maintained, the contractors do it to the same standards, and everybody is grading on the same standards, then if there's an issue where contracting provides more available grading to other producers throughout the system—and I'm talking grain buyers or whatever—and there's a cost saving, why wouldn't we look at that?

The Chair: Thank you.

Mr. Bellavance, for seven minutes, please.

[Translation]

Mr. André Bellavance (Richmond—Arthabaska, BQ): Good morning, gentlemen.

Thank you for being here.

Mr. McBride, I would like to know if you have been consulted by COMPAS about all these changes to the Canadian Grain Commission and, if so, do you find a reflection of your recommendations in the report?

[English]

Mr. Ken McBride: We did have the opportunity to make a submission to the COMPAS process. We attended one of their meetings when they were in Regina, so we have had a chance to make a submission to that organization on behalf of our producers.

There are parts of that report that would reflect what we talked about in our submission, and as I said in my statement, I believe that organization has to evolve along with the rest of the system. As long as that system is a regulation body that looks after protection of producers, but also looks after the integrity of the system, that's what's important. We need to have that system there to ensure protection for producers, but also protection for the people who are buying our product for export to ensure that they are indeed getting what they want.

I think, by and large, we had an opportunity to have a conversation there and to have input.

• (0935)

[Translation]

Mr. André Bellavance: Representatives of another producers' Association who appeared last week before the committee told us that the general directions of the report did not reflect what the producers really wanted.

From what you told us today, you seem to believe that some aspects of the report are a true reflection of the wishes of the members of your Association.

[English]

Mr. Ken McBride: As I said in my statement, as long as the Grain Commission maintains its regulatory governance of the Canadian Grain Act, that's what it's there for. It's a regulation body and it should be able to regulate and ensure that what the Canada Grain Act says is adhered to. We need a regulation body to do that, and as I said, if it goes through some evolutionary changes—there are things that can be done for efficiencies—we should look at those.

[Translation]

Mr. André Bellavance: You have expressed some concerns, which I believe are legitimate, about the costs that producers might

be forced to absorb if several of the COMPAS recommendations were implemented. However, these costs have not been calculated. When they testified, representatives of the Canadian Grain Commission told us that the costs related to those changes are unknown.

Could you explain to us why you fear that the costs related to those changes would in the end have to be absorbed by the producers?

[English]

Mr. Ken McBride: Past experience would indicate to me that, if somebody above me has an extra cost that they need to absorb into their business, it usually goes to the lowest end of the scale, and producers are in that particular position. The incurred cost in whatever the system is—whether the grain handlers handle that or whatever—in turn gets handed back down to somebody in the chain, and the guy who can't push it back up the chain any longer is the producer. We have the concern that added costs will be borne by producers, so we're saying the value that the Canadian Grain Commission brings to the entire economy would indicate that some of that cost could be borne, or should be borne, by the taxpayer, simply because it is a benefit to the economy to have our industry where it is.

[Translation]

Mr. André Bellavance: Your solution seems to be that the Commission would keep its mandate so that the rules would be tightened and no cost would then be unduly transferred to the producers. Am I right?

[English]

Mr. Ken McBride: Yes, we believe it's extremely important that the body stay there. As I said, there are evolutionary things that can happen—there are efficiencies to be gained. If there are efficiencies in a system, we totally believe they should be looked at. Anything that can be done to do it in a more cost-effective way should in fact be looked at and implemented.

[Translation]

Mr. André Bellavance: Mr. Reid, you've raised the issue of quality in answer to Mr. Easter. The people from the Canadian Grain Commission have told us during their testimony that the COMPAS recommendation that inward weighting at the terminals would become optional and that it would be done under contract by the private sector.

Have other members of your Association, the seed traders, looked at this issue? Do they have any fears about the quality or even the safety of the product for consumers?

• (0940)

[English]

Mr. Jeff Reid: Essentially, our organizations do not get involved at all on the grain side of the business. Our main concern is with providing a high-quality, pure product going into the production process. On behalf of the seed trade or SeCan, that's not an area we would get involved in or have an opinion on at this point.

[Translation]

Mr. André Bellavance: Mr. McBride, have you looked at the contracting-out option?

[English]

Mr. Ken McBride: As I said earlier in relation to contracting out the service, it could be cost-effective if standards are adhered to and we can ensure that. If there are savings to be had in the process of doing it, then I don't believe producers would have a problem with it as long as the standards are adhered to and they know it's consistent throughout the system. I think we should look at those particular options. If it's seen to be cost-effective and is transparent, and it can be proven that all those standards are adhered to, then I think it should be looked at.

The Chair: Thank you, Mr. Bellavance.

Mr. Miller is next, for seven minutes, please.

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

And thanks, gentlemen, for appearing before the committee today.

The COMPAS report states that the grain sector is at a crossroad. Of course they call it a once-in-a-lifetime opportunity, and that's biofuels. That seems to be the buzzword today, but the ideal grain for the biofuel industry is basically low protein and high carbohydrate, the opposite of what it is for human consumption, so there has to be a transition in there for producers and what have you.

Mr. McBride, I'd like to hear you comment on how that transition is going to be dealt with by producers and how it should be, whether through market forces or government intervention, and I'd like some comments on how long you think that transition might take.

The report also recommends a major restructuring of the government's Canadian Grain Commission to make it basically more compatible. It sounds like it's really outdated; I'd like to hear your comments on that, and what the impact has been from the fact that it's outdated—if that's your opinion on it—and what it may have cost producers.

I also have a question for Mr. Reid. I'd like to hear a little more from you on KVD. You mention in there that it's a step in the right direction, but you also indicated that you'd like to see it step forward to be more similar to Ontario. I'm from Ontario, so I'd like to hear you speak a little bit about that and tell us exactly what you were meaning there.

I'll turn it over to you.

Mr. Ken McBride: Thank you for the questions.

With regard to the biofuel—and obviously it is the buzzword—because of what we produce, the volumes we produce, and the land we produce it on, I think that western Canada does in fact produce grain that would be or could be extremely suitable for this biofuel production.

Obviously where producers are situated in the middle of the bald prairie—the beautiful bald prairie, I might add—is a long way from port, so freight is a major concern for any producer in our particular jurisdiction. Anything we can do to enhance the internal consumption of low-quality, but good-quality product for ethanol or biodiesel is extremely important, because freight is a huge cost that is borne by the producer.

Biofuel is an extremely important industry that wants to get going, and we need it to get going. However, the restrictions out there, as far as the KVD and some of those things are concerned, to ensure the quality for export.... We will always export some grain, and we need to export that high-quality grain, but there needs to be protection to ensure our consumers—wherever we ship to—that the grain they're buying is what they think they're buying. Somehow we have to get to a point where we can have these lower-quality wheats established and developed so they're there for the ethanol industry.

We think it's extremely important to have a regulatory body such as the Canadian Grain Commission in place to establish those standards, but also to have the flexibility to ensure that the integrity is there for high-quality grains. I cannot speak to how long that transition will be; I hope it's sooner rather than later. The producers need this type of industry yesterday. As I said, the freights are huge, and the costs we are bearing to export grain—all types of grain—need to be addressed.

I think there's an opportunity to do that. There's DNA testing; there are a number of things available that can make this biofuel industry go. We need to explore all those options.

With regard to the governance, it needs to take place. But I guess the biggest thing is that the accountability needs to be there. As long as that accountability can be assured and the protection is there, whether it's a CEO or a commissioner, that's what we need to see.

● (0945)

Mr. Larry Miller: Are you suggesting that accountability hasn't been there?

Mr. Ken McBride: No, I'm just saying we don't need a political process involved in it. What we need to do is ensure that the regulations that need to be enforced are enforced and that they're done in the right direction. That's what we're saying.

Mr. Jeff Reid: Thanks for your question.

With regard to the difference between Ontario and western Canada and the opportunities we see, essentially what's being proposed in eliminating KVD from the minor classes means that the minor classes of wheat can look like each other, but they all still have to be distinguishable from the major classes, being CWRS and amber durum. So essentially, kernel visual distinguishability really still applies to all wheat in some form or another. It's just that those minor classes don't have to look different from each other.

So in a sense, there has been very little done to make a plant breeder's life much easier in terms of really making more rapid progress, largely because what we hear from the plant breeders is that the default kernel shape for red wheat is something that looks like a CWRS. They're still really battling with the KVD issue. So that makes progress slow and makes it quite frustrating when you see that on the other side of the fence there are products that offer considerable value to farmers in terms of better disease tolerance, be it fusarium or whatever, or insect tolerance, or simply a higher yield for some of those new emerging markets.

We just feel that there's an opportunity for much quicker and much greater progress, and we feel that given the farm income situation right now, we can't afford to continue to overlook those opportunities that are being held back. So we feel that we need to eliminate those barriers, and when we look at the Ontario situation, at what was done back in 1989, it was that all red wheats were taken out of KVD. Essentially, the handcuffs were taken off. Whatever type of wheat could be brought forward, if it offered more economic value to the farmer and to the system as a whole, it could be introduced and could be grown.

In contrast, we still have KVD on white wheat in Ontario, and that has caused us some issues more recently as the industry has tried to diversify into some hard white wheats, for example. In one case, that product is being grown in Michigan now and imported back into Ontario because KVD prevents the product from being registered here.

So we just think we need to allow, wherever possible, the opportunity to innovate and add value in Canada.

• (0950)

The Chair: Thank you, Mr. Miller.

Mr. Atamanenko, seven minutes, please.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): Thank you, gentlemen, for being here.

Mr. McBride, I'm not 100% sure of who your association is. Could you briefly say how many and who you represent? At the same time, the question was asked whether COMPAS approached you, and how that went and how the people in your association had a chance to give some feedback.

Mr. Ken McBride: Our organization is a broad-based general farm organization of producers in Saskatchewan, with membership through the Association of Rural Municipalities. So we represent about 130 of those municipalities and a pretty large number of producers.

So what we do and how we establish our direction is through district meetings that we would have with our membership throughout the year, and we take our direction through resolution from those meetings. That is how we try to establish what those resolutions are intended to do, and through that we move policy through our organization. It's a democratic grassroots organization.

As far as our participation in the COMPAS report is concerned, we had members who were invited personally to attend those. We were invited as an organization to forward a submission to the task force—if you want to call it that. So we did take that opportunity, and we took direction from our members on the position we would take.

Mr. Alex Atamanenko: To follow up on that, I have the feeling that it's not really that important for you what kind of structure it is, as long as people get the benefit, as long as the farmer, the producer, gets the benefit.

The role of the assistant commissioners was brought up during our last meeting. I'm wondering whether your members have any comments. Have they found them to be helpful, or are they

redundant? Would the structure proposed here serve the producers in a better way?

Mr. Ken McBride: The role of the assistant commissioners is as a liaison or whatever. I've had good discussions with the commissioner, I've had good discussions with the assistant commissioner. I get back to my original.... As long as the system is there to ensure the integrity of the entire system and is there to protect all those in the system, we believe that's the best possible scenario for the organization. As for how they decide to govern themselves, as long as producers, or whoever, in the system are protected, that is the most important part. It's the integrity of our system so that our consumers, the customers, buy what they believe they're buying and the producers are afforded the protection they need, when they deliver their grain—in getting the value out of the grain that they need. That's extremely important.

Mr. Alex Atamanenko: I have another question. You mentioned that to maintain the integrity and the quality of the system and to ensure that the primary producers benefit, you feel the government or the taxpayer has a role to play because this is part of the economy. I was wondering if you could elaborate on that.

I'd like to get Mr. Reid's opinion on this question also, please.

Mr. Ken McBride: First, as a taxpayer I never want to ask for more taxes. However, in this particular situation this industry, the grain industry, for the protection of individuals, is also for the good of the Canadian economy. We believe that a large portion of the cost borne by the organization should be for the public good and therefore taxation should have a large part in maintaining that structure.

• (0955)

Mr. Jeff Reid: Again, our comments here today were really just of a technical nature with respect to the KVD issue.

Mr. Alex Atamanenko: Let's follow up on that. I have a few minutes, I think.

If we take farmer A in Ontario and farmer B in Saskatchewan and we look at it directly on a day-to-day basis when the wheat is ready for harvest or before, how does the fact that you would like a lessening of the KVD requirements, that whole picture, affect the farmer on a day-to-day basis? This is just for my own understanding,

Mr. Jeff Reid: We believe that ultimately the impact will be that there will be more choice in terms of what farmers in western Canada can grow. Again, we feel that we're just on the verge now of having a bit of a revolution in western Canada with respect to the end use for the products and that we're no longer strictly dependent on the export market for high-quality CWRS type wheat. But there are going to be a lot more value-added opportunities within Canada, be that going into different feed operations or ethanol-type operations.

What we're really looking at is how we maximize the return on a per acre basis back to a farmer. We feel it's pretty clear at this point that there are more options out there that aren't available to that grower, options that would decrease their dependency on other inputs, such as fungicides and so on, by using improved genetics.

We just would like to see that there are as many options and as many profitable options and more profitable options made available to producers so that they're not in the situation where they're growing a product that is unduly constrained in certain ways to meet the requirements of KVD so they end up producing a much higher-quality product, but lower yield, and shipping that into a market that doesn't really require that type of quality profile.

The Chair: Thank you.

Mr. Steckle, five minutes, please.

Mr. Paul Steckle (Huron—Bruce, Lib.): First, I want to congratulate both of you for your presentations this morning. I feel that you've been very constructive in not only your criticism but also your observations in terms of moving forward. I value your judgment in terms of taking into consideration the primary producer and the flow-through costs that are associated oftentimes, passed on and then sort of kicked back and picked up by the producer. I think we have to be very cognizant of that.

To both of you, really, I'd like to go back the question from Mr. Miller in terms of the whole industry of the bio-industry, as we see it, and the research that will have to take place, not only for new breeds, as Mr. Reid alluded to, but new varieties as well. We find ourselves in somewhat of a conundrum in that we're developing varieties in Canada that the European Community will not accept because of the GMO context, whether it's for reasons of trade, a non-tariff barrier, or whatever it might be.

How do we function in an environment where we need to create new varieties in our own economy, for the good of the Canadian agricultural economy, and yet we're limited somewhat by what we might be able to do and what we already have? We know that GMO wheat, in terms of the resistance to Roundup, is not going to fly at this moment.

So I'm just wondering, how do we deal with that in this environment? How do we move forward and...seem somewhat restricted by doing so?

That's directed at both of you.

Mr. Ken McBride: Okay, I'll take a kick at the cat here.

As I said earlier, in my own particular farming operation I strive to grow a high-quality export wheat, because that's what my land can grow. This isn't saying that I couldn't change my operation to grow something else if I could see that there was more money in it. And producers have, over a long period of time, tried to do that.

We always will export high-quality wheat. We need to export high-quality wheat. But there are all kinds of opportunities. As I said earlier, freight is a big issue for people where I am in Saskatchewan. We are not very close to any sort of port.

So whatever we can do to consume that internally is extremely important. There has been research done that would assist me in doing that. However, if there is a possibility that my chance to export a high-quality wheat is jeopardized, I have a problem with that too.

Jeff talked earlier about affidavits. Somehow we have to have some sort of disincentive there so that producers don't misrepresent what they have grown and jeopardize that high-quality wheat.

Sometimes you have to have penalties to ensure that what people say they deliver is in fact what they do deliver. There are ways of making this happen that would be beneficial for industry in Canada, the biofuel industry, and would ensure as well that what we export is what we say we export: high quality.

So there are ways of doing it.

• (1000)

Mr. Jeff Reid: I'd just like to echo some of those comments.

Like everyone, I think, in the seed industry, the Canadian Seed Trade Association is very supportive of a science-based regulatory system. To build on that, though—and to answer your question—we can't predict what is going to be acceptable from time to time in different regions around the world. I think we need to focus on having a trusted, science-based model in place, and trusted not just internationally; we really have to work on building the trust of that system here at home.

We need traceability. We need the systems in place to deal with these things as they come along. In terms of KVD, if we look to the future, we're not going to be able to distinguish genetically modified from non-genetically modified by how the kernels look, clearly. We see a need to move to that next generation, where we can really do an effective job of segregating and streaming these things. I think we really need to focus on the process and the system.

If we look at, for example, the soybeans we're growing in Ontario, the vast majority of what's being grown out there is genetically modified. But we're also leading the world in the export of food-grade non-GMO products into high-value markets like Japan, for example.

So I think things can coexist. We just need to focus on getting the system in place.

Mr. Paul Steckle: I think we realize the value of the Canadian Grain Commission and our ability, as Canadians, through our marketing system, to guarantee and assure to the world market a quality product. We have a tremendous record and we shouldn't lose that. That doesn't mean we shouldn't try to improve the system.

How would the Canadian Grain Commission—how would you, Mr. McBride, who represent a group of municipalities and farmers—see yourselves and the Canadian Grain Commission functioning in a future without the Canadian Wheat Board?

Mr. Ken McBride: As I said, we represent a vast number of producers and we represent producers who are on both sides of this issue. Obviously it's an issue that is being debated amongst farmers right now. Our organization has taken the position that we believe it's extremely important for farmers to have input into what the Canadian Wheat Board is or may not be in the future, and they need the right to have that vote.

I'm not prepared to comment today on what the future would be without the Wheat Board. I'm just prepared to say that our organization is still considering what's happening out there and we are still talking about having producers have the right to vote on what happens with the Canadian Wheat Board.

• (1005)

Mr. Paul Steckle: Mr. Reid, do you have a comment on that?

The Chair: Just finish up on that, Jeff, if you have a comment.

Mr. Steckle, your five minutes are up.

Mr. Paul Steckle: Do you have a comment on how you see it affecting you? I would imagine it's somewhat different.

Mr. Jeff Reid: Certainly we would have members of the seed trade probably on both sides of that issue. We don't have an official position on it. First and foremost, we feel it's our job to provide top-quality seed to growers regardless of how they choose to market their crop.

The Chair: Would either of you gentlemen have an idea of the percentage of commodities grown within the board and outside of the board that run through the Grain Commission, that are graded by it. For example, canola and pulse crops and all those types of things still have oversight by the Grain Commission. Would you have any idea of the percentage of tonnage or acreage inside and outside? You can get back to us about that if you can find out, or if you'd care to.

Mr. Bezan, five minutes, please.

Mr. James Bezan (Selkirk—Interlake, CPC): Thank you, Mr. Chairman.

Thank you both for your presentations this morning.

I found it quite profound, Mr. Reid, when you made your comments that western Canadian farmers are at a major disadvantage, and you said that the COMPAS study on the Grain Commission actually underestimated the loss of \$200 million. What would you say that the loss is on an annual basis? Essentially, why do you think the benefits have been given to eastern farmers versus western farmers in exploiting new markets and new varieties?

Mr. Jeff Reid: Sorry, the \$200 million was from another third party study, which we could provide, and I'm not sure that was included actually in the COMPAS study.

Mr. James Bezan: If you could supply that study, then I would appreciate it, if that's where the statistic came from.

Mr. Jeff Reid: Certainly.

With respect to the number and why we feel it could be underestimated, I think it's because for many decades plant breeders have been forced to essentially cross within a fairly narrow gene pool in order to meet the requirements of KVD. The effects of that over years and years and generations are cumulative, in that when you're restricted in terms of being able to bring new genetics into the pool, that means every generation after another is restricted, and so you're not able to build on the diversity of the genetics from around the world that are available in regions where they don't have the constraints of KVD.

To say what exactly the yield penalty is or what the penalty has been to not be able to diversify, I think those numbers, as was stated in that report, at \$200 million are pretty conservative. Just based on my background and talking to plant breeders, I would echo those thoughts.

Mr. James Bezan: Why would you think then that there would be advantage to the eastern farmer versus the western farmer? Here we have another situation where regulation in western Canada is impeding development and profitability.

Mr. Jeff Reid: Likely it's because for red wheat the western system was evolved a long time ago, and it's something that just hasn't changed. I believe we've been operating under a very similar model for something like 70 years.

We had a situation in the late eighties in Ontario where the decision had to be made, as they saw that it was a huge uphill battle to try to meet the requirements of KVD. It basically came down to the question, are we going to have an industry or aren't we? The decision was that the costs to impose KVD were too great, so the industry went in a different direction.

I think it's probably time—and again I applaud the government for taking the initiative—to take that step back and ask whether this is still right for western Canada.

Mr. James Bezan: Mr. McBride, do you agree with that analysis, that western farmers are at a disadvantage compared to their eastern cousins?

Mr. Ken McBride: I wouldn't argue that point at all. The loss of research dollars that go somewhere else that could benefit our own country is a shame. We should always try to do things that benefit our country, that benefit our citizens. However, we still need to ensure, as I said earlier, that we have some way of maintaining the integrity of that export grain—the high-quality grain. So whatever we can do to ensure that and to also ensure that producers become—it's not a bad word—profitable—

Mr. James Bezan: It's a good word.

Mr. Ken McBride: —we need to do, we believe. But there need to be those regulations, those things in place that ensure that the top-quality export wheat can be upheld.

● (1010)

Mr. James Bezan: One of the areas in the Grain Commission study by COMPAS was the issue of dispute resolution. You mentioned, Mr. McBride, the inward and outward inspections, and also your agreement that if they can be done through contracting and are safe for the farmer, to go ahead. My opinion is that if we do allow contracting, which I think is the right step as well, it will actually help with dispute resolution.

In the past, many producers have felt that whenever they've taken a grading issue to dispute resolution and arbitration at the Grain Commission, there's been a bias there, because the Grain Commission is the grader and also the arbitrator, and ultimately the judge and jury. So do you feel that bringing in that third party for grading and inspection would help to offset that bias?

Mr. Ken McBride: Well, obviously it's important, as I said earlier, to establish the standards and ensure that those standards are adhered to. If somebody can do it more cost-effectively but still ensure the protection of the system, then as I said earlier, as a taxpayer, and wanting this to be borne somewhat by the taxpayer... It's extremely important that if efficiencies can be achieved, they be achieved so that standards are adhered to.

I've talked to producers on both sides of the issue who have said that the dispute mechanism has worked for them. Some have said the opposite. So I think transparency is extremely important. Protection of the producer is extremely important, and we just need to ensure that it continues.

The Chair: Thank you, Mr. Bezan.

Mr. Easter, you have five minutes.

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

This is a question for Mr. Reid. This really relates to the production of seed more than to the CGC.

When I was in the United States meeting with some seed-producing multinationals that were talking about the environment—and I really think one of the value-added areas for producers in the future is the benefit of environmental sinks, crops that benefit the environment—I was informed by an individual that they are working on seeds that have an environmental impact. But for a producer to buy that seed, they would have to sign a contract through which the environmental benefit that would accrue as the result of growing that crop would actually go back to the developer of the seed by way of a royalty.

Do you know anything about that? I mean, it is astounding to me that when we grow a crop, we know we're not making a profit from growing the crop. But seed companies, through plant breeders' rights, are now even looking at trying to gain the profit from the environmental benefit of growing that seed. Do you know anything about that?

Mr. Jeff Reid: I'm not familiar with the specific case you're referring to. I guess, in general, we feel that Canada needs to be competitive in terms of the intellectual property tools we provide, to the extent that we encourage innovation to happen here in Canada. We also believe that farmers will and should only buy technology if it improves their bottom line as individual growers. I can't comment specifically on the situation you're referring to, but again, we would support a system of intellectual property tools that make Canada competitive on an international scale in terms of attracting innovation.

Hon. Wayne Easter: I think it's important that the benefit come back to the primary producers who actually do the production. I was just surprised to learn that, and I thought I'd ask about it when you were here.

Earlier, Mr. McBride, you mentioned that the value of the Canadian Grain Commission in terms of its quality control, exports, etc., is important to the Canadian economy; therefore, those costs should be picked up by Canada as a whole. In fact, I would agree with that. Maybe the researcher could tell me if I'm wrong, but I believe the costs for the Canadian Grain Commission—if they were borne 100% by the Government of Canada—would be GATT green. I do believe that's the way we should be going. We know now that the WTO has fallen, so we do have to find ways of assisting the industry under the current WTO rules. That's an area where the Government of Canada could certainly assist the farm industry.

Could you comment on that?

You mentioned as well that in the future the Canadian Grain Commission needs to be more proactive in enforcing the Canada Grain Act. Can you indicate to us any areas of shortcoming, and whether or not the COMPAS report deals with those shortcomings in terms of operating in the producers' interests?

We had one witness here who indicated to us that this report really takes power away from producers and gives it to the grain trade. I'm not saying whether that's true or not, but that was a comment made, that these recommendations really take power out of producers' hands and give it to the grain trade.

Do you have any comments on those two points?

•(1015)

Mr. Ken McBride: Marvin is our policy manager, so I'll let him speak to the issue with regard to costs, then I'll try to speak to the other question.

Mr. Marvin Shauf (Policy Manager, Agricultural Producers Association of Saskatchewan): Thank you.

On the issue of whether or not public service inspection services deemed to be in the public good can be publicly financed without any trade implications related to those expenditures, that piece of it can be something that is publicly funded without any trade implications, as far as domestic support ramifications are concerned.

Hon. Wayne Easter: So as a committee we should be recommending that the government pick up the full costs of inspections, etc., under the Canadian Grain Commission?

Mr. Marvin Shauf: Given the limitations that Canada has for domestic support, it would increase the ability to provide producers a benefit.

The Chair: Mr. McBride, do you want to jump back in? Mr. Easter is actually out of time, but we'll let you finish up.

Mr. Ken McBride: I'm sorry, I'm going to have to ask for the question again.

Hon. Wayne Easter: Should the CGC be more proactive in enforcing the Canada Grain Act? In what areas did you see there might be a shortcoming, and are they covered in the recommendations of the COMPAS report?

Mr. Ken McBride: The one concern we had was the optional inward weigh. We believe for the production of producers, that should be done inwardly so there is definitely an inward and outward weighing to ensure that transparency is there.

The Chair: Thank you, Mr. McBride.

Monsieur Roy, five minutes, please.

[*Translation*]

Mr. Jean-Yves Roy (Haute-Gaspésie—La Mitis—Matane—Matapédia, BQ): Thank you, Mr. chair.

My first question is for Mr. Reid.

You've told us that it would be impossible in the future to keep the kernel visual xx since it is impossible to identify visually each of the kernels arriving at the elevator. Therefore, this system should be replaced by a seed certification system.

Basically, this means that there will be a considerable increase in the varieties of seeds and that the production will be much more fragmented. In other words, we are moving towards multiple types of productions which will not necessarily be at the same level. This fragmentation of the production will come with a fragmentation of the control system and of the transportation system. Indeed, the more production is diversified, the higher the number of different systems you have to manage to ensure that there is no blending. In the end, that's the core of the problem.

At what point could the seed certification system lead to an overfragmentation of the types of seeds? Furthermore, I would like to know if you have looked at how much, in percentage, the seeds developed for the production of ethanol would lead to a reduction or a change of the present production.

• (1020)

[English]

Mr. Jeff Reid: If we look at what's happening with other crops, we can see that the marketplace rapidly sorts out what the optimal number of crop types or varieties needs to be. There are many examples of this across Canada. Even within an organized market like the Canadian Wheat Board, where they run identity-preserved programs, markets seem to function quite well. In eastern Canada, private industry will step up and sort out what is optimal, what makes sense, and what the infrastructure can handle in terms of the number of segregations, railcars and so on. That's something we believe the marketplace should sort out. The market should not be dictated or constrained by artificial means such as, in some cases, KVD requirements. We think this issue will sort itself out fairly rapidly.

As for the impact of ethanol and other potential domestic uses, in just about every case, the less dependent we are on the volatility of export markets, the better off we are. We often see export markets at prices below our domestic cost of production. The more we can use these crops at home, or at least within North America, the better. The U.S. has become very aggressive in its ethanol plans, and this should be a great benefit to Canada, since we're operating largely within a North American market. If we can put more agricultural product to use in Canada or North America, everybody will win.

[Translation]

Mr. Jean-Yves Roy: I understand your answer. You're telling me that the market would make sure that the number of different types of seeds would be limited. Indeed, because of physical limitations, we will not be able to multiply the various types of seeds in an exponential manner.

Excluding the seeds being used for the production of ethanol — this would be a separate system in order to avoid blending with seeds used for human or animal consumption — how many different types of seeds do you think could be used without jeopardizing the quality system for exports? Are we talking of 10, 20 or 30 different types?

[English]

Mr. Jeff Reid: Again, it's hard to predict the free market. Probably the best we can do is look at real life examples where we do have an open market—for example, in soybeans. What we see is that the majority of the commodity will gravitate towards one or two more profitable options, be those eventually in higher-yielding

ethanol types or food types. The marketplace will sort that out. And again, the economics of, in additional crops, what's going to be handled and the degree of segregation that's required is dictated by the marketplace.

As with soybeans, you need something that is very strictly identity preserved where you're dealing with non-GMO and that sort of thing. There will be a bigger premium go back to the producer, whereas for some other markets it's marginal value. So the marketplace will sort that out.

In the end, it's hard to predict, but we think there is certainly room for more than there is currently.

• (1025)

The Chair: Thank you, Monsieur Roy.

Monsieur Thibault, five minutes, please.

Hon. Robert Thibault (West Nova, Lib.): *Merci beaucoup.* I have just a couple of quick points.

Mr. Reid, you were talking about the relaxation of the KVD question as to creating more flexibility and the introduction of new products. We hear also that our Canadian wheat is premium in the world, the best. Is there a risk there that if we go too far with this, we'd reduce the reputation and the demand for our wheat internationally?

On the other side, what's happening internationally? Do other countries in our principal markets have the same sort of quality preservation and regulation that we operate on? Who are we competing against out there?

Mr. Jeff Reid: A significant purchaser of top-quality Canadian wheat right now is a firm in the U.K. by the name of Warburtons, which is actually going beyond the services that are offered traditionally by the Canadian Wheat Board or the Canadian Grain Commission to do their own identity preservation. So in many cases, if we want those very top-quality markets, if they truly demand and truly want the very best product, they're prepared to step up and pay a little bit of a premium for that.

Internationally, in terms of what's happening in other countries, we see that there is excellent-quality wheat being grown, for example, in North Dakota. In many cases they are varieties that are not eligible for registration in Canada due to, in some cases, KVD restrictions. A lot of those varieties offer not just very competitive agronomics, but improved fusarium tolerance and a whole array of additional benefits to growers.

But coming back to the segregation issue within Canada, it's our belief that an affidavit system that's backed up with some form of verification would be adequate to meet the needs of the vast majority of those markets. If any specific markets require that added degree of traceability, we've demonstrated that the industry can certainly do that.

Hon. Robert Thibault: Mr. McBride, you talk about the question of inward weighing, and that would be positive; it would help. Can you explain to me the process now? How do producers know they're being paid for what they produce, and how is it segregated by the handler so that you know with reasonable confidence what spoilage is attributed to each producer?

Mr. Ken McBride: Right now, you have a system where you deliver to an elevator in that particular system, where it's weighed and verified. You can submit a sample. If you have a concern about the grade that's being issued at that particular elevator, you can in fact send that sample to the Canadian Grain Commission, and they will look at it and determine whether it is in fact the grade, the dockage, or whatever. So you have some sort of verification.

That's for the protection of the producer. It's also for the protection of the guy who's buying your grain, so that he can say with all confidence to the next guy, "This is what I'm buying your grain for; this is where it is." That's important for protection of producers, but also for protection of that grain buyer, that somebody can't say, "Well, no, he told me it was a two, and I have actually sent it away and it's a one." The other hand is there too to say, "Well, no, I sent it away and it was what I said it was when I graded it." So it's there for the protection of the industry.

Hon. Robert Thibault: Finally, Mr. McBride, there's a lot of debate about the Canadian Wheat Board and its future and how we should be operating it in the future. I understand that you've expressed that there should be a vote of producers. Would you agree that it should be a case of each producer having one vote, independent of the size of their production?

•(1030)

Mr. Ken McBride: Again, that's a position our organization put forward when there was a review of the election process that took place within the last...probably eighteen months. Our organization at that time recommended that it be one producer, one vote.

Hon. Robert Thibault: Thank you very much.

The Chair: Thank you, Mr. Thibault.

There were a number of recommendations put forward in that report, as I understand it, Mr. McBride. Were any of them ever acted on, do you know? There's an election going on right now. Were any of those put in play for this round of director elections?

Mr. Ken McBride: Gerry, I can't really confirm one way or—

The Chair: I just wondered if you knew. You'll get a ballot, I won't.

Mr. Gourde, for five minutes please.

[*Translation*]

Mr. Jacques Gourde (Lotbinière—Chutes-de-la-Chaudière, CPC): Good morning, gentlemen.

I would like to tell you my thinking. Being from Quebec, everything relating to Western Canada and grain is a bit too remote for us.

As far as seeds are concerned, I believe that research is vital. I have always been in the farming sector and, through my readings, I have concluded that Agriculture Canada abandoned all research about 10 years ago. Now, it's only paying lip service to it.

We have excellent researchers in Canada but their budgets have been decimated and we are now living with the consequences. I believe that we have a 10-year lag in strategic planning, in research and marketing of farm products, especially for the Western grain

industry. This doesn't make things any easier and we are now faced with the consequences and we're having to catch up.

I wonder if you agree with my analysis. We believe that we need to develop a vision to be implemented over the next 10 or 15 years in order to raise the profitability of our producers. We hear a lot of talk about techniques that might lead to savings of up to \$2 to \$10 per ton. Had we worked in concert 10 years ago, with strategic thinking, we would not be around this table today trying to save 10 \$ per ton. We would have a flourishing industry.

What do you think should be done to ensure that the Canadian grain industry become a booming industry over the next 15 years?

[*English*]

Mr. Ken McBride: I would like to say that I agree that research is extremely important. For that reason, I don't grow Marquis wheat anymore. I've continued to move forward with the innovation that has been put forward in the industry, both through the different varieties that we grow and also in the techniques of how we run our particular operation—minimum till or whatever those are.

We have availed ourselves of a vast amount of research over the last number of years. Some of that research certainly has been stymied because of some regulation, and that research has gone somewhere else. But there still is an important aspect to ensure that the integrity of the system that we have is there. As long as that's maintained, I wholeheartedly believe that research needs to be done.

However, we, as producers, can be as competitive as we want to be, but if I have to compete with somebody else's treasury in order to do that, then that is part of the problem too. So we also have to recognize what's happening in other parts of the world. We can do all we want to do here at home, but we are still in competition globally with other treasuries or whatever. There are other aspects to the reason why agriculture is where it is today, right now; it's not simply always what's happening here at home.

•(1035)

Mr. Jeff Reid: We would certainly, on behalf of the Canadian seed trade, echo your concerns about where the future of research and development is going in Canada, and I think on both fronts, in terms of the public investment in research and development, and in terms of what we can do to attract innovation and R and D from the private sector.

I think what we're looking at is needing to see that we have some stable, long-term commitment from the federal government to primary research, genetic enhancement, and development. We also need to balance that with an environment that really supports innovation from the private sector in terms of those companies that can go out there and in many cases develop and build upon what the public sector can do, and to deliver that to producers.

So I think there's a lot we can do to strengthen and build on those partnerships, but it's going to require a balance of the right environment for innovation from the private sector as well as a stable, long-term commitment from the public sector.

When we look at the reports that continually state a 10-to-1 or 20-to-1 return to the farmer on research and plant breeding, for example, those are pretty impressive returns. So whatever we can do to stimulate more of that is definitely a good thing.

The Chair: Thank you, Jeff.

Mr. Atamanenko, do you have any final points to make?

Mr. Alex Atamanenko: I have one question.

In your report and in your presentation, Mr. Reid, you mentioned that since 1989 the Ontario wheat industry has flourished because of the fact that KVD requirements are different. Is this a fair model to transpose to western Canada? I'm asking the question. I don't know. Is it a fair model, given the ratio of export-import? Has it been different? It's a different situation in the west in comparison with Ontario, so I would like to get your opinion on that.

Mr. Jeff Reid: That's a great question. In the past it has been probably much less of a fair comparison than it is today because we've been pretty much dependent on the same export markets for a long period of time. Now that things are diversifying in western Canada...when we come back to the feed options, for example, and we come back to potential ethanol applications, we see that western Canada is going to diversify and we need some tools to be able to deal with that.

So I think it is starting to look a lot more similar to that diverse kind of marketplace that we've enjoyed in eastern Canada for quite some time. I think the model just needs to change to keep up with the reality of the situation.

Mr. Alex Atamanenko: Thank you.

The Chair: Thank you, Alex.

Are there any last points the panel wants to make in closing?

David.

Mr. David Anderson (Cypress Hills—Grasslands, CPC): I have an observation, first of all, on KVD. I'm glad to see both of you come today and say that this is an important issue. I think APAS, in their presentation, said that there has been a cost to KVD. They'd like to see us move to some other system as soon as possible, and I'm glad to hear that because I think we need to make some changes, and this needs to be a focus of the committee's work on this CGC report.

I was concerned that the report and the recommendations on that really didn't touch at all on the issue. It talked for a couple of pages in the report about it, but it did not focus on it. To my mind, it's one of the primary issues in this review in western Canada—what we do with varietal designation and how we determine them—because it's going to set, to a huge extent, the direction of our industry and the success of it in the future.

So I want to thank you for being willing to focus on that today.

Mr. Reid talked about the fact that they'd be willing to go to more of an affidavit-type system with some certification. You've talked about penalties or disincentives. How much of a priority does your organization see this issue as, and would you be willing to move in that direction in terms of...? You said we need changes; it's costing us some money. What do you see as the solution, other than just that idea of penalties for introducing incorrect varieties?

Mr. Ken McBride: I guess it would be nice to always come up with the perfect solution.

I think I've said a number of times that I like to grow high-quality wheat. I believe there's value in doing that, and there's value in promoting high-quality wheat to a consumer somewhere and ensuring the consumer knows that. I still believe the customer is always right and the customer should get what the customer believes he or she is getting. We need to ensure that this does in fact happen.

I also said that for our industry, especially in western Canada where, as I said, freight is high and the biofuel industry is coming, there are tremendous opportunities in our neck of the woods that need to take place. They need to take place based on varieties that are built, designed, and researched for that industry. We need to ensure the integrity of one system versus the other. If it's affidavits or penalties for misrepresentation, there are a variety of solutions out there that can make it possible. Whatever it is, we need to move ahead.

• (1040)

Mr. David Anderson: My concern is that we're losing customers. It's not only the fact that Ontario has a jump on us. A lot of the varieties have been developed in Saskatoon and the research station in Swift Current, have gone onto the shelf, and then been finished off in the United States. It is affecting our ability to market, as well.

I'd like to take whatever time I have left and talk to you a little bit about inward weighing again.

When I deliver my grain—and you know this, but maybe some of the others don't know this—we go to the elevator and agree on the grade. I have the option that if I want a review, I can do that or whatever. I don't think the report is suggesting that should change at all.

But for the most part, what happens is that the grain companies in the terminals use inward weighing when they're loading into the cars. They use the CGC to make sure they can blend to the standards of the grade and cut it as closely as possible to what they're grading. It happens again when they're loading the ships. Isn't there some duplication here?

The protection for the farmer is in place. When we deliver the grain, we take the grade. If we don't like it, we have the option of appealing that. But once it's in the elevator and in the grain handling system, what is the advantage of inward weighing that isn't available at outward weighing?

Mr. Ken McBride: I guess part of it is that there are producer car shippers and certain other players in the industry that need inward weighing and inspection, whether you call it a duplication or not. There's an opportunity there because of a change in standards between inward and outward.

Mr. David Anderson: Doesn't this address that? It says it's optional, so it would be available to the producer loading facilities or whatever. If I load a producer car, it is checked at the port anyhow. It's done individually now, and it's not inward inspected unless I appeal the grade.

What is the advantage of making inward weighing mandatory versus the suggestion that it be optional so it's open to those producer facilities? The appeal is still open to me as a producer. What is the advantage of having mandatory inward weighing over the suggestion that it be optional?

Mr. Ken McBride: I'm going to defer to Marvin.

Mr. David Anderson: I'm only interested in this because I understand your position, but I don't see the advantage of duplicating. We're also talking about costs here and the benefits to producers.

Mr. Marvin Shauf: Presently there is a process where it's inward weighed and inspected and it's outward weighed and inspected. Terminal gains are then shared back with producers through the Canadian Wheat Board on Canadian Wheat Board grains.

I think the issue on inward weighing and inspection is to ensure transaction integrity as grain moves through the system. I think what you're talking about—and some grain companies are doing it—is where shipping out of country, they use CGC to blend to the bottom of the grade, which is again inspected inward at terminal. There is absolutely a duplication there. It's what was referred to in the report as a company benefit, the cost of which should not be picked up by producers.

Mr. David Anderson: But the inward weighing is done on delivery. I have a weight and everybody who delivers to the grain company has a weight. They are audited, as well.

• (1045)

Mr. Marvin Shauf: That's correct.

Mr. David Anderson: I'm trying to understand why we would make that extra service mandatory.

Mr. Marvin Shauf: The issue becomes one that inward weighing and inspection for intra-company transactions are not a huge deal. For inter-company, because not all companies have their own export facilities, when a terminal is taking grain in from another company, it's very easy to be able to push down the value of that. This effectively will lead back through the system and disadvantage producers, because the companies in the country will have to enlarge their margin for risk relative to what they're going to be inspected inward. It will only be the company's integrity as they're receiving the shipment at that point; it won't be a CGC or a third party unbiased reception that it gets coming into the export terminal.

The Chair: Thank you, Mr. Anderson.

Mr. Easter, two quick minutes.

Hon. Wayne Easter: I don't really have a question for the witnesses, Mr. Chair, but as a committee it would be absolutely wonderful if we could do a tour of a grain elevator and see Canadian Grain Commission personnel do the grading and verification. I know James and David have seen them, as I have. If we don't have time, in the absence of that, the Canadian Grain Commission or somebody must have available footage of how that's done. I think it would give people a very good perspective on the importance of the Canadian Grain Commission in terms of how it's actually technically done and what it means.

In P.E.I. we have both systems, although not in grain. We have a system in which potatoes are graded according to Canada grades,

and we also have in the processing plants a plant grade. The difficulty in the plant grades is that if the plant says you're docked 20%, then you're docked 20%—you have no recourse—whereas under the Canada grades you have the recourse of an independent verification system that's going to protect the interests of producers. It's extremely critical for us, I think, as a committee to understand the technicalities of that and what it means for producers at the end of the day.

Could you take that under advisement?

The Chair: Okay.

David.

Mr. David Anderson: In response to that, I would of course like to invite any members of the committee to come out to the area where the best grain in the world is grown, in my riding of Cypress Hills—Grasslands. We'd be glad to show them around and let them see an elevator operate.

The Chair: It's a little north of that.

Hon. Wayne Easter: And marketed by the best agency, the Canadian Wheat Board, I might admit, Mr. Chair.

The Chair: Point and counterpoint. All right, let's move on.

Mr. Ken Boshcoff (Thunder Bay—Rainy River, Lib.): Mr. Chair, I would like to say that if you want to see the whole package—a grain terminal, grain inspection, and all of these things—then you're welcome to come to Thunder Bay. It's only a short hop—

The Chair: At port, not inward. We can only do port at Thunder Bay, unfortunately.

Gentlemen, are there any closing remarks?

It's been a great discussion. Thank you so much for your presentations here today. You can be assured all of this will go into the report that we will be tabling in due course.

The meeting will move on now to a bit of housekeeping that we have to do. Thank you so much. You're free to go, if you care to.

The Canadian Cattlemen's Association is putting on a luncheon in the East Block courtyard. I'm sure the invitation would extend to the folks who prepare the feed that goes into a lot of those cattle. I understand it starts at 11:30, and we have an invitation for all of the members of the committee to attend as well. That's out of the road.

Next on the agenda, there is no meeting tomorrow, as was originally scheduled. We were shuffling around to make up the two extra CGC meetings. That meeting is postponed at this point. There is a report coming down on the nematode on Friday that would be more helpful to have prior to the meeting rather than after the meeting. So that's what's happening.

There has also been some discussion with the dairy producers on the MPC situation. They're asking us to hold off a little bit, to give them some time to finish the negotiations. Mr. Bellavance is up to speed on that issue, as is Mr. Gourde. They've also made presentations to me. That takes care of that issue.

Is everybody okay with that? No meeting tomorrow. Do we need a motion to that effect? Does everybody agree that the meeting is postponed tomorrow? On a show of hands, it's concurred. Thank you.

Next on the agenda, we had a motion from Mr. Easter to call Ms. Charlton before the committee. We have a response from her. It hasn't been circulated. She is wondering why she's being called, of course. But having said that, her schedule is such that her earliest opportunity to meet with us is November 13. Apparently her husband is away on business, and kids and so on, throughout October, which it makes it problematic. I'm just using that date; she is available after that point.

Jean-François will have her e-mail to us translated and sent around. But that's the first response we've had back from her. It's an ongoing discussion.

• (1050)

Hon. Wayne Easter: I expect she knows that if we so decide we can subpoena her.

The Chair: Yes.

Hon. Wayne Easter: But we want to be as cooperative as we can with her in November.

When is the task force report? The task force is not really meeting with anybody; do we know when it's reporting?

The Chair: The end of October is their first submission to the minister.

Hon. Wayne Easter: November 13 would probably be okay from my perspective. We're not here that week.

The Chair: I'm also wondering if you want something sooner, Mr. Easter. Would a written submission, an affidavit, suffice?

Hon. Wayne Easter: No, we need her here as a witness.

The Chair: Third, we have a notice of motion from Mr. Atamanenko. You have three on the paper; it's number one.

Mr. Alex Atamanenko: If we could do two today, that would be good. Do you want me to speak to them?

The Chair: Please. Everybody has a copy.

Mr. Anderson.

Mr. David Anderson: I want to know where all three of them are. I was told only the first one had been brought forward.

The Chair: No, they were tabled as a trio, all on the same sheet at the same time, and 48 hours' notice was given. It's up to Mr. Atamanenko to pull them forward after that 48 hours. That's what he's doing today, exercising that option.

Mr. Alex Atamanenko: This ties in with our look at long-term policy. The first one is that this group exists, and it would be a good idea to have them come and briefly explain who they are and what they're doing, and how this fits into our structuring of the long-term policy. That could be some time in November.

Do you want me to comment on the second one?

The Chair: Let's do them one at a time. They are votable motions.

The motion is before you. Is there any debate on the motion? Mr. Atamanenko was saying somewhere during our November meetings.

Mr. Anderson.

Mr. David Anderson: Normally these would be forwarded as suggestions to the steering committee, subcommittee, whatever. It doesn't matter to me if we deal with them, but do you want all of us to start bringing forward motions on each of the things we want to deal with? We had planning meetings. We set up our schedule. I'm certainly open to bringing anybody in to those meetings, but I don't know we need to have motions on each of the individual groups we're bringing to meetings, unless you want us all to bring that forward that way. I'm not against number one, but I think it would be better served to suggest it to the steering committee.

The Chair: Or as an opportunity for a witness list, someone representing that group.

Mr. David Anderson: Absolutely.

The Chair: Okay, that's your submission.

Is there any further discussion? Mr. Atamanenko.

Mr. Alex Atamanenko: I can agree with David, as long as we can get these people here to talk a little bit about what's going on. That will serve the purpose, if you feel this is the best way to go. It doesn't matter which way we do it, as long as it happens.

The Chair: Would you be satisfied with a representation from that group talking about the future of farming at one of our November meetings? You'd be happy with that?

Mr. Alex Atamanenko: I would.

The Chair: Okay. That's a substantive change to your motion, saying we'll accept a representation of that.

Mr. David Anderson: We would be willing to try to accommodate that, if that's how you want to proceed.

The Chair: Does anyone have a problem with that? As long as you're agreeable to that, we'll have the clerk invite someone representing that stakeholders' group to one of our meetings in November, which we'll plan.

To facilitate doing it that way, you would have to withdraw this motion, Alex, and then we'll proceed with bringing in representation.

Mr. Alex Atamanenko: Do I do that now?

The Chair: Yes.

(Motion withdrawn)

The Chair: Thank you, sir.

You said you wanted to speak to the second motion as well.

Mr. Alex Atamanenko: Yes, the second motion also fits in with our long-term policy. We've built in witness groups in November, but I'd like to make it a little more precise. I'd like to have the groups specifically representing producers from all the different areas to talk about what they feel are the causes of the problems and offer some solutions. It could be in the same meeting. They could be briefed ahead of time to come in with some causes and solutions, but we should hear from the stakeholders as we go through this process of developing long-term policy. That's why I wanted to introduce this motion. I'm prepared to modify the motion a bit to reflect what I've just said.

•(1055)

The Chair: Mr. Miller, discussion.

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

I agree with what you're trying to do, and that's good. But I think to be fair, Alex, we're trying to reinvent the wheel here. I know that we all, in our ridings—at least, I presume we are—are in contact with our various producer groups, and you can never have enough discussion and coordination with them.

Where I have the problem here is that the leaders of these groups only have so much time in their busy schedules. To approach what you're trying to do, I would suggest, is for us to write to them all and ask them to submit something in writing and maybe have it for the committee to review. At a later date, if you feel this is necessary... But further to us all, as individual MPs, consulting with the different stakeholders and commodity groups, the minister does that, the department does that from time to time, so unless we have something written in advance, I'm not sure you're going to achieve what you're trying to.

As I said, I appreciate where you're trying to end up. It's simply that I don't believe this is maybe the right way to go at it, that's all.

The Chair: Paul.

Mr. Paul Steckle: I totally agree with the sentiment of your intent in putting this forward, but we could almost convene a conference. This is not simply a half-hour or an hour meeting. I have travelled this country on two occasions looking at why we have problems and what the causes of the problems are, and this is far too deep to be dealt with in a meeting—or in a number of meetings, for that matter.

I would hope that somewhere, sometime, we could convene a summit—and I think that is probably a good way to put it—where parties of all political stripes and our farm leaders and producers could participate, that would be almost convened as a conference. I think this is what we need to do, because there's not only our own internal domestic issues to deal with, but we have to deal with how the external side of trade impacts on what we do in agriculture.

So I agree with the sentiment of the motion, but I think it's far too encompassing for us to deal with in a couple of meetings.

The Chair: Mr. Anderson, then Mr. Bellavance.

Sorry, James, please go ahead.

Mr. James Bezan: I want to say I don't disagree with the intent of the motion. We are going to be holding a number of meetings in November on the farm income crisis. I think that's the time when we have all the farm leaders coming before us talking about the farm

income crisis. If we want to raise this—what's your solution to the 21-year crisis?—then I think that's the most opportune time to do it.

We don't want to reinvent the wheel, since we're already going to be tackling that issue this fall.

The Chair: Mr. Bellavance agrees with that position, so he's off the sheet.

Mr. Anderson.

Mr. David Anderson: I agree with the points. I think this is a huge issue, but we also have some five or six meetings given toward the farm income crisis, and it would be a good place to slot some of these folks.

If you want to have a round table, there's expense involved there. There's a whole procedure to try to get any budget for that kind of thing. We have budget to bring people in from across Canada to the committee, but it would be a totally different project to try to start bringing them in for a round table or a conference or whatever.

I would therefore suggest we use the meetings for this and get the people you think are important on the witness list. We have half a dozen meetings given to this, so let's try to do it there.

The Chair: We can also solicit written submissions from groups that aren't able to come during the November meetings. If there's someone else out there who feels they've been left out, we can certainly ask them for a written submission with the intent that it can then become part of a report.

Is there any further discussion?

Okay, Mr. Bellavance, you're back on.

[Translation]

Mr. André Bellavance: I just want to add a clarification. I believe that everybody around this table agrees with Alex's motion. The only issue is how to implement it. As a committee, it might be difficult for us to organize a mega national roundtable on the farm income crisis.

However, the farm income crisis is one of the priorities we have selected for the session. Furthermore, Alex is a member of the steering committee and he knows very well that this issue is dear to us. That being said, the way this committee operates, we have to come to an agreement on our witnesses. I believe we could spend a long time on the farm income crisis but, realistically, I have no idea how we could proceed. Perhaps Alex could enlighten us. In any case, we agree with the content and the intent of his motion.

•(1100)

[English]

The Chair: Okay, I'll give the final word to Mr. Atamanenko, then I'll call the question.

Mr. Alex Atamanenko: I understand what everybody's saying and I'm tending to agree with it. But is there a way that as we call people for the November meetings to come here, we give them criteria? Perhaps one criterion would be that we want their ideas as to why there is this crisis and their certain solutions, so that once X group comes and presents a witness, this could be.... And we would require that in written form, and we could ask them to speak about that for part of their presentation.

I think that would give us a better idea, globally, of what's happening as we struggle with the whole idea of the long-term policy. That's just something that comes to my mind as we're discussing this.

The Chair: I see a lot of heads nodding around the table. I think there's agreement on that. We can make that part of the criteria in the submissions they present to us. The questions and answers will build on it as well, and they can certainly resubmit other submissions after they've made their presentation, again following up. A lot of times a group will get an idea from another group, or from one of us. That can certainly be done.

I will call the question on the motion as it stands. We have to deal with that first.

Mr. Anderson, a point.

Mr. David Anderson: I wonder whether perhaps Alex would be willing to withdraw the motion. We don't have to defeat it.

The Chair: I'll give you that opportunity.

Mr. Alex Atamanenko: I don't mind striking out twice, as long as it's not three times. I won't give him my third motion.

The Chair: You'll withdraw this motion on the condition that we put it into the criteria on the invitation that they give us some solutions as well.

Mr. Alex Atamanenko: That's a healthy compromise.

(Motion withdrawn)

The Chair: Thank you, Alex. Thank you, everyone.

You said two; do you want to go to the third motion now?

Mr. Alex Atamanenko: I'm a little scared of doing that right now. I'll have to think about that one.

Some hon. members: Oh, oh!

The Chair: You'll hang on to that one for a while. All right.

Is there anything else, gentlemen? If not, this meeting stands adjourned.

Oh, I'm sorry...?

Hon. Wayne Easter: What contact have we had concerning the cattlemen's—

The Chair: It starts at 11:30, Wayne, and then goes—

An hon. member: It says 11:15.

Hon. Wayne Easter: So it starts at 11:15.

The Chair: Go early, stay late.

The next meeting is on Thursday, at our regular time, in Room 269 West Block.

This meeting stands adjourned.

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