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Chair

Mr. Gerry Ritz

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•(1105)

[English]

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

Good morning, ladies and gentlemen. If everyone can take their seats, we'll start. We're already five minutes late. That's just not on, right, Mr. Easter?

Hon. Wayne Easter (Malpeque, Lib.): That's right.

The Chair: This morning, in our meeting 32, I understand we're going to have a briefing on terminator seeds and a good dialogue on that.

With us today from the Canadian Food Inspection Agency, we have Stephen Yarrow, director of the plant biosafety office, and Glyn Chancey, director of the plant production division. We have an import from the British Isles. Welcome, Dr. Steinbrecher, co-director of the EcoNexus foundation. From CropLife Canada, we have Denise Dewar, the executive director of plant biotechnology.

Generally the format is 10 minutes for each group to give a presentation. We're actually going to stretch that for Dr. Steinbrecher, because of the distance she's travelled. She wins the award for furthest away from home, so we'll stretch that to 15. I will give you the one-minute high sign. Please adhere to that, because we will cut you off. We have a very limited amount of time for questions and answers. We'll shorten the questions and answers section to five minutes per member because of the limited time. We may do that all day today.

Having said that, we'll start off with Mr. Yarrow or Mr. Chancey. Who's going to lead off for the first 10?

Mr. Yarrow, go ahead, please.

Dr. Stephen Yarrow (Director , Plant Biosafety Office, Canadian Food Inspection Agency): Thank you, Mr. Chair.

Good morning, and thank you for this opportunity to appear before the House of Commons Standing Committee on Agriculture and Agri-Food.

Today I would like to provide an overview of the Canadian Food Inspection Agency's mandate as it relates to genetic use restriction technologies, or GURTs. You've made reference to the terminator technology as well. I and my colleague Glyn Chancey will do our best to answer any questions you may have after this.

As Canada's largest science-based regulatory agency, the CFIA is responsible for regulatory policy setting and the delivery of all

federally mandated food inspection, plant protection, and animal health programs. As part of its mandate, the CFIA regulates the environmental release of plants developed through biotechnology, which are included in a broad category called plants with novel traits. Plants with these GURT-type traits would fall within that category.

GURTs are forms of genetic engineering technology. In theory, GURTs provide the means to either restrict the use of a plant variety or the expression of a trait of a particular plant variety, analogous to throwing a genetic switch on or off.

Our understanding is that actually there are two types of GURTs. One type, the type that is perhaps more controversial, would control a seed's ability to grow. This type is sometimes referred to as the terminator technology, as you mentioned. The other type, the type that's often overlooked actually, would allow a plant to express specific traits—for example, drought resistance or improved nutritional qualities—only after specific treatment, such as a spray application or something like that. This type of GURT would not affect a plant's ability to reproduce, at least as we understand it.

Mr. Chair, it is not the CFIA's responsibility to promote or oppose this technology. It is, however, the agency's responsibility to ensure that Canada has a strong and effective regulatory system that allows us to manage the potential risks associated with plants with novel traits in general, including those with these GURT-type traits.

Science is the basis of the agency's policy development, program design, and delivery. It is also an essential component of its regulatory decision-making and verification and enforcement activities. Laboratory science, risk assessment, surveillance, and research and technology development are the tools the agency uses every day to protect Canadians.

Before approving any plant with novel traits in Canada, the CFIA, in conjunction with our colleagues at Health Canada, conducts stringent assessments on the potential risks to our environment, livestock, and food. Our goal is to ensure that the products of biotechnologies available to farmers are consistent with approaches to sustainable agriculture.

It is important to note, Mr. Chair, that GURTs are still at the research stage. To our knowledge, to date there have been no commercial applications or even research field trials in Canada. However, given the complexity of this technology and the length of time it would take for a product to fulfill regulatory requirements, the CFIA does not expect to see a proposal for potential authorization for any plants with GURT traits in the near future. However, if and when we receive such applications, the agency would treat them the way it would for any other plant with a novel trait.

In addition, as you may or may not know, the issue of GURTs has been raised at the UN Convention on Biological Diversity, where recommendations have been made related to the use of GURT-type technologies. Canada supports these recommendations, particularly because Canada is a party to this convention as well. These recommendations are to proceed cautiously, on a case-by-case basis, using science to guide all our decisions.

In closing, let me assure the committee that no use will be made of GURTs in Canada until such technologies have been demonstrated to be safe for humans, animals, and the environment.

Thank you very much, Mr. Chair.

• (1110)

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

Now, is it Dr. Yarrow?

Dr. Stephen Yarrow: It's Dr. Yarrow.

The Chair: Accept our apologies.

Mr. Chancey, anything to add at this point?

Mr. Glyn Chancey (Director, Plant Production Division, Canadian Food Inspection Agency): No, I have nothing to add.

The Chair: All right.

We'll move to Dr. Steinbrecher, please, for 15 minutes.

Dr. Ricarda Steinbrecher (Co-Director, EcoNexus): Thank you.

My background is as a genetic scientist, and at the Convention on Biological Diversity, which was just mentioned by my colleague here, I represent the Federation of German Scientists. In that way, I represent Germany and the U.K. a little bit in my nationality.

My concern is also with the Cartagena Protocol on Biosafety, so I've been here in Montreal at the negotiations a number of times. It is also that expertise around biosafety and gene regulation that I bring to this meeting.

Briefly, with respect to GURTs, as we call it in the CBD, it is genetic use restriction technology, otherwise referred to as terminator technology, in respect to seeds that are sterile. And as we heard, we also have the other variety, which are seeds that will not express certain traits of plants unless sprayed. In addressing this topic, I want to proceed under four headings: the purpose of GURTs; the design of GURTs; the specifics of it in comparison, for example, to other GMOs or to seedless grapes or hybrid seeds; and the problems with GURTs, the risk scenarios and potential impacts on farmers.

Briefly, to the purpose, as I see it, it's twofold, according to its original design—I'm now talking about terminator technology or V-GURTs. According to its original design, it is intended as an IP

protection—protection of intellectual property—or as it's called by those who are currently developing it, Delta and Pine Land, TPS—technology protection system. It is to protect the technology of those who develop it, meaning that the farmers cannot reuse any saved seed.

The second purpose is to protect the environment from contamination. If I have sterile seeds, then anything that escapes will not be able to multiply in the environment. It is predominantly under that heading that it is discussed by regulators, and I will go into that a bit more in a moment.

Just briefly on the design, it has three major components. The first component is to have a toxin gene, a gene that produces a toxin that is lethal to the cell, to the plant. It's not a toxin gene when it's consumed; it's just to kill the cell. A toxin gene is put into a plant that then is supposed to be expressed, activated, at the very late embryonic stage—that is, when the seed is already developed. Then the gene will switch on so that the seed can't sprout, and the embryo will be terminated.

The problem, of course, is that if I'm the seed multiplier, how do I multiply it if my plant doesn't produce fertile seed? I need to prevent this gene from being active for the multiplication purpose; therefore, I block this gene from being active by putting, literally, a block in front of it. Now, I need to be able to switch it on later. So what do I do?

I now take a next set of genes, which has something we could say is like a molecular scissors, an enzyme that will recognize this block that I've put in and cut it out so that the gene can then become active.

• (1115)

But you can see that I now have a problem. I have put in a set of molecular scissors. I need to regulate them because, at one point, I will want to give the seeds to the farmer and I want the whole mechanism to be activated. I need a third set of genes that now have a repressor built in to repress the molecular scissors.

It's what we often refer to as the gene switch or gene switch technology. It means we have a component that's often taken from bacterial background, because it's been well researched, which will then react to chemicals.

In the original design, for example, tetracycline would be the trigger for the whole mechanism. This is not used in the model any longer, but alcohol-triggered mechanisms are thought about now. It means the plants are treated or something is added to the seed coating, and the mechanism is then triggered.

From the scientific perspective and my analysis and that of many of my colleagues, the problem is that we can't look at whether a whole plant works or doesn't work. I can't give you that analysis. As Stephen Yarrow already explained, GURTs do not exist yet. No greenhouse trial data is available from Canada or from anywhere else. It does not exist, and it's therefore hard for us to now give you all the details of an analysis.

We can tell you about individual components, how they work when you put them into a plant, and whether or not they work 100% reliably. I don't want to go into the details here, but if you look through all the literature or at the experiments of colleagues, it's not the case that they work 100% of the time.

For example, we have a problem with gene silencing, which is a phenomenon mostly seen in plants that have been genetically modified, where plants switch off a gene that has been introduced. In this case, you can see that it's a very complex system. There are many areas where a plant can interfere, for example, by silencing a gene. It is a problem.

Another problem is the inducer. If the chemical I apply doesn't get to all the plants or all the cells at the right time and in the right amount, the trigger will not be switched. Again, the system doesn't work.

Another possibility is that mutations will occur. Of course, it's a biological system. Plants are alive. This changes, and everything changes, otherwise evolution wouldn't take place. But we also need to be able to adapt to other situations.

Mutations and gene silencing are part of the plants' ability to survive. Of course, genes can segregate in the multiplication process. If the genes don't stay together, the mechanism again doesn't work.

To put it in a summary, we have a technology in front of us that, by its design, is very vulnerable and will in all likelihood be unable to produce to 100%. The components don't, so there is no reason to believe the whole will. We therefore need to regulate and do risk assessments for both scenarios of when the terminator technology will work and when it won't work. We need to look at both.

Common to both is the fact they produce pollen that will be able to cross-pollinate. The idea of protection against contamination is only for seed of the second generation to regrow. Pollen can cross-fertilize into nearby farmers' fields or into relatives elsewhere and will therefore give rise to seeds that potentially contain all the transgenes out of the components produced by those genes.

• (1120)

Thirdly, quite a number of them also will be sterile. So if a farmer saves the seeds, that means he or she can't reuse them in the way they had before, because now there will be less yield because some of the seeds will not grow anything further. Therefore, a farmer can't rely on their own seeds any longer. That means that in a way it's undermining the capacity of farmers to save seeds.

Another area, of course, is that for a farmer who wants to sell their crops, let's say terminator technology was being used in order to grow crops with pharmaceutical compounds in them, which definitely you don't want to have in a food crop that you want to sell on the market—if it's contaminated, then you can't sell it. So

terminator technology, in that sense, or V-GURTs, do not work as a biocontainment, because the genes can spread, and in some cases they are inheritable.

Just briefly, what is the difference between these and other technologies that we have? For one thing, there are other ideas about containment tools using other methods, for example, putting genes into chloroplasts. I will not go into these details. According to analysis done by various scientist groups, including the National Academy of Sciences in the U.S.A., none of the methods available to us so far, including GURTs, is able to really work reliably. So we don't really have a tool at hand.

The other aspect I said I would mention is what now makes it different from other genetically modified organisms or different from, let's say, hybrid seeds. The difference is, as I mentioned earlier, that it is a gene switch technology—it is designed to be controllable from outside—so that by application of chemicals either certain traits or fertility will be available only when the plant is treated, and in that it is a completely different category.

It is also a completely different category if you look at terminator technology in that it carries completely different risks. The risks, from the scientific perspective, include a false sense of security. If you think it works and then it doesn't work, what happens then?

For example, if you have seedless grapes or seedless melons, yes, you can't use them in order to grow plants, but you are not growing the melon in order to save the seeds in order to grow another crop. You're growing the melon in order to sell it on the market, and then the consumer enjoys not having to take the seeds out. So that's completely different. If that should go wrong, nothing actually can happen. Yes, you will find some seeds in your grape, but that is not a biosafety concern.

However, if terminator technology does not go right—that means if it goes wrong, and it will go wrong in quite a number of cases—then there is a serious problem. Therefore it should not be likened to or compared on the same level as seedless fruit. Can one liken it to hybrid seeds? Actually, one cannot, because you can still replant not the hybrid seeds, but the seeds from the harvest. They will not breed true, so you don't get a uniform crop, but the seeds are still fertile, and farmers in parts use exactly those for further breeding, whereas V-GURTs, terminator seeds, will actually not grow at all.

•(1125)

So if you want to compare, we actually have nothing that compares to GURTs. GURTs is a category on its own, and in that sense it needs to be regulated specifically. This is exactly what the CBD has done in its decision, following all nations' agreement on a moratorium on field releases until we have further scientific data. Also, there has been agreement on no commercialization until we also rule out that it is safe, until socio-economic risk assessments, impact studies, etc., have been done.

As background information for you, the Convention on Biological Diversity is looking at GURTs as a category in its own right.

Thank you.

The Chair: Thank you, Doctor.

We'll now move to Ms. Dewar for 10 minutes, please.

Mrs. Denise Dewar (Executive Director, Plant Biotechnology, CropLife Canada): Good morning. My name is Denise Dewar, and I'm the vice-president and executive director for plant biotechnology with CropLife Canada.

CropLife Canada is the trade association representing the developers, manufacturers, and distributors of plant science innovations, pest control products, and plant biotechnology for use in agriculture, urban, and public health settings. CropLife Canada's mission is to support innovative and sustainable agriculture in Canada, in cooperation with others, by building trust and appreciation for plant science innovations. We stand for safety and innovation.

Safety is delivered to all Canadians by protecting human health and the environment through industry-led stewardship initiatives and a rigorous science-based regulatory system. CropLife Canada is a pioneer of industry-led programs through our stewardship's first commitment to responsibly manage the life cycle of all our products, both pesticides and plant biotechnology, from discovery to consumers. Our programs are recognized nationally and internationally for the results they deliver.

CropLife Canada members want to play an important role in enhancing the value of Canadian agricultural production by introducing innovations to agriculture. We recognize that Canadian producers have been experiencing enormous pressures, with border closures resulting from BSE, historically low commodity pricing, and competition from countries such as Brazil, whose agricultural production is growing at an extraordinary rate.

Our members have worked and continue to work toward bringing innovative products to Canadian agriculture, offering farmers new seed and trade technologies as well as the latest advancements in pest control for crop protection. These new tools provide farmers with improved yields, better pest control, higher-value crops, and lower production costs. In addition, the technologies currently in the research pipeline of the life science companies have the potential to revolutionize agriculture as we know it today. Crop plants will be the platform of the new bio-economy, which is estimated to reach some \$500 billion by 2015.

We often hear the saying that oil is black gold. Well, the vision for agriculture from CropLife Canada member companies is that

agriculture will be the new green gold. Plants will be used to produce renewable energy, plastics, fibres, new materials, nutritionally enhanced foods, and safer, more secure supplies of medicines. We believe that new technology is part of the solution to the current challenges facing crop agriculture. We want Canadian farmers to benefit from this tremendous opportunity by capturing their share of the growing bio-economy.

Today you are examining one type of technology that is still under development in laboratories, not yet in the field trial or in the marketplace. Some call it terminator gene, which is a catchy expression, but absolutely inaccurate and misleading. I would like to take a few moments to give you our perspective on this technology, how it works, and what it can deliver to Canadian farmers.

Our industry is all about delivering interesting and valuable traits to farmers through seeds and crop varieties. From traditional plant breeding to more recent advanced genetics, the aim is the same: to provide added value and improvements to the crops we grow through increased yields, pest and disease resistance, improved nutrition, and in the future, the ability to grow industrial products such as plastics, pharmaceuticals, fuels, and other materials from a renewable resource.

By exploring how plants can be used in novel ways, we have made new discoveries, as well as discovered new ways to improve upon known results. We call one area of discovery GURTs, or genetic use restriction technologies. It's not a catchy name, but it is scientifically accurate. One type of GURT can impart seed sterility. This is known as varietal GURT or V-GURT. Plant breeding resulted in seedless grapes and watermelon, and seed sterility, the inability for a seed to reproduce. This technology is no different.

We see real benefits to this technology in certain situations. For example, seed sterility technology prevents the unwanted transfer of genetic properties to other plants. Simply put, they block the possibility of engineered genes from ending up elsewhere. This is an advantage when growing crops that produce industrial products or pharmaceuticals in an area where there is also food production. This is also an advantage for neighbouring farms producing organic crops. There is no longer a concern about the potential for pollen flow. In addition to the already very strict rules governing the production of industrial products, including pharmaceuticals and plants, this technology is another tool that can provide benefits.

•(1130)

Critics say that this technology threatens farmers in the developing world by preventing the saving of seed from this year's crop for next year's planting, but these seeds are not designed for developing world farmers. These are designed, in part, for farmers who already buy new seed every year. Most farmers in the developed world buy hybrid, certified, or transgenic seed each year. These types of seed cost more but produce far better yields, protect the environment, or cost far less to grow, so the farmer gains in the end. Farmers in Canada have voted with their seeders by rapidly adopting these technologies.

Another type of GURT acts as a switch, similar to a light switch in your house, that only switches on when needed. This is known as a trait GURT or a T-GURT. Examples of this technology include enabling a plant to switch on its ability to withstand drought conditions only when a drought occurs. In non-drought conditions the plant would not express this gene, allowing it to devote its energy to the crop itself.

While we are developers of innovations for agriculture, we support farmers' choice in production systems, such as conventional, organic, or biotechnology-based agriculture. We also support farmers' choice in seed varieties to decide which varieties deliver the highest returns and benefits. As with all agricultural inputs, if varieties with this technology do not provide a significant financial benefit, farmers will remain free to use varieties that do not contain GURTs, and free to use farm-safe seed, as appropriate and allowed under local customs and laws.

We are asking you, as parliamentarians, to support the evaluation of GURTs and other technologies through a science-based regulatory system, and on a case-by-case basis, so the benefits and opportunities of innovation are made available to Canadian farmers.

Thank you for your interest in this topic. I look forward to answering any questions you might have.

The Chair: Thank you, Ms. Dewar.

We'll now move to the question round.

Mr. Boshcoff, five minutes, please.

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

Talking about biocontainment, gene silencing, genetic contamination, monocultural susceptibility, market control, and system sterility inducers kind of tells us the future is with us now.

I'll ask my questions and then you can answer them, perhaps in order.

For Dr. Steinbrecher, is there a need for a moratorium or a prohibition on the commercialization of terminator seeds? If there isn't, would that result in a world monopoly on all or most seeds that would be owned by a few essentially world monopolies?

For our friends from the government side of things, Canada signed off in Bangkok, and I think we would like to know why.

To CropLife, you mentioned the explicit benefits of the continuation of genetic alteration. They seem to be primarily

financial. I think we're looking for the good of humankind here, so maybe you can address it in that way.

Thank you.

Dr. Ricarda Steinbrecher: I'm afraid I will not be able to answer all your questions because some of them fall outside the frame of my expertise, but I'll try my best.

Mr. Ken Boshcoff: If you could, please answer the first two.

Dr. Ricarda Steinbrecher: You wonder whether there is a need for a moratorium. Reflecting good science and good scientific practices, the precautionary approach is part of that. That means if we do not have enough information but have enough evidence to believe there are risks—and some of the risks are severe—then it is good practice to say this should not be released until we have further information and knowledge. Exactly, that is a moratorium.

The Federation of German Scientists supports the moratorium as expressed by the CBD, and it's also my opinion.

Was your next question, what is the consequence if there isn't one and the technology is used?

•(1135)

Mr. Ken Boshcoff: Yes, a world monopoly.

Dr. Ricarda Steinbrecher: If it should work, that is. I still haven't seen evidence of the technology actually working.

But from my understanding through working with governments and farmers in the south, there is a concern of loss of farmers' seeds and varieties and biodiversity. In two respects, there is a worry. One is the implications for health, because we also require a certain diversity in order to cover nutritional needs, but also in terms of farmers, that they can have their livelihoods.

My concern would be if seeds were only produced for sale, to give to farmers from the perspective of financial gain. If that was the only motivation to breed seeds, that would worry me. For example, IRRI or other institutes will actually research and produce seeds really with the needs of farmers in mind; they're not concerned with sales.

I feel this is something that really will need looking at, but that would exactly be the socio-economic implications that are required to be looked at by the CBD. But that is not my expertise, so I'll have to pass on that.

The Chair: Thank you.

Dr. Yarrow.

Dr. Stephen Yarrow: Thank you.

On your question about the Canadian government position in Bangkok, the meeting in Bangkok took place in early 2005. It was one of a series of meetings under the umbrella of the Convention on Biological Diversity. I will quote just part of the recommendation from that convention, which was actually set in the year 2000 but it gets revisited at these various meetings. It's a bit wordy, perhaps, because it's a UN recommendation. It states:

in the current absence of reliable data on genetic use restriction technologies, without which there is an inadequate basis on which to assess their potential risks, and in accordance with the precautionary approach, products incorporating such technologies should not be approved by Parties

—such as Canada as a party—

for field testing until appropriate scientific data can justify such testing,

We're just talking about field testing at this point.

In our view as the Food Inspection Agency, which oversees field testing of plants with novel traits, products of agricultural biotechnology, that is the context in which we work. We will not allow field testing to take place until there has been appropriate scientific data to justify the testing, justify the safety of the testing, justify the appropriateness of conducting these sorts of trials, and having a full scientific understanding of the traits being tested.

Generally speaking, I think most people would agree that in order to be able to understand fully these new types of technologies, one should allow field testing as long as that's done under very safe, stringent conditions. That speaks to the sorts of programs that the agency oversees. Without that field testing, how do we know what the risks are for new traits through biotechnologies such as GURTs?

I should add, just because hypothetically one would allow field testing of GURTs to take place, that does not necessarily lead to commercialization per se. That's just one step in the life cycle of a research project, as such.

So it is our view at the Food Inspection Agency and with other colleagues in other departments in the government that this recommendation of the convention is not per se a moratorium. It's not a blanket ban on research, but it is allowing such research to take place on a case-by-case basis using the precautionary principle. From an agency perspective, that mirrors what we do already, to allow these trials only when we're satisfied that they can be conducted under safe conditions.

I hope that answers that your question.

• (1140)

The Chair: Thank you, Dr. Yarrow.

A short point, Ms. Dewar.

Mrs. Denise Dewar: I think the question was, what are the advantages, other than intellectual property, in a more global context? Clearly, protecting intellectual property is an option for those of us in the developing world, where farmers buy their seed every year, but we do think this technology does bring opportunities to the developing world. Gene-switching technology is a very valuable technology, turning on drought tolerance in areas where drought is really a problem in the developing world, or disease and insect tolerance. Disease and insect pressure is much more persistent

in developing economies. Where the temperature is higher, they have more disease infestation.

So we think these technologies can bring tremendous opportunity to the developing world when the time is appropriate and when the safety assessment has been done, as outlined. It can't be introduced before that time.

The Chair: I am actually going to have to move on. We've used eight and a half minutes in the first five-minute question. Mr. Boshcoff always gets three or four questions and then moves on. Good tactic on his part.

Monsieur Roy, five minutes, please.

[*Translation*]

Mr. Jean-Yves Roy (Haute-Gaspésie—La Mitis—Matane—Matapédia, BQ): I am going to ask you a question that you will be able to answer.

Given your statements, it is clear to me that today we have no assurances whatsoever that the use of the technology we are talking about here is safe.

It is my understanding that you hold doctorate in biology, but I am not sure. At one point, we learned that those seeds that are indigenous, that are natural and that have been strengthened by the use mankind has made of them, are most of the time much more resistant than these other seeds and much more efficient, especially in the case of developing countries.

Is there any point to developing this technology, given that all we really have to do is adapt the seeds we already have, which are natural, and to make them stronger naturally rather than through technology?

By engineering this type of seed, will we not be harming all of the work done over the course of 10 000 years to develop these seeds which are very performing, although they are perhaps a little bit less performing than what we would like?

[*English*]

The Chair: Was that question directed to someone in particular?

[*Translation*]

Mr. Jean-Yves Roy: My question is for Ms. Steinbrecher.

[*English*]

The Chair: Dr. Steinbrecher, please.

Dr. Ricarda Steinbrecher: May I briefly also say that I agree that at a certain stage field testing is required if one wants more data, but we do not have enough data yet in order to actually have a scientific reason to do field testing. We need greenhouse trials first. That is the sequence. That's where we are at, then we can see later....

What you're saying is very interesting in terms of seeds actually having the capacity to be drought resistant. If you go to Ethiopia and use the test they have...actually, it's a plant that, because it is not uniformly monoculture-bred—it has all the different variations—actually has the capacity to withstand drought as well as heat, as well as too much rain. It's all in there, and the plant knows very well when a situation arrives to switch its own genes on in order to defend itself. Plants have hundreds of chemicals to defend themselves against insects.

The problem is if you have a uniform crop, where all the plants have the same vulnerability, and then if one disease comes, they all go. That is the problem. If the attempt, then, is to change that by genetic modification techniques, then I think your question is right. Could we do the same thing by just breeding differently again or by looking for seeds that are already available? It's a question of which route one wants to take. Genetic modification in itself introduces mutations. Transformation techniques to clone a plant up again from cells...you would need a lot of chemicals. It's actually used by breeders to create mutations and new varieties.

So the methods we are using are mutagenic. That is also why, in order to have genetically modified organisms safe again, you need a lot of back-crossing before you can actually use it. So I think we have to also understand that there is an urge in the scientific community to understand plants better, and I would support that. Genetic engineering is a really beautiful research tool. So I would like us to be able to use it, and the information we find is going to be helpful for breeding and improvements.

Yet it does not mean that all the ideas that come up...that one can use a drought switch. There is not one gene for drought resistance. It's a very complex system. There are probably 10 or 12 different genes and mechanisms involved for drought, so sometimes these work like, okay, we have this resistance or that resistance—say, salt resistance. Although it appears as a trait, there are so many genes involved in it, and quite often it's just illusory that we might ever be able to control it or use that as a switch.

•(1145)

The Chair: Thank you, Mr. Roy.

Mr. Began, five minutes, please.

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

I want to thank everyone for coming in today.

I'm having some difficulty in the analysis that Dr. Steinbrecher brought to the table today, that GURT technology is not comparable to seedless fruits or to hybrids. I'm a farmer and I represent a large constituency of farmers in my riding. They're making a lot of use of hybrid crops—hybrid corn, hybrid flax and soybeans. I know for a fact that those hybrid crops in most cases do not reproduce. I look at hybrid flax; it doesn't have the ability to reproduce itself. The technology is there just through simple plant breeding, without having to go through genetic modifications.

We still have an enormous number of varieties out in the marketplace. Farmers can pick and choose what they want to use, what best suits their farming practices, what suits their environment, and if it's a GURT technology that works, they should be allowed to

use it to maximize their profits. The reason they are using hybrids right now is that they're getting higher yields, and their goal is to sell that entire product. It's either going into the food industry or it's going to end up in the biofuels industry.

My comments are directed to Dr. Steinbrecher and Madam Dewar, so that you can enlighten us a little bit more. I really cannot correlate the information that was presented with what's actually happening out in the field and what we, as farmers, need to do to be more profitable.

If you can keep it short, I will split my time with my buddy Larry.

The Chair: Ms. Dewar.

Mrs. Denise Dewar: That's a great point. That's the comparison we're using, that these tools are already available in conventional breeding.

GURTs are a recombinant DNA technology; they are a new way of using seed sterility. But essentially the outcome is the same. Seedless grapes and seedless watermelon are not genetically engineered, but the outcome is the same. They don't reproduce, but they still have value. They still have benefit to the farmer, whether it's increased yield or sale of melons, whatever that may be.

Our message is let us move forward and work on the science. We think there are some pretty interesting applications here that could have benefits to agriculture. Certainly, the research is still in the laboratory phase. It's not yet in the field. It's not yet in the commercial marketplace.

•(1150)

Mr. James Bezan: This technology isn't going to replace the varieties that are already out there or the plant breeding that's happening at Agriculture Canada research stations. It's not going to be all this privatization and control of the gene pool.

Mrs. Denise Dewar: No, certainly not. Our members are all about farmer choice. We supply farmers with GM seeds. We supply farmers with non-GM seeds—also with herbicide tolerance in them, but they're non-GM. We supply farmers with conventional pesticides. Our members also sell organic pesticides.

Farmers are our customers. Our industry is really all about making sure they have choices to use whatever is most appropriate for their farm.

The Chair: Dr. Steinbrecher, please.

Dr. Ricarda Steinbrecher: Thank you for the clarification. Hybrid seeds are not defined as producing sterile seeds, but for some of them, of course, the seeds will not be able to be used. I am not knowledgeable enough on this, and that's why I would need your help. What would happen if those hybrids you were mentioning were out-crossing? Because the flax will produce pollen, I presume.

Mr. James Bezan: Flax and corn, yes.

Dr. Ricarda Steinbrecher: That will go to neighbouring fields. If the neighbour then uses flax for which they keep the seeds—I'm not familiar with this—would the seeds that farmer collects be affected? Would they be sterile because you used the hybrids?

I don't think that is the case, but I do not know.

Mr. James Bezan: There haven't been any cases like that.

Dr. Ricarda Steinbrecher: What I find to be the crucial difference is that you know the seed you are buying, how it performs. It's been tested, it's reliable, and you know what you have, and that is crucial for the farmer. That is what is lacking in the design of GURTs technology. It is not reliable.

Of course, research shouldn't be stopped in the laboratories. Greenhouse data is really welcome. Nobody is talking about that. But the illusion that it would offer a farmer a reliable seed and therefore farmers would ask for it because they feel it might benefit them is just not something I can give assurance to. I feel it's not going to be reliable at all—and that's what farmers need.

The Chair: Thank you, Dr. Steinbrecher.

Mr. Miller, you have 30 seconds.

Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC): And I will be very short.

I'm a farmer, just like my colleague here. And my problem with this whole thing is that I want farmers to continue to have the choice to keep their own seed. But at the same time, I recognize the importance of research and what have you to improve varieties.

Just so I'm clear here, Ms. Dewar, you say that the farmers will still have that emphasis. I want to be assured that the same emphasis and effort is going to be put in by the seed companies to keep up the research for new things, but that at the same time we will still have the quality being raised and the choices that I want to keep or don't want to keep as a farmer.

I'm getting mixed messages from you, Mrs. Steinbrecher, as well—or from the two of you—on cross-pollination. And I guess I'm having a hard time accepting that, because I know that for corn and, as James mentioned, flax, it isn't a problem. I would have to have something more that actually shows me as a farmer and as a politician that there is going to be negative cross-pollination. I just don't see it.

Dr. Ricarda Steinbrecher: Terminator technology, GURTs technology, as designed.... You can look at all the different patterns that have been described or at what is put forward by Delta and Pine Land, and—I am sure my colleague here will agree with me—there is no sterile pollen. Pollen is produced and will out-cross, and there is no design to prevent that from happening.

So I think you will agree with—

Mrs. Denise Dewar: I think that's where the technology is today. That's where the science is today. That's why we're not yet in field trials. That's why we're not yet at commercial production.

I don't disagree that the technology has not yet proven itself, but the science continues. That's our request: allow us to continue with the science, to prove it, so we can find these mechanisms that will work on the farm in a reliable way.

• (1155)

The Chair: Thank you, Mr. Miller.

Mr. Atamanenko, you have five minutes, the final five minutes, please.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): I have the final five minutes.

Thank you very much for being here.

In the document I have in front of me that we talked about and that you left with me...and I'm going to address this question to Dr. Steinbrecher. You mentioned, and you talked about it today, that if varieties with GURT technology do not provide a significant financial benefit, farmers will remain free to use varieties that do not contain GURTs and will be free to use farm-safe seeds of these varieties as appropriate and as allowed under customs and law. So what you're saying is that if people have a choice, they can use either/or.

What I'm hearing, Dr. Steinbrecher, is that there might be a potential danger in this because of the pollination, and I'd like you to expand on this, if you could, please. Dr. Steinbrecher, is there a danger in farmers having a choice and using terminator seeds in addition to other seeds?

Dr. Ricarda Steinbrecher: I feel that this is exactly why we need the impact assessment, why we really need to look at it. I can point at risks. I cannot give definitive answers here. Scientists actually are the last ones one should ask for a definite answer to anything. They're constantly on the search for truth.

I feel that there is a risk, yes, definitely, that farmers could lose their own varieties if they grow their fields too close to a GURT crop. But then again, there are implications that need to be assessed. If there is the understanding that farmers should have the right to keep their seeds, if that is the understanding, well, then you need to look further into this problem. If the understanding is that farmers should not, that it's not a right, then you don't have a problem if the farmer can't save the seed.

Do you see what I mean? This is something I feel society, politicians, and farmers should come together on and ask if that's a risk you want to take, if that's where you want to go.

Mr. Alex Atamanenko: Thank you.

Dr. Yarrow, you mentioned that Canada is following the will of the global community in regard to the convention on biodiversity, and yet the convention does not support a case-by-case basis; it supports a moratorium. Yet Canada seems to be moving off by itself in a statement in which it says it does support case-by-case. And we're hearing that we need more studies, more evaluation.

Should we not be doing this together with the world community, and not just going off and looking at each case that may come up? I don't quite understand our position here vis-à-vis the world community.

Mr. Stephen Yarrow: I must admit that I'm a bit confused as to how some people interpret the recommendations of the UN in one way or another. Certainly our read is that we should be taking a precautionary approach to this. Field trials should not take place.

In other words, releasing these things into the environment should not take place unless there is scientific data to assure the regulatory authorities that to release them would be a safe activity. Without that information, speaking for the Food Inspection Agency, we would not allow their release.

Mr. Alex Atamanenko: So the implication is, are we working just by ourselves, or when we're doing this, when we're assessing this, are we working with the world community and with CFIA's equivalent in Germany, England, Australia, and India?

India and Brazil have banned terminator technology, for example. They must have had some reason to do that. Are you working with other countries? Are we doing this before we go into this case-by-case assessment? I'm getting the feeling that we're not, and I'd like some clarification on this.

Dr. Stephen Yarrow: Okay, if I may, one thing to remind the committee—and it has been stated a few times—is that this technology doesn't actually exist yet, so we haven't received applications for us to look at. It's very much a hypothetical.

Have we been engaging with other countries on this hypothetical technology? No, not as such, but as Canadian regulators, we certainly have been engaging with our counterparts, regulatory agencies across the world—U.S., India, and China—about biotechnology regulation in general, and that would then give us an avenue to discuss GURTs when the time is appropriate.

• (1200)

Mr. Alex Atamanenko: Thank you.

My last question, or hopefully not my last, is for anybody—

The Chair: It will be your last one.

Mr. Alex Atamanenko: The last question is like the last supper right now.

You mentioned that this technology is not designed for the south, and that if we had this technology, it would be for our farmers to take advantage of this. Is it not true that we can contaminate the environment and the food chain, that even though the technology's available in North America, it can get to South America or all of Latin America, or hop on a boat and wind up in Europe?

Is there not a danger that if we release this, there can be contamination of those farmers and their food supply that rely on

saving seeds, maybe more than people in southern Alberta, for example? That's the question.

Mrs. Denise Dewar: Certainly we export grain all over the world, but I think it's important to point out that the grain we export is approved for both environmental and food safety, so that has to be done before the grain can go anywhere.

I think what you're getting at is concern that somehow the seed sterility technology will get into conventional varieties in the developing world. The reality is that even if it did out-cross to a conventional variety in the developing world—which in and of itself scientifically is not likely from an out-crossing standpoint, because they grow different varieties than we do in North America—plants are programmed to always be able to reproduce. They select for genes that encourage their reproduction, so scientifically it's very unlikely that a gene for not being able to reproduce itself is going to be selected in the generational process. There are a series of scientific barriers that would have to be overcome before this could happen.

Of course we also sign on to several international protocols, and the biosafety protocol is an international agreement that's under development. If and when this technology comes forward, it would have to be applied under those international agreements, so I don't anticipate that this a problem we would foresee.

The Chair: Thank you, Mr. Atamanenko.

Thank you, ladies and gentlemen, for your presentation today. You just whetted our appetites. I'm sure we'll be back to this issue come the new year. I'm sure this meeting will continue at that point.

Right now, we will suspend as we clear you witnesses and bring our next group up to the table.

We have a fairly tight schedule today, so ladies and gentlemen of the committee, keep your seats, if you can. We'll move right on as quickly as we can.

We're suspended at this moment.

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_____ (Pause) _____

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• (1205)

The Chair: With us this afternoon, we have Adrian Measner, president of the Canadian Wheat Board, and Mr. Ken Ritter, chair of the board of directors.

Welcome gentleman.

Just before we start, I have a little issue that I would like to clarify. This is a statement that was made by the chair of the Standing Committee on Canadian Heritage yesterday on the *sub judice* convention. It could be of interest for us today. We had a steering committee meeting on Tuesday to cover off some of these issues, but I just want to get this on the record ahead of time:

As you are aware, some of the matters which we may be examining over the next couple of meetings are the subject of legal actions. As a result, I would like to take this opportunity, before we begin, to remind members of the *sub judice* convention, and to outline how I intend to deal with any issues that might come up.

As stated in the *House of Commons Procedure and Practice* on page 534, "The *sub judice* convention is first and foremost a voluntary restraint on the part of the House...." Members of Parliament may therefore decide to exercise a certain degree of restraint when considering matters that are before the courts. While members are free to go about their business freely and without interference, they are also reminded to take into consideration the role of the courts. Accordingly, members and the committee may choose not to do or say things that would prejudice any lawsuit.

Witnesses and members may discuss the various policy and program issues that are before us. We are not here to decide or pass our judgment on the merits of any legal action. Witnesses are not here to plead their legal case, nor are members here to try to bolster or undermine one side or the other in any litigation. If I believe that witnesses or we [as members of Parliament] are straying into any lawsuits or legal matters, I will remind the participants to return to the parliamentary arena.

If we all remember our purpose here, while recognizing the proper role of the courts, I am certain that I will not have to make any interventions.

Thank you.

Mr. Anderson.

Mr. David Anderson (Cypress Hills—Grasslands, CPC): There are things I want to say.

This committee has had good cooperation in the past. It has worked well together through this fall. One of the successes we've had in particular has been the Canadian Grain Commission report that we released the other day.

There are a number of recommendations in there. There are a dozen of them. They are good ones, we think. It looks like the grain industry has welcomed them. There were a couple in particular that I think we are really proud of. One is the position we took to enhance producer cars and to strengthen them in the future. There is a position, as well, where we felt the grading system needed to be changed and KVD opened up so that farmers have more opportunities. I think a third one that we thought was a good choice was the office of farmer advocacy, with its six regionally based commissioners. We've also had good rapport on things such as the potato file from Quebec and other issues through this fall.

I only mention that because people need to understand that we do work well together. We've worked well on most issues through this fall. We also know that the Wheat Board is, and has been, a contentious issue. We know there are a lot of different opinions on that issue.

I want to talk a little about that. I am leading to a point—

• (1210)

Hon. Wayne Easter: On a point of order, Mr. Chair, we have witnesses here. I don't know whether Mr. Anderson is trying to delay time so we don't hear our witnesses, but Mr. Chair, they are here and ready to take questions. It was agreed to by a committee previously.

The witness list of December 5 is basically similar to this witness list.

I would ask that the chair get to the subject at hand, which is to hear from the Canadian Wheat Board on what Mr. Anderson says is indeed a controversial issue. That information needs to get out there.

The Chair: I take that point of order, Mr. Easter, but Mr. Anderson does have the floor.

Mr. David Anderson: Actually, Mr. Easter raises a good point. That is actually coming to the heart of what I want to talk about, the witnesses who are here today. It is important. We want to have hearings. We want everyone to be heard.

A number of times through the fall, Mr. Easter insisted that we have extra hearings on this issue. We all put forward our witness lists, and we've been able to bring our witnesses in. Each side has submitted its witness lists. Both sides have been heard. I think it is important to hear both of them.

Unfortunately, the frustration is that I don't think we are going to be able to do that today. Mr. Easter said we need to hear everyone and every perspective and that we need openness and free discussion. But I don't think the opposition is actually ready to do that.

This meeting was set up, and it had an agreed-to witness list. We had a full witness list. That meeting on Tuesday was cancelled because of legal questions, I understand. When it was reconstituted, we were told there was a change to the witness list. Someone was excluded by the steering committee, without the participation or permission of any of the other members.

I have been here six years. I don't think I've ever seen anything like this, Mr. Chair. I think it's important we deal with it today.

Jim Chatenay was the witness. He is here today. He has been good enough to stay. He is a veteran of the board of directors, and he has been a strong voice for farmers. He has come to committee, and he has been here throughout this week.

Hon. Wayne Easter: I have a point of order, Mr. Chair. Table the December 5 witness list, because Mr. Chatenay is not on that list. I have a copy of it. This witness list has not changed.

Mr. Chair, do you have a copy of the December 5 witness list here?

Mr. David Anderson: The witness list we were given indicated that Mr. Chatenay was one of the witnesses who would be here. He was put on the list and we requested that he be here.

On Tuesday, the steering committee did something they have never done in the six years I have been here. They met behind closed doors. We're not privy to what went on there, but when they came out of that meeting they had altered the witness list. They closed the witness list to deny somebody who was scheduled and had been requested to appear here at the committee. This was done, as far as I know, without their talking to any of the regular members of the committee. The proceedings were secret.

I think questions need to be asked and answered about what went on behind closed doors. More importantly, we need to understand why this was done.

I think I can explain. It's important that opposition members understand that western Canadian farmers have wanted choice for decades. This issue has really been brought to a head in recent years. Let me give the opposition members a little bit of the history.

In the early 1990s, a fall frost froze much of the grain in western Canada. We were told by the Canadian Wheat Board at the time that it would be very difficult or impossible to move that grain. So farmers started looking around for their own markets. They decided to take samples across the border to see if they could get their grain into the United States. They found out that the grain was graded differently in the United States. They got a price on the grain and were going to move to take it to the States.

To do that they had to call the Canadian Wheat Board and get permission from them to sell the grain. We gave them the sales information. A few days later we got a call from the companies in the United States and they said, "We're not going to deal with you as individual farmers. We have a sale for this wheat. We have as much of this wheat as we want."

Mr. Alex Atamanenko: On a point of order, this is ridiculous.

The Chair: Mr. Atamanenko.

Mr. Alex Atamanenko: Mr. Anderson is not a witness here. We decided at steering committee what was going to happen. We agreed that we would have two witnesses from the Wheat Board. There are two directors we want to question because they are new and we want to get some facts from them. That was our decision. This is not a presentation by Mr. Anderson.

He will have a chance to ask questions of the witnesses. It is already a quarter after twelve, and I think we should get on with business.

• (1215)

Mr. David Anderson: I have the floor and I'd like to finish.

The Chair: Mr. Anderson, you have the floor.

Mr. David Anderson: Thank you. If they didn't interrupt we'd be done quicker here.

We watched our wheat go down to the United States, and we were paid about 65¢ to 80¢ a bushel less than if we had been able to sell it ourselves. The cost to farmers in our area was \$12 million—the price farmers had negotiated with the grain companies in the United States, compared to what we received through the Canadian Wheat Board.

When farmers realized that, they began to get very upset. Many of them were determined to move their own grain across the border, and they organized to do that. The government of the time pushed back, and I'm glad to see Mr. Goodale's here today, because he was a big part of that.

When the farmers won in the courts, the government changed the regulations so they were breaking the law. There were raids and intimidation. Five government agencies were involved: the RCMP, the CRA, Justice, Customs, and the Canadian Wheat Board. Farmers were intimidated and hassled for a period of time.

A writer out of Regina named Don Baron has written two books, *Canada's Great Grain Robbery*, and *Jailhouse Justice*, that talk about this time in western Canadian agriculture.

Dozens of farmers went to jail as well, for times ranging from a few hours to weeks and weeks. We've all heard of farmers in jail being strip-searched. The relevance of this is that Mr. Chatenay was one of those farmers.

Elections were later held. Mr. Chatenay was elected to the board of directors of the Canadian Wheat Board. He was elected on a clear mandate of reform to bring in a dual market structure for western Canadian farmers. He has been re-elected twice.

Hon. Wayne Easter: Mr. Anderson's points are all related to Mr. Chatenay. I now have in front of me the December 5 witness list. From the Canadian Wheat Board it lists Ken Ritter, chair, board of directors; and Ward Weisensel, chief operating officer. Mr. Chatenay is not on that list. In the second hour, from 12 to 1 o'clock, it shows from the Canadian Wheat Board, Bruce Johnson.

That's all.

Mr. David Anderson: That was the early list that was submitted.

Hon. Wayne Easter: Mr. Anderson said on the record a moment ago that Mr. Chatenay was on the witness list, and that is wrong information.

As Mr. Anderson knows full well, if he wants to get into talking about arrests, the fact of the matter is the laws of the country were broken, court cases were held, and people were charged under the laws of Canada. For a guy who talks law and order to now advocate for people who violate the laws of this country as if they were innocent, that is not proper, in terms of his attack on the Wheat Board.

Mr. Anderson's points are all about Mr. Chatenay, who he claims was on the original witness list.

Mr. James Bezan: I saw it.

Hon. Wayne Easter: He was not. It is right there.

Mr. David Anderson: Mr. Easter knows as well as I do the witness—

The Chair: Just a minute, Mr. Anderson.

The point Mr. Anderson made was that Mr. Chatenay was on a witness list. He did not say it was the original one.

Mr. Measner does not appear on that list either, Mr. Easter. Are you asking that I remove him from the table as well? I don't intend to do that, sir. I will hear Mr. Anderson's point, and we will then move on.

Mr. Anderson, get to the point, please.

Mr. David Anderson: Thank you. I will.

Mr. Chatenay was elected on a clear mandate of reform, bringing a dual market structure for Canadian farmers. He's been re-elected twice, once with the highest majority for that time and then he was acclaimed.

When he came to the board, he was under intense pressure to turn his back on his constituents and give in to the single desk pressure. Although others did so, he did not. He received messages that described his conduct as unacceptable, but he would still not submit. His belief was that by representing his constituents, he was acting in the best interests of farmers and the board. Over the years, he has fought for them.

In doing this, restrictions were placed on him. For example, I understand he could not travel to other districts to meet with farmers without permission. He was hassled over presentations at accountability meetings. He was reprimanded for asking the board and for using board resources to try to get his questions answered. But because he was there, things have changed.

This is a man who has been told he can't speak out and he must toe the party line. He has been reprimanded and intimidated, and it seems to me this is an excellent time to hear from him.

Hon. Wayne Easter: It sounds like the Harper government to me.

Mr. James Bezan: That's out of order.

Mr. David Anderson: It's actually interesting that Mr. Easter would bring that up.

The Chair: Gentlemen, please. Let's have order. We have a meeting to move on to.

Mr. David Anderson: I'm quite concerned that people know what's been going on and how dissent has been dealt with in the past, especially with the Liberal leader saying yesterday that it didn't really matter what the question was or what the farmers decided, he was going to reinstitute the past system.

If you actually look at the editorial in the *Winnipeg Free Press* today, you'll see that they talk about how it is really political pandering. I guess we could talk about it, but the editorial is called "Pandering for votes". In the interest of speeding up my presentation, Mr. Chair, I won't read it.

This is academic to some people in the room, but when we as western farmers hear about Liberals putting things in place whether farmers want them or not, it puts fear into the hearts of western Canadian farmers. It makes good sense to go back, but before we go back, we should hear from someone who has been there.

The real crux of the question around this issue is a question that someone asked me: how can we put farmers in jail in one part of the country but not in the rest of the country when they're doing exactly the same thing? I wish Mr. Easter would listen when I say that, because it's important. How can we put farmers in jail in one part of the country but not in the rest of the country for doing exactly the same thing?

Mr. Chatenay can contribute to this discussion today. He's here today, and he's been around for two extra days in the hope that he could testify. Because he was scheduled to be here, he stayed to appear.

I could go on for the next hour talking about Mr. Chatenay and his story. I'm not going to do that. Rather, I would like to try to be constructive.

In his usual rhetorical style of the past, Mr. Easter has used words about this debate over the last couple of months. I wish I could read some of them. He's talked about the fact that the very principles of a democratic country are at stake. He's talked about things being undemocratic, and he's talked about intimidation and the suppression of information.

The one I liked best was when he was talking about the fact that in communist Russia, when people disagreed, they simply disappeared. I thought it was interesting, because on Tuesday, I presume because Mr. Chatenay did not agree with certain members of the steering committee, he simply disappeared as a witness.

I'm asking the committee to do the right thing. I know none of us want Mr. Easter's adjectives to describe this committee and its activities, so I'm going to ask for the committee's support for a motion.

The motion is that Mr. Jim Chatenay, Canadian Wheat Board director, be allowed to join the table as a witness.

• (1220)

The Chair: Do you have a seconder for your motion, Mr. Anderson?

Mr. James Bezan: I second the motion.

The Chair: Okay. You don't need a seconder.

Are you speaking to the motion, Mr. Easter?

Hon. Wayne Easter: Yes, I am.

I am very much opposed to the motion, Mr. Chair.

First of all, as I indicated, Mr. Chatenay never made it onto the official list to be invited as a witness. As I said, I do have that, and he was not on the list.

If you're going to invite the head of an organization, then that's what you do. We have a precedent wherein it's the representatives who represent the elected and appointed board of directors. That's who you expect to speak for the organization, not some rebel who may exist on the board.

It's the same principle, as Mr. Anderson knows, that applies to his own party. Garth Turner didn't agree with the party, so he was in fact kicked out. Your key people speak for your party.

Ken Ritter, as chair, and Adrian Measner, as chief executive officer, are here. Let's hear from them. They speak for the board. They have been elected by the board to speak for the board, and they are the board's spokesmen. That's who we want to hear from, and we would like to hear from them now.

The Chair: Mr. Atamanenko.

Mr. Alex Atamanenko: We all understand the positions. I think what we have to do is get down to business.

What we did at the steering committee meeting is invite the board people, Mr. Ritter and Mr. Measner, to come here on behalf of the board. And all of a sudden there was another board director and two new ones, and they're against the single desk. And we thought, okay, we'll have a compromise. We'll hear the two people who are new to the board because we initially wanted to hear one gentleman who was new. There's another person who's new, and then that was the compromise we arrived at at the steering committee, and it was what came out of that meeting.

I think we should just go with that. We can go back and forth all day, and maybe some people would like us to do that, but we do have people who have come here. I think we should just get on with the business.

The Chair: A very short point of order, Mr. Anderson, or are you past that?

Mr. David Anderson: I had a question about whether this was debatable or not, but obviously it is.

The Chair: I think we're done with debate.

I'll call the question on the motion. Those in favour of allowing Mr. Chatenay to be at the table, please raise your hands. Those opposed to Mr. Chatenay being at the table?

(Motion negatived)

The Chair: Mr. Measner, Mr. Ritter, welcome to the committee today. You have a 10-minute presentation, I understand. Will it be Mr. Measner or Mr. Ritter?

Mr. Ken Ritter (Chair, Board of Directors, Canadian Wheat Board): I will begin, Mr. Chairman.

The Chair: Thank you, Mr. Ritter.

Mr. Ken Ritter: Mr. Chairman, members of the House of Commons Standing Committee on Agriculture and Agri-food, I wish to thank the committee for providing the CWB the opportunity appear before it today. With me is Adrian Measner, our president and CEO. After I have spoken, Adrian will also be addressing the committee.

As you know, we were originally scheduled to appear on Tuesday. The comments that Adrian and I had intended to make at that time will be made available to the committee. Also, our written response to some of the erroneous comments made by earlier witnesses who have appeared before you have been sent to the chair.

I wish to advise the committee that as a result of the cancellation on Tuesday, we've had an opportunity to meet with the Honourable Chuck Strahl, as well as the leader of the Liberal Party, the Bloc, and the NDP.

We have known for the past year, ever since it was announced in the last election campaign, that the Conservative Party of Canada's policy on the marketing of wheat and barley in western Canada is that the CWB single desk should be eliminated and marketing choice implemented. Disagreement between the board and the government on such a fundamental issue was bound to create some tension.

There is a correct way and an incorrect way to overcome major challenges of this nature. The correct way is to come to some fundamental agreement on underlying interests. In this case, the

underlying interest must be the economic well-being of the grain producers of western Canada. Any changes, especially in the context of the financial crisis from which farmers are just emerging, must advance the cause of producers' viability and long-term profitability.

The next step is to dialogue in a respectful manner. This dialogue must include a consideration of all alternatives and all options so that both parties feel they've had a full opportunity to make their case. There needs to be agreement on how the issue will ultimately be resolved and who has the final say.

On such a contentious issue as the fate of their grain marketing system, there is no doubt in my mind that the ultimate decision-makers must be the people who are most concerned with the outcome, namely, the grain producers of western Canada. That's why we have director elections and a plebiscite process in our legislation.

Lastly, there has to be a commitment to accept the decision of farmers and move forward in a spirit of cooperation. Unfortunately, there's been very little correct so far about the process to bridge the gap between current government policy and the will of western Canadian farmers, as represented through their elected directors.

We are looking for discussion on underlying interests for real dialogue, for agreement on a process to resolve our differences, and we are willing to commit to cooperate. Most importantly, we are looking for a reciprocal commitment from the government. Barring that, we will continue to face major impasses, like the current one, where the government is preparing to take the extraordinary step of removing from his position as head of a multi-billion corporation our president and chief executive officer, who has the support of the board of directors.

It is time to do things differently and try to set things right. In order to do so, I would like to present the committee and the Government of Canada with a five-point plan for moving forward.

One, the CWB calls upon the government to respect the director election process as a legitimate exercise in democracy and a legitimate expression of farmers' views on their marketing system. The results of the director elections in five of the ten districts in western Canada will be known this weekend. In the aftermath of these elections, we call on the minister to sit down with four elected representatives from the CWB, including directors who are for and against the single desk, to dialogue openly and respectfully on issues of contention between the CWB and the government.

Number two, the CWB calls upon the government to consult with the board of directors in developing clear rules around the upcoming barley plebiscite that the minister has promised for early in the new year. The CWB's board of directors, as elected representatives of the farmers of western Canada, must have a part in determining issues like the wording of the question, voter eligibility, and third party spending limits.

Number three, we must work towards a clearer, better defined process for wheat. The minister has indicated that wheat will not be removed from the single desk before August 2008. But farmers' ability to function in the highly competitive wheat marketplace relies on our reputation as solid, long-term suppliers of the best grain in the world. The current uncertainty that hangs over the CWB is very negative for our reputation. We are beginning to suffer the consequences.

● (1225)

Among the options for bringing greater certainty to the issue of wheat marketing is a binding plebiscite, with a clear question, before any changes are made. As well, there is a need for an in-depth economic analysis of the consequence of having an open market for wheat.

Four, the minister's order in council restricting the CWB's communications activities must be rescinded. If there is concern over how farmers' money is being spent by the board of directors, we are willing to discuss the matter with the minister, but the issuing of directives is not the way to proceed and to build the level of dialogue that we need.

Five, the process to remove Adrian from his position as president and CEO must be halted. Good corporate governance requires that the CEO report and be accountable to the board of directors. The board cannot and should not be bypassed. This board supports the current president and CEO, Adrian Measner.

This five-point plan is a realistic one, and one that can be implemented immediately. It is based on mutual respect and respect for the fundamental notion that the CWB is not a government agency. It is in fact a shared governance corporation in which farmers, through their elected representatives on the board of directors and by virtue of their economic stake in the CWB's activities, must play the dominant role.

Regardless of what has happened in the past, we must take this opportunity today to set ourselves and the western Canadian grain industry on the right path, one that recognizes the central role that farmers must play and that acknowledges the legitimacy of their democratically elected representatives.

Thank you.

Now I give the floor to Adrian.

● (1230)

The Chair: Thank you, Mr. Ritter.

Mr. Measner.

Mr. Adrian Measner (President, Canadian Wheat Board): Thank you to members of the committee for this invitation to appear before you today.

As Ken mentioned in his comments, the minister has initiated a process that will result in the termination of my position as president and CEO of the CWB. In the four years that I have held this position, I can say without hesitation that I have acted in a manner that is consistent with the laws laid out in the CWB Act. I can also state unequivocally that I have executed to the best of my abilities the

policies developed and adopted by farmers of western Canada through their elected representatives on the CWB board of directors.

I have always believed CWB's mandate and mission is to use all of its powers and all of its tools at its disposal to create a sustainable competitive advantage for farmers. I have devoted all of my energies to achieving this mission, and I wish to express my gratitude to Ken and the other elected directors on the board who have devoted their energies to the same cause.

There have been charges that I have failed to plan for contingencies and, more specifically, for the possible elimination of the single desk. This is blatantly false. The CWB's board of directors has been through, on numerous occasions, strategic planning exercises where the full range of options for the CWB's future has been examined. Among these options the possible elimination of the single desk has been advanced, discussed, and analyzed as seriously and as thoroughly as any other alternative.

I would like to know, however, where is the minister's plan? When is he going to consult with the board of directors on the plebiscite as is required under the act? Is he going to respect the farmers' decision when they vote on a barley plebiscite? And if he moves on barley, how and when will he introduce legislation, and what will that legislation look like?

Comments were made earlier this week that the CWB should stick to marketing. I want to say that staff at the CWB remain focused on the tasks they have for western Canadian farmers. Our team continues to field thousands of calls each week from farmers, arranging logistics to move this crop from the Prairies, involving about 220,000 rail cars per year, working with our customers on the technical merits of farmers' products, and concluding sales of these products. We have a very strong sales program in place, and are doing the job that farmers want us to do.

Finally, I'd like to comment on the impact that all of this uncertainty about the CWB's structure, mandate, and leadership is having on our customers throughout the world. The CWB, as Ken has said, is a multi-billion dollar corporation with sales to over 70 countries worldwide. Our very strong business relationship with customers has built up over time. The kinds of changes that the government is contemplating and talking about publicly are disruptive to many of those relationships. Sooner or later sales will be lost, and the farmers of western Canada will suffer. In light of this risk, I can only add my voice to Ken's in calling for a process that is mindful of protecting farmers' short- and long-term economic interests.

Thank you.

The Chair: Thank you, Mr. Measner.

Mr. Ritter, in your opening statement you mentioned a package that had been submitted to me from the Wheat Board. I did receive that. I have given it to the clerk. We're having it translated, and we'll have it distributed as soon as it's translated.

Mr. Ken Ritter: Thank you, Mr. Chairman.

The Chair: We'll go to the opening round of questions.

Mr. Goodale, welcome. Five minutes, please.

Hon. Ralph Goodale (Wascana, Lib.): Thank you very much, Mr. Chair.

Welcome to Mr. Measner and Mr. Ritter. I'm glad we had the opportunity to hear your testimony today.

Let me say that in pretty typical fashion, Mr. Ritter, you have tried to overcome differences, to find some common ground, and to find a way out of what is obviously a very difficult situation that could have some profoundly negative consequences for Canadian farmers, especially in western Canada. So I appreciate your constructive approach.

Some of my questions have been addressed in at least part of what you said, so I'll maybe run through these all together and then between the two of you you can decide how to respond.

During my time as Minister responsible for the Wheat Board a number of years ago, in consultation with buyers around the world, which I had on a very regular basis, I found two things. First of all, those buyers typically did not like the prices the Canadian Wheat Board was seeking, because from the buyer's perspective, they were always arguing that you were asking too much, which I suppose is typical of a buyer. But they did like the board's consistency in terms of its behaviour, the long-term relationships that the board built up, the fact that they could deal with certain people in the sales staff on a consistent basis over time, that the board was very good at providing before-market and after-market services. And accordingly, in that relationship they had a great deal of confidence not only in the product but also in the personnel.

I wonder if you could tell us, as my first question, whether those factors are still critical in terms of the board's success internationally and whether or not the current controversy and the public risk that the board may be diminished or may disappear is having an impact on buyers in the international sphere.

Secondly, domestically, when addressing this issue of confusion or potential future confusion in the board's mandate, people involved in, for example, the milling sector, the malting business and so forth, either in Canada or in the United States, would always say they could probably make either system work from their perspective as a buyer of a certain product. But what they worry about is having a little of both, where they would never know exactly where they would stand. I wonder if you could comment on that situation.

Thirdly, the allegation has been made that the board has not done contingency planning in relation to a number of matters, but most especially what happens in the event that a plebiscite succeeds and therefore the process and the act is triggered, and so forth. Reference was made to contingency planning.

Mr. Measner, I think it would be important for you to give us the assurance in as much detail as you can, as the chief executive officer of the board, that this contingency planning has been in fact undertaken and that the board is in a position to cope with unforeseen circumstances should that contingency arise.

Finally—I think this question is most especially directed to Mr. Ritter as chairman—I wonder if you could explain the practical process that you go through to choose a chief executive officer of the Canadian Wheat Board. What is the process by which that is done—

in particular, the process by which Mr. Measner was selected? Can you speak in specific terms to the performance of the current chief executive officer? I know you've offered some general comments, but I think it's important for members of Parliament to hear your views as chairman of the board. What do the directors think of the job Mr. Measner is doing?

• (1235)

The Chair: Gentlemen, you have 30 seconds to reply. No, I won't hold you to it.

Mr. Adrian Measner: I'll start and maybe just answer the first couple of questions there.

Certainly the brand, what buyers expect from the Canadian Wheat Board, from western Canadian farmers when they buy their product, is consistency. They expect long-term reliability. There's no question about that.

I talk to buyers on a regular basis who say they do not want to buy U.S. grain. They do not know what they're going to receive when they buy that grain until they actually get it to their mill, and they don't like the hassle they have to go through, after they get it, trying to correct some of the inequities that are there.

So, no question, that is the brand we have; 80% to 85% of the buyers in the last survey we did indicated that our service was as good as or better than the competition, and 90% to 95% said that our products were as good as or better than the competition. So we have a very strong brand, and one that customers are looking to us for. They're finding this period very difficult, because they're trying to understand why we're making the changes we're making, how this is going to impact them, whether they're going to have a business partner that they can deal with one year or two years down the road, whether they have to start looking for alternative measures, alternative suppliers, or whatever the case may be. It's a very difficult period for them, as it is for our organization, and the faster we can get certainty around this issue, the better I think Canada is going to be, and certainly the better western Canadian farmers are going to be.

On the domestic side, I do agree with the comments. What the millers and mulchers have said to us is that they appreciate the supply assurance. There are very difficult markets each year, and the dynamics change, and we've always ensured that the domestic millers and mulchers have supplies and are able to satisfy the domestic demand as well as their export demand on the products that they do export.

They indicate that they could live with either system. They do appreciate the system that they have in place with us today and the assurance and certainty that we give them, both on a pricing side and a supply side. They have indicated that they would work with either system, if that were the case, but there's no in between. They do not want to go through a process in between. And I guess after reading the task force report that the government put together, that was the conclusion they drew too. There is no in between; it's either an open market or it is single desk marketing.

You have my assurance as CEO that we have looked at contingency planning very seriously. We are looking at the barley issue very seriously. We will be ready for whatever changes are going to be made there. I do want to know what those changes are. If there are going to be changes, I want to know whether there are going to be guarantees. If we're involved in barley, I want to know if we're going to be able to use the contingency fund to backstop that.

There are just a lot of questions, and that's why I've called on the minister to provide some clarity, so that we can move forward productively as an organization.

● (1240)

The Chair: Mr. Ritter, do you have anything to add?

Mr. Ken Ritter: I want to add about how we select our CEO.

The process began when our then transitional CEO, Mr. Arason, indicated that he was resigning. So as a board we felt very strongly that we had to engage the best practices we possibly could, one that any other corporation in this country would use in order to find a CEO.

We then did a search for, actually, search firms and found the one that we liked for this job. That was the search firm of Korn/Ferry, which is headquartered in Calgary. They then drew up a list of potential candidates, and all I can tell you is that the list had over 25 names. You must recognize that people who were on the list do not want their names divulged, because you're certainly not looking for people who are unemployed; you're looking for people who have a record and can do the job.

There was a rigorous assessment of all the candidates. They appeared before us to answer tough questions that we provided and that were provided to us by our search firm.

Through that whole process, Mr. Measner came to the top. Actually, as the final step of the process, we had the two finalists appear before the full board and give their presentation as to their vision and capabilities and so forth, and the board voted, in a democratic way, to have Adrian as their president and CEO.

In conjunction with that, Mr. Measner doesn't just keep his job without evaluation. Each year, he sets out the goals that he is to achieve, and the board approves that. Then there is a rigorous assessment process of his performance. Adrian's performance has been excellent, and he has the support of his board of directors.

I can just identify one thing that I wish to share with this committee. Adrian is a good man. He is honest. He has integrity and he tells the truth. That is very clear in all assessments that have been made of him.

The Chair: Thank you, Mr. Ritter.

Mr. Roy, five minutes, please.

[*Translation*]

Mr. Jean-Yves Roy: Thank you, Mr. Chairman. My questions will be shorter than those of Mr. Goodale. That way, the witness will have more time left to answer.

My question is nevertheless important. It is a fundamental question I have been concerned with since the beginning and that I have asked of all witnesses who have appeared before us. We have

heard contradictory versions. You have raised indirectly, as did Mr. Goodale, my main concern.

If the single desk for barley is abolished, what will the consequences be for producers? This is my basic concern. Will it be possible for an individual producer to negotiate a better price than what he would get through the board? Are producers individually in a position to get prices that are as good as those of the board?

Mr. Goodale asked that question and you did not provide a complete answer: are individual producers in a position to compete on the world markets in the absence of a single desk? This is my concern.

What will the impact be on producers? Are we going to see prices drop? Will we not be faced with increased competition between all those producers so that, ultimately, prices will decrease? This is my concern.

● (1245)

[*English*]

Mr. Ken Ritter: Mr. Chair, in response to the witness, we have an order in council now that may or may not cover the kind of answer I'm going to give. But let me just answer that I can speak from my heart here on this matter.

This is an issue that farmers understand, sir. They all know what their business interests are. We have director elections that determine which position is the accurate one and which position they want to see come about.

The interesting thing is that a large part of the Battlefords—Lloydminster constituency is now voting in a director election, the outcome of which we will know on Sunday evening. Cypress Hills—Grasslands is a large part of the vote.

Farmers know their business needs. They know what the CWB is about. They make an assessment on that very question that you are asking. We have said as a board, time and time again, that we will always follow the will of what farmers say, what they want us to do, and certainly what they understand is in their best business interest.

The Chair: Mr. Measner.

Mr. Adrian Measner: Again, I am going to be careful here, because there is a director in place, and I respect that.

So I am going to answer with my personal opinion, which I think is acceptable, and that is based on my experience at the Canadian Wheat Board.

In my personal opinion, it is not going to be possible, if we have a number of individuals trying to negotiate the contracts, to get the prices that the single desk does for farmers. I see it in a number of markets. The malting barley market internationally is a very small marketplace with only two or three very large players. Certainly if we turn the supplies of western Canada loose on that marketplace, I think it will depress prices, and farmers will be worse off because of that action.

We continue to try to extract premiums from that marketplace with the single desk, and I think we've been successful in doing that. There have been studies. The Schmitz and Gray study is the most recent that actually put a value on that.

So in my opinion, they would not be able to get the prices that are got through the single desk. But that is my opinion.

[Translation]

Mr. Jean-Yves Roy: Is it not also the board's role to control the quality of the product shipped to the international market? If we have a multitude of sellers, is this not going to affect the quality of the product we export?

[English]

Mr. Adrian Measner: That's the other concern, and that's what we hear from buyers who buy from different systems. They're not able to get the quality of product and the quality control that they get from Canada when they buy in the U.S., European, or Argentine marketplace.

That's a very important factor in the brand that western Canadian farmers have around the world. They have a very good-quality product that is consistent from one shipment to the next. I think from our experience in other international marketplaces that have opened up their marketplace, it is not possible to maintain that quality in that other environment.

[Translation]

Mr. Jean-Yves Roy: Thank you.

[English]

The Chair: Thank you, Monsieur Roy.

Mr. Menzies, five minutes, please.

Mr. Ted Menzies (MacLeod, CPC): Thank you, Mr. Chair, and thank you, gentlemen, for appearing today.

I do want to take exception to what I'll call the hollow argument that the world cares so much about the monopoly in this country. Very frankly, they don't care squat whether we have a monopoly or whether we have an open system. What they care about is price and quality, and the Canadian Wheat Board has no control over either.

It's the farmers who grow the grain who provide the quality. It's the Canadian Grain Commission that grades the grain to make sure that when it's exported, that quality standard is up to the specs of that particular sale.

I might add in here that at that point in fact over 60% of the grain—wheat and barley for human consumption—that leaves Canada is actually sold by the private trade. So the fearmongering that you folks have been throwing out there that things are going to fall off the end of the world, that the sky is going to fall, is pretty much false.

The other thing you don't have control over, which you are purporting to, is the price. The Chicago Board of Trade and the Minneapolis Grain Exchange set the price.

The other argument I've heard out there quite a bit lately is that the Port of Churchill will collapse, the town of Churchill will collapse, if we lose the monopoly. I have to then ask the question, how much have I been subsidizing, out of my grain cheques, the livelihood and the Port of Churchill? That's a pretty hollow argument. If that is the case, then it should be all of Canada subsidizing the Port of Churchill. If it is a viable place to ship grain out of, which I argue it

is, then it should be able to compete on a level playing field for a price for exports.

So that argument doesn't ring very true to me.

I have one other question. When the directors of the board are acting as representatives of the board, does the code of conduct constrain them from partisan political activities, and if so, who monitors? If not, what are the consequences if a director is found to be outside of that jurisdiction?

•(1250)

Mr. Adrian Measner: Respectfully, I disagree with those comments, and I would like an opportunity to respond to each one of them.

We *do* do it differently from the competition. We do provide better service and better technical support. I hear it from customers on a regular basis. It's not something I'm making up, it's the feedback we're getting from customers. They like what they're getting from Canada. They like the products that farmers are producing.

I agree with you that farmers have been very disciplined in producing the products that customers want. But part of our role is to ensure that the feedback goes back to farmers and that they understand what products are asked for.

We provide technical support both before and after the sales service. They don't get that from other buyers, and they appreciate that.

We show them how to use the products in their marketplace. We show them how to get value from those products. They appreciate that.

So I don't agree that the other systems can provide this, or that this will be there under the new system, because it's not there in the other systems today.

You say that we can't control price. I agree that we can't control the overall international general price or the futures market. The U.S. is the largest exporter on the wheat side. But we are able to extract premiums in a number of marketplaces. We can offer our wheat at a price higher than the U.S. wheat is being offered at, and return that to farmers. That's very important. It's what the single desk allows you to do. We don't sell one price to everybody. We differentiate prices. We differentiate based on the quality, based on the customer, and based on the circumstances in that marketplace to try to maximize that value for farmers.

So it is different, and we do have some control over that premium. We just don't have control over the overall international price on wheat.

It is different with malting barley and durum. We are a very large player in the marketplace on those two. If we're aggressive in that international marketplace, it could have a serious impact on the price. I think if you open it up and allow four million tonnes of Canadian durum to find its way onto that international marketplace, it will have a serious impact on those prices.

We have chosen to use accredited exporters as part of our marketing mandate. You indicated it's about 50%. It does vary each year, but that's a reasonable number. We do about half of it direct. We do about half of it through accredited exporters. In all cases, we control the pricing of the product. We ensure that the farmers get maximum value back to them in that sales transaction.

It is very difficult—and this is very important when you talk about the open market environment—to have offices around the world. It costs us somewhere between \$600,000 and \$900,000 to have an office in Tokyo and an office in Beijing. If we had offices in every country around the world, as some of the large multinational companies do who are dealing with a lot of different products and a lot of different areas, that would be very expensive. We have chosen a route that has some of the grain marketed through accredited exporters, some marketed direct. We think it's a very cost-effective way to do it.

This also helps us to manage risk. There is in certain markets tremendous political influence—I would say that perhaps Iraq is one of those markets—where we have to be careful how we approach that marketplace from the Canadian perspective. We use accredited exporters in that case because we're not comfortable taking on the risk that goes with that.

On Churchill, I have said—you can even quote me on this—that I think the future with regard to Churchill is going to be very difficult without the Canadian Wheat Board. I say that because we have to direct grain to Churchill. Companies do not want to ship grain to Churchill. The larger companies own terminals at Thunder Bay, at Vancouver, and in the St. Lawrence, and they would like grain flowing through their terminals. You are not subsidizing anything that goes to Churchill. We do it because it's the best economic return for farmers when we ship through Churchill. If we're not in control and not able to direct that grain through Churchill, the number one priority in those companies will be to flow it through their own terminals, which we see on non-CWB crops. We are 80% of that Port of Churchill usage.

•(1255)

The Chair: Mr. Ritter, have you any points to add?

Mr. Ken Ritter: Thank you.

In response to your question about political activity, Mr. Menzies, I'd just like to read to you, through the chair, subsection 4(2) of the CWB Act: "The Corporation is not an agent of Her Majesty and is not a Crown corporation within the meaning of the Financial Administration Act."

When did that change? That changed on December 31, 1998. What flows from that? Well, we have ten-director elections. Directors get elected from, I'm sure, virtually every political party that is represented, save for one.

So where does that go? The board of directors looked at this issue and asked a fundamental question: do we have any kind of political donation policy like every other company our size would have? We've had to look at that a few times, and we have a very minimal one now. I think it has about \$6,000 a year. Don't hold me to the number, but it's a very minimal one. We have a balance in how that money is spent.

You ask, second, do we ask directors to spin for any political party? Absolutely not. At the same time, directors are free to express their own views. I'm chair of a board that represents everybody, and there are all kinds of political viewpoints and sub-viewpoints on various issues. That's just the reality of being in an organization that recognizes plurality.

The Chair: Thank you, Mr. Menzies.

Mr. Atamanenko, five minutes, please.

Mr. Alex Atamanenko: Thanks again for being here.

In your statement one of you touched upon the fact that we really have not had an in-depth economic analysis of what the future may bring. Do you think this move on behalf of the minister is going ahead too quickly, without extensive research, even though we have different studies? Would your five-point plan, then, address that lack of research?

That's the first question.

The Chair: Mr. Atamanenko, just to be clear, are you asking for a timeframe on the five-point plan? Is that what you're saying when you're talking about—

Mr. Alex Atamanenko: No, I'm asking if in fact there isn't enough economic analysis. Is the five-point plan a first step in trying to come up with something?

The Chair: A point of clarification. Thank you.

Mr. Ken Ritter: I think any time major change occurs it should be backed up with good solid analysis. Our view is that if people think there's some kind of a political game to be played in whatever, let's have a group that represents the spectrum of views and let them come up with some kind of analysis of what the situations would be. We think any good business would look at issues that way, and we would recommend that.

Mr. Alex Atamanenko: The other thing that's coming through this, and I've been trying to read through all this material from the Western Canadian Wheat Growers Association to the Fulton report and other information, and it seems to be clear. You mentioned in your talk that it's not really a matter of another CWB and market choice; it's basically that either we have a single desk or we have the open market.

I noticed some of the conclusions and I made some notes on the Fulton report. It will be extremely difficult, if not impossible, for the Wheat Board to survive without single desk. The grain handling and transportation will be similar to the U.S.; however, we won't have the Farm Bill to protect farmers, so our farmers would be vulnerable in the open market.

It's unlikely to be successful, the new Wheat Board, because of the potential risk of investment, the whole idea of farm ownership and control, of trying to set up a cooperative in this volatile market when prices vary. So that's not realistic. It seems to be—and everybody seems to agree—that the Wheat Board will cease to exist.

The argument is this: we should have choice; we looked at the spot prices, and I didn't get these spot prices because the Wheat Board stepped in.

I'd like some feedback on this. The main argument, I think, for not having a Wheat Board is this: I want to get those good prices and I want to take them across the border or wherever today. It's being interfered with. I'm not getting that price. There's a pool price.

I'd like you to talk a little bit about this.

• (1300)

Mr. Ken Ritter: I'll begin by expressing my view this way. I think the debate has become very divisive and totally unnecessary.

First of all, yes, there are people who have the view of the Western Canada Wheat Growers, of course, and that's their right to have that view. Nevertheless, at the end of the day you have to come to a conclusion on how you're going to move forward. Our view is very simple. Farmers in western Canada should have exactly the same opportunity to decide on what kind of marketing organization they have as farmers in Quebec and Ontario.

In Ontario, their farmers have said they don't want a wheat board or they don't want the kind of wheat board that they had; they want more of an open system. So that's been introduced there. Farmers in Quebec, counter to that, have said they want a single desk system, and now that's been implemented.

This is a farmers' issue in western Canada. Farmers are businessmen. They know what they want. They know what their vote means. They're able to express their business interests. All we're asking is, just let them do it.

Adrian, do you have anything to add?

Mr. Adrian Measner: I might just touch on a couple of the other questions—very quickly, because I know we're moving on here.

Concerning the conclusion of the CWB—whether it'll exist in this open market environment—again respectful of the order here, I agree in my personal opinion with Dr. Fulton and the conclusion he reached.

What we've said is that business will migrate to those companies that own primary elevators and terminal elevators, have an international network around the world, and are vertically and horizontally integrated up and down the value chain. That's where the business will migrate to.

So the Canadian Wheat Board will either become a small grain company or a brokerage firm, and that is not the Canadian Wheat Board that exists today. That is a totally different organization, and it's not a very large organization.

On the other issue, the spot prices, we continually hear this, and certainly it's something I've heard in many farm meetings. When the spot price goes above the pool price, there are lots of comments made. That's when people point to it and say, look; I could get a higher price there. Well, the pool price is by its very nature an average through the year, so there'll be some times when it's above and some times when it's below that.

But there are farmers who have said they want to take advantage of those spot prices, and we have responded to that request. We have put a daily price contract in place that's based on U.S. cross-border prices. Those prices fluctuate up and down, and farmers choose when they want a price on that basis. We think it's a very positive

step forward, so that those farmers who want that spot cash price can take advantage of it and price their grain on that basis. Other farmers who want to stay in the pool account can do so.

The Chair: Thank you Mr. Atamanenko.

Oh, go ahead, Ken.

Mr. Ken Ritter: Let me just add one more point.

For my argument about debate being divisive and unnecessary, I'll give you two examples. At our last board meeting we passed two resolutions. One was that we have a small processors' exemption of 500 tonnes. That will mean you can sell outside the board to a small processor up to 500 tonnes, or they can buy to that limit. The second thing we passed was the new generation co-op policy, which touched on many of the issues that were in your bill. It relates to the fact that new generation co-op members can deliver to their own processing plant and receive the North American price for the grain they sell.

By this, Mr. Chair, I'm saying a lot of the issues that have been frictions in the past are being dealt with by this organization. That's why this divisive debate is often simply unnecessary.

• (1305)

The Chair: I didn't realize that. That's great. You're saying the new-gen co-ops get the North American price. Is that done in an initial payment, or are they still in the pool and getting their final payment at the end of the year?

Mr. Adrian Measner: What we would do is create a separate pool for them, and whatever they pay on that domestic human consumption price would be pooled together and delivered back to them. They would still get it later in the year, although we could look at some kind of fixed price contract. We haven't explored that with them, but if a new generation co-op were interested in that, we could certainly look at it.

The Chair: Thank you.

Mr. Easter, you have two minutes, and I'll hold you to it.

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

The minister has spent a fair bit of time criticizing the board, saying that you really should be out there selling grain and that you don't have a contingency plan in place. In my own personal view, I don't believe the minister even understands that you're not a government agency. I really don't believe that. Has he spent any time looking at the board?

And can you elaborate a little further on what you talked about with Mr. Goodale in terms of contingency plans and planning for the future in all eventualities—whether the barley vote loses, whether it wins—and what kind of options you have? The argument is always made that there's no other option but to sell through the board. But through the board you have all kinds of options in marketing choices, far more than you'd get from the private sector, as I understand it.

Thank you, Mr. Chair.

The Chair: You have one minute, gentlemen.

Mr. Adrian Measner: I'll start with the second part, contingency planning. What we have looked at over many years and many sessions is losing the single desk on wheat, or losing the single desk on barley, or losing the domestic market—just a whole bunch of iterations here to say that these are the possible outcomes in a future we don't control all the elements in.

Any good board goes through that type of contingency planning. It doesn't mean we expect it to happen. It means we're prepared in case it does happen. It's very important to understand what the implications are as you're setting policy and as you're operating as an organization. That is happening on a continuous basis.

The barley is difficult, because we don't have enough definition. Of course it depends how producers vote, so we'll have to see that first. But we want to get that definition so that we can do more analysis around it.

But there are a lot of unknowns, as I said to Mr. Goodale. Part of the question is, will government guarantees still be there for part of that barley market? Or are we going to be part of that barley market? Will we be able to use the contingency fund as a backstop because we're undertaking a risk on that side?

We need to have some of that clarity around. When will the bill be introduced? What is the bill going to say? And what are the time periods around it? It's that clarity, I think, that would be very useful to our organization as we continue to plan for the contingency of a potential loss of barley.

The Chair: Thank you, gentlemen. That brings to a conclusion this hour. Ken, did you have anything else to say, or are you good?

Mr. Ken Ritter: That will be fine. Thank you, members of the committee, for allowing us to appear before you.

The Chair: Good. Thank you, gentlemen.

We will suspend for a couple of minutes while we get ready for the next session, the third hour today. It's a bit of a marathon session. We will have to be on time with that one because of question period obligations and so on.

If we could, let's make the swap as quickly as we can.

This meeting is suspended.

- _____ (Pause) _____
-
- (1310)

The Chair: If I could call this meeting back to order and have everybody take a seat, we'll start into our third hour here this morning.

I have a couple of housekeeping issues before we get right into the discussion, if everybody would take their seats.

Before we move into the next discussion, if you guys could just bear with us, we have a bit of a housekeeping issue. You have before you an amendment to Mr. Bezan's motion that was accepted at 1,500 tonnes. Do you remember that we had talked about the numbers not being quite right? Well, he has the numbers here right. I just wanted to run that by the committee. This motion is ready to table in the House as soon as we make that amendment.

Is everybody okay with that? Can I have a show of hands?

Mr. James Bezan: Could I give background information on that, Mr. Chair?

The Chair: I don't need background. Everybody's okay with it.

Mr. James Bezan: Just so they understand, the 76,000 tonnes is what the TRQs are right now. We're saying that for the supplementals they be limited to 1,500 tonnes.

The Chair: Mr. Roy, you had a point.

Mr. James Bezan: That is above and beyond the 76,000.

[*Translation*]

Mr. Jean-Yves Roy: Yes, that is fine. However, here it simply says: "tonnes" and not "*tonnes métriques*". There is a difference.

[*English*]

Mr. James Bezan: It's spelled "tonnes".

[*Translation*]

Mr. Jean-Yves Roy: It is not the same meaning in French.

[*English*]

The Chair: When it's spelled with the two *n*'s and the *es* on the end, that designates metric tons, Mr. Roy. The translation doesn't do that, I understand.

We will make that correction as it goes in, and then I'll be able to table this report.

Also in front of you is a motion from Mr. Bezan that was tabled with the 48 hours' notice. It's a very short motion. I'll read it, unless you want to do it, James. It's your motion.

Mr. James Bezan: I do want to make a friendly amendment, if that's possible. I forgot to put it in the original motion. It is that the Agriculture Committee recommend the Government of Canada bring forward immediate legislative changes to the Canada Transportation Act that fulfill the agreements reached between Transport Canada and shippers on May 5, 2006, including the initiation of a review of the level of service being provided by railways.

And this is where I want to add in the amendment, if that's possible, that the motion be reported to the House.

The Chair: Okay. Go ahead, Mr. Easter.

Hon. Wayne Easter: I have no problem with that, Mr. Chair.

The Chair: Is there anyone else?

(Motion agreed to [*See Minutes of Proceedings*])

The Chair: We'll get those in as quickly as we can.

All right, good. Those are done. Thank you.

Now, moving back to the business at hand, joining us for this hour we have Mr. Ken Motiuk and Mr. Bruce Johnson, appointed directors of the Canadian Wheat Board.

Gentlemen, you have 10 minutes to make a presentation, if you so desire, and then we'll move to the questions and answers.

Mr. Bruce Johnson (Director, Canadian Wheat Board): We'll be brief. We're basically responding to an invitation. We're here to answer questions as best we can.

After watching yesterday's question period, I expect a lively session. I'm not sure that this is exactly the perfect place for me to be today. I think we should just move forward.

The Chair: Thank you, Mr. Johnson.

Mr. Motiuk, do you have anything to add?

Mr. Ken Motiuk (Director, Board of Directors of The Canadian Wheat Board, Canadian Wheat Board): Thank you, Mr. Chair and committee members.

I'll just add, by way of introduction, that I am a farmer in western Canada. We operate a family farm just outside of Edmonton with approximately 5,000 acres of crops. We are also involved in the hog industry through a partnership venture. We developed a supply chain for pork. We market hogs. We raise hogs and put them right through a value chain to fresh pork on the shelves of Thrifty Foods on Vancouver Island. This is the type of opportunity that was never possible under the hog marketing boards. It is now possible for us to do things like this. So we participate in the value-added in that manner.

We're also part of a cattle feedlot operation, so we're involved in all elements of agriculture. We market several thousand tonnes of wheat annually, so we have a vested interest in the way wheat is marketed in western Canada.

I have corporate governance experience. I was on the board of directors of United Grain Growers, and then Agricore United for over 12 years. I currently serve on the board of the Credit Union Deposit Guarantee Corporation, which is a regulatory body that administers the Credit Union Act in Alberta. The operation of all the credit unions in Alberta comes under us. It is our duty to ensure that all credit unions in Alberta are operated properly, with good corporate governance, good risk management. This is on behalf of the minister. So we have the power to oversee the way the entire credit union system operates in Alberta.

That's an idea of some of my background, because I understand that my CV was not circulated.

Thank you.

• (1315)

The Chair: Mr. Easter, please.

Hon. Wayne Easter: Thank you, Mr. Chair. My questions will be mainly to Mr. Johnson.

The minister, in his media statement on November 1 announcing your appointment, stated, "Mr. Johnson's considerable experience in the grain business will be a tremendous asset to the Board of Directors of the CWB." In the note along with the minister's statement there is reference that you spent 20 years with Saskatchewan Wheat Pool.

According to *The Western Producer* on December 23, 1999, in the article saying that "Johnson was fired" from Sask Wheat Pool, I understand that the board of Sask Wheat Pool "took the action

because of the pool's poor performance", an area you were responsible for.

Were you fired by the Sask Wheat Pool for poor performance? If not, have you taken legal action against Sask Wheat Pool and *The Western Producer* for stating that you were? In your interview—I expect you were given an interview with the minister—did you inform the minister that you were in fact fired from Sask Wheat Pool for actions that resulted in the loss to Sask Wheat Pool of some \$28.7 million in six months?

Mr. Bruce Johnson: I was fired, but it was without cause; it was not for poor performance. I reached a settlement with Sask Wheat Pool that certainly involved the legal community. I am sure, since it was in the press, that the minister was fully aware of my background.

Just for the record, Sask Pool maintained the processes and programs I put in place long after my departure. Some of them are still maintained to this day. While I was there, my divisions didn't lose money.

Hon. Wayne Easter: I really find it strange, Mr. Johnson, you would say that, since it was in the press that the minister was fully aware. I would think that if the minister didn't ask whether or not you ever were involved and let go from a major grain corporation, it is one question that certainly should have been asked, because you were going to be a director of a company that sells \$4 billion to \$6 billion on behalf of Canadian farmers to some 70 countries. That would certainly be a negative point on your ability to do the job.

The second question relates to the note the minister attached to his statement on November 1. It seems to have failed to include your attachment to FarmGro Organic Foods, which according to *The Western Producer* of January 9, 2003, went into receivership. A former board member of the company said, referring to you, "I don't think he was the man for the job."

Did you inform the minister of your attachment to this failed company, of which you were a top executive, in his discussion with you on your ability to do this job?

Mr. Bruce Johnson: FarmGro was an insolvent organization that I was asked to try to turn around. We did get it up to full capacity. One of the very secure shareholders took that as an opportunity to sell it at value and get out.

The individual you were commenting on was one of the shareholders and was unhappy with everybody, not just with me. Once again, it's something that is very much on the public record, and the minister would be fully aware of it.

• (1320)

Hon. Wayne Easter: I will certainly take your word that there was a director who was quite upset and who may have made those kinds of comments, but you no doubt were involved with the company, and I would really like to know—it may be something we would ask the minister—if he was aware of both of these instances.

You're well known, and I don't disrespect your position—I'll state this on the record—in terms of opposition to the board. I think everybody's entitled to their position. I feel strongly the other way, and you're entitled to criticize me.

However, you are moving into a position, or you may be, on the board of directors for which there is an act of Parliament, and under the duty of care of that organization.... There's no question that the minister is filling those positions with people who are very much opposed to the single desk selling of the Wheat Board, as Ken Ritter himself was at one point in time, and now he's one of its strongest proponents.

Anyway, under duty of care, it says that—

The Chair: Excuse me, Mr. Easter. Do you want to make sure the media got that down right, and back up just a second here?

Hon. Wayne Easter: I've got full trust in this media. There are some in whom I don't, Mr. Chair.

The Chair: There you go. Thank you.

Hon. Wayne Easter: It says this:

The directors and officers of the Corporation in exercising their powers and performing their duties shall

(a) act honestly and in good faith with a view to the best interests of the corporation...

Do you really feel, given your strong opposition to single desk selling—which everyone knows is the key to the future of the Canadian Wheat Board, the key to its being able to maximize returns back to primary producers—that you can provide that duty of care as required under the act?

Mr. Bruce Johnson: I feel very strongly that I can do that. I think that as we move forward into a period of potential change, someone from my background could certainly contribute as the board goes forward in whatever form.

The Chair: You can have one last point, Mr. Easter.

Hon. Wayne Easter: Has the minister, in his discussions with you...and I'm even beginning to wonder if he had discussions, when we can't be sure that your time with Saskatchewan Wheat Pool and FarmGro Organic comes to the fore. But has anyone in the federal government—either the minister, the parliamentary secretary, or the parliamentary secretary's staff—given you any indication that you would become the new CEO of the Wheat Board on an interim or permanent basis?

Mr. Bruce Johnson: No, they have not, and I should say that I have had conversations with the minister's office with respect to my CV. Let's be clear about that.

Hon. Wayne Easter: I have no further questions, Mr. Chair.

The Chair: Good, because your time is up.

Monsieur Gaudet.

[*Translation*]

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

I do not know either one of you. I just have two short questions to ask.

Are you members of a political party? Do not tell me which one, I know you are not members of the Bloc québécois. I would like to know if either one of you is a member of a political party.

[*English*]

Mr. Ken Motiuk: Do you mean federal or provincial?

Mr. Bruce Johnson: I'm not of either.

[*Translation*]

Mr. Roger Gaudet: Are you active in politics?

[*English*]

Mr. Bruce Johnson: No, I am not.

Mr. Ken Motiuk: I'm not sure what the definition of active politics is. Am I an elected member? No, I'm not an elected member to anything.

[*Translation*]

Mr. Roger Gaudet: No, I am not talking about being elected. I mean somebody who goes to party meetings, who is part of the Executive Board of a political party or a riding association. This is what I mean. I am not talking about a political party in general. I am talking about someone who sits on the Executive of a political party. It could be any one, even the Green Party, or whatever.

● (1325)

[*English*]

Mr. Ken Motiuk: No, federally I'm not involved at all, and as you probably know, in Alberta we just went through an extensive leadership review whereby all Albertans were allowed to select the new leader of the Progressive Conservative Party and then the premier. So I am a member of the PC Party in Alberta, because that allowed me to vote for my choice for the new premier.

[*Translation*]

Mr. Roger Gaudet: No. I do not want to know of which party you are a member. Since you are from Alberta, I can guess anyway.

That is all. I do not have any other questions.

[*English*]

The Chair: Monsieur Roy, you have a few minutes left. Did you have any questions? No?

All right, we'll move to Mr. Bezan for seven minutes.

Mr. James Bezan: Thank you, Mr. Chair. I'll probably share my time with my colleagues.

My first question is this. We are in this whole series of potential change with the Wheat Board. Do you feel that you, as new directors on the Wheat Board, are going to be able to manage that change, if that's what the producers decide in the plebiscite?

Also, what do you envision when you do your directors' duties of judicial duty and prudence and due diligence? What ideas might you bring to the table to help them go down that road and be a successful organization?

I'm a farmer and I represent a riding where farmers are on both sides of this issue. It's a divisive issue back home, and definitely the producers in my area who are pro-Wheat Board want to know there's going to be an organization there for them to sell their grain in the future.

Mr. Ken Motiuk: Thank you, Mr. Chairman. If Bruce allows, I'd like to start.

The whole issue of the Canadian Wheat Board is an issue of the fundamental freedoms and rights of western Canadian wheat farmers with regard to the fundamental freedoms and rights that other farmers and other Canadians have, other wheat farmers in Ontario or potato growers in P.E.I., for that matter. They have the freedom to market their products however they want. Western Canadian wheat and barley farmers do not have that. That is atypical in North American society and that is what the fundamental issue is here.

I would like to address something that was brought up earlier about my duty to act in the best interests of the Canadian Wheat Board.

The Canadian Wheat Board right now, and the monopoly, is causing a tremendous rift in rural western Canada. Thousands and thousands of farmers oppose the monopoly. This is not going to go away. We are the last organization like this in the world. The Australian Wheat Board has now lost its veto over the sales of wheat out of Australia.

If the Canadian Wheat Board, as an organization, does not start to adapt to the realities of the world, the board of directors is not acting in the best interests of the Canadian Wheat Board. The realities of the world are that farmers want choice. The government, which creates grain policy in this country, has said they're going to create a policy that allows farmers to have choice.

So it's our job as board members in a co-governance organization to work with our co-governance partner to develop that new group, and that comes right down to the fundamental responsibilities of corporate governance and succession planning. It's very clear in the act. Everybody wants to speak about how well they follow the act. The act says order in council appoints the CEO. The order in council has given notice to the CEO. It's the board's job to look after succession and start working on a new CEO, and not spend all our energy attempting to fight the government. It's the board's job to manage risk, and if the steward of the legislation that allows for our existence says that's going to change, we have to start adapting to that risk. That means making plans for a new future, and we must hold the CEO accountable.

The Wheat Board's main activity is to maximize returns to farmers. Now, I cannot find anywhere how grandstanding with a political leader does anything to maximize returns to farmers in western Canada. I cannot see what kind of an organization we're running when we have vice-presidents of our organization speaking publicly about board policy and about who should set the remuneration and what it should be for a new CEO.

We're quickly having an organization running out of control, and it's this board's job to rein it in.

Mr. James Bezan: Thank you.

Mr. Bruce Johnson: Perhaps I could take a slightly different tack from my colleague.

In managing the change process, my background is in the grain industry, and our reputation for quality, service, and consistency is in large measure a result of a very sophisticated Canadian grain industry. Our handlers have invested billions of dollars in the capability to manage everything from biodiversity to huge

shipments, in excess of 100,000 tonnes. Somehow they seem not to feature as largely as they should in this debate.

The other thing is that private trade works with the board to bring about a large volume of the sales.

Another thing worth considering is that the maltsters and Canadian millers are extremely large customers of the Wheat Board. So the domestic marketplace is a key area, and these organizations are sophisticated and could exist with or without a board.

So I think there are some structures in place already that would allow us to go ahead and manage an orderly change. As the minister promised, I would see a plebiscite on barley as the first step, and we'll move accordingly.

• (1330)

Mr. James Bezan: Thank you.

We just went through an interesting discussion in the House of Commons on softwood lumber—I'm a little bit off track here—and the NDP opposed the softwood lumber agreement because they felt that it was shipping raw product out of the country and wasn't adding value and creating jobs here in Canada.

Do you feel that in its current state, the Wheat Board is impeding value-added activities in the prairie region? In Ontario, 115% of their wheat crop is getting processed in the province now. That's not the case in western Canada, where it's well under 10%.

I want to get some comments on that, because as many of my farmers do, I really see more value-added opportunities on agriculture products in the future within the prairie region, and the Wheat Board probably has a major role to play in helping to develop that industry.

Mr. Bruce Johnson: Nothing is completely black or white. For example, the canola industry has just announced another 1.8 million tonnes of capacity going into the Yorkton area in Saskatchewan. It has been quite a success story. There has been tremendous investment in value-added processing.

There has been some expansion of flour milling in western Canada. On the other hand, maltsters very often make the comment that they're uncomfortable with having a single desk supplier, and they have balanced where they make their capital investments.

I suspect that I would have to give you an on-balance answer, and I would strongly suspect that on balance there would be greater investment in value-added processing without the board.

The Chair: Mr. Motiuk.

Mr. Ken Motiuk: Mr. Chairman, "impede" is kind of a strong word to address this, because it's sort of a hypothetical situation.

Why don't we have a look at canola and oats processing on the Prairies instead. Both are marketed totally on the open market. Canola has grown to become the largest crop in western Canada now, according to Statistics Canada. It has done so without being marketed by the single desk. It is almost all processed, or much of it is processed. We have two more plants being planned right now, as Bruce indicated. So we can see what kind of processing goes on in canola in western Canada when it's marketed through the open market.

We can also look at what happened with oats after it was removed from the Canadian Wheat Board. Oats processing—and Bruce oversaw a lot of this development, and he might want to comment on this again—increased substantially after it was removed from the jurisdiction of the Canadian Wheat Board.

The Chair: Thank you, Mr. Motiuk. Actually, he could comment, but he's out of time, so he'll have to save that.

Mr. Atamanenko, please.

Mr. Alex Atamanenko: Let's pursue milling, gentlemen.

By the way, thank you for being here.

Probably you read this. *Milling & Baking News*, an internationally read and respected publication, stated:

a comparison of flour production among the leading milling nations since 1990, showed that Canada's mills enjoyed the sharpest increase of any country—including the European Union, the U.S., Argentina and Australia. The location of this milling also tells a story about the CWB's success in encouraging value-added processing in the west. About 32 per cent of this milling takes place in Western Canada, compared to just 15 per cent

in the western United States. New mills have been opened.

What's your comment on that, Mt. Motiuk, and also Mr. Johnson?

Mr. Bruce Johnson: Maybe I'll take it first. There has been a renewal of the Canadian milling industry's capacity, primarily in western Canada. There have been shutdowns in eastern Canada.

As I said earlier, there has been some growth. While there has been some shrinkage in the U.S., we enjoy a fairly good export business, but the millers have some benefits. Because they're dealing with a monopoly, they're allowed to buy essentially in collusion from the board and at a Minneapolis price, with some formula added to it. This puts them in a pretty decent competitive position.

•(1335)

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

As a farm operator and an operator of a farm business, I must manage my risk. It is very risky for me to grow export crops. They're subject to tariffs, trade barriers, non-tariff barriers, the high cost of transportation, and the insecurity of the ability to sometimes get product to market. I therefore like to see things used up as much as they can be on the Prairies.

The only comment I'll make, because I refer back to canola and oats, is that as a percentage of production, a lot more canola is processed on the Prairies, a lot more oats are processed on the Prairies, than the percentage of wheat that is processed on the Prairies. To me, the most secure industries are the ones that are domestic, not export, and that's my comment on that.

Mr. Alex Atamanenko: We all know western Canadian wheat is mainly marketed for export, so let's move on.

Earlier on, Mr. Ritter pointed to the spirit of cooperation. He unveiled a five-point plan that the directors could work on with the government to resolve the issue.

Mr. Motiuk, you appear very hostile—I'm not going to mince words—to the whole idea of the Canadian Wheat Board. My first question is this: are you prepared to work with fellow directors in a spirit of cooperation?

The second question is, how much research have either of you done with regard to the future of Canada without the Wheat Board? Obviously the implication is that if you feel there is not going to be any Wheat Board, what are you doing here? I just want to get that on the record. What's your vision?

Mr. Johnson, what's your vision for the Canadian Wheat Board?

The Chair: Mr. Motiuk.

Mr. Ken Motiuk: Mr. Chairman, sometimes some things are a curse and sometimes they're a blessing. My passion for various issues, including agriculture, is a bit of a passion. In this case, it's a bit of curse. I perhaps came across as hostile, but it's just that I feel very passionate about this issue.

I have always been on the record as supporting marketing choice, and I maintain that record. I feel the Canadian Wheat Board, through its branding.... In today's international world of information, the most important attributes of any successful business are not those of a legislated monopoly; they're branding and personal relationships, business relationships. You've just heard from Mr. Ritter and Mr. Measner about how well Canadian wheat is branded and what a good relationship Wheat Board staff have with their buyers. Why are they afraid to compete against other traders if they have these positive attributes?

I find it somewhat ironic that in the harvesting opportunities initiative that the Wheat Board put forth, they maintained that they could not operate in the competitive environment, exporting grain, when they have a tremendous amount of expertise, good business relationships, and a good brand. However, they want to invade the farm input supply business in western Canada, which is a mature industry. They have no capital assets and they would have to compete against everybody else.

So there's a bit of a double standard coming. They're saying they can't compete in the new world where they've done well, yet they wish to invade and start a whole new enterprise in competition with all the existing players. Those two things just don't play.

In terms of our success as an international marketer, Mr. Chairman, I would suggest that you have a look at what percentage of the world wheat market Canada has had in the past and how it has diminished to something like under 15%.

Again, I apologize if it appears that I have a hostile attitude. It's more my passion coming out, so I'll try to smile.

Mr. Bruce Johnson: I think everybody would welcome the comments that Ken had to make about the spirit of cooperation. There have been some unfortunate things said in the press, and some fairly hard positions taken, so I'm happy to see that.

In terms of research into Canada without the Wheat Board, as I said before, my background is the grain trade. As somebody mentioned earlier, wheat prices are set primarily in Chicago. There is a capable industry of handlers and merchants. We certainly have the infrastructure to do what needs to be done. But once again, there are things you want to look at very carefully.

Barley and wheat are very different things, as is durum. With barley, when you look at 80% of the crop being marketed outside the board and at its relationship with the Alberta feeding industry, barley might be a natural one to see removed from the monopoly mandate. For wheat, again, its prices are set internationally. There may be some relationships with customers there that you want to look at carefully. And durum is a different commodity again. It has some special circumstances that you'd want to think about carefully as you move forward into a marketing choice environment. I'm not suggesting that you just pull a curtain and that's the end of it.

• (1340)

Mr. Alex Atamanenko: Have either of you read the Fulton report? If so, what are your comments on the conclusions?

Mr. Bruce Johnson: I really have no comment.

Mr. Alex Atamanenko: Have you read it?

Mr. Bruce Johnson: I've read the executive summary. I haven't read the whole report.

Mr. Alex Atamanenko: Have you read the full report, Mr. Motiuk?

Mr. Ken Motiuk: I read the executive summaries of a number of reports. We call them duelling economist studies. You can get a stack in this hand that's saying there's an advantage to the single desk, and you can get a stack over here saying there's no advantage to the single desk, that it in fact costs money. That's some of the work done by Lyons.

The numbers that the Wheat Board puts out officially are largely in-house estimates by staff and by management. They've never been audited by an accredited auditor, a third party auditor, so we are certainly asking questions to find out more as to whether or not there is in fact any kind of a premium obtainable.

The Chair: Your time has expired, Mr. Atamanenko.

Mr. Johnson, did you have anything further on that point?

Mr. Alex Atamanenko: I had another point here.

The Chair: Go for it. You owe me.

Mr. Alex Atamanenko: I find it a little bit strange that two people who want to be directors have not studied in depth not only the Fulton report but other reports that concern the future not only of the Wheat Board, but as well, the whole grain industry in Canada. I suggest, gentlemen, that it's time to do some homework.

Mr. Bruce Johnson: I don't want to leave the impression that we haven't looked at the studies. I'm just saying that particular one is at the executive summary stage.

The Chair: Thank you, gentlemen.

Mr. Thibault, for five minutes, please.

[Translation]

Hon. Robert Thibault (West Nova, Lib.): Thank you very much, Mr. Chairman.

[English]

I like to see your passion. You make a good combatant for Wayne here.

I don't want to argue the point as to whether single desk is good or not good. That's a debate for farmers, and I'd like to see it settled. I don't know of a better way to do it than to have a vote by the producers. I recognize it's a difficult situation.

I am concerned a little bit about something. I know people in the medical profession, the health services profession, who believe we should have a user-pay system competing with the public-pay one. I believe in universal health care and I don't share their beliefs on that question. Like those people on both sides of your discussion, they both have valid points, and good people can differ in their opinions. But I wouldn't like the CEO of my regional health authority or my hospital to be somebody who does not believe in universal health care. I would be afraid that this person's interest would be in proving that the system he is asked to manage cannot work, and that he'd have to build a new user-pay system, which is what he prefers.

So you'll understand that I have concerns not about your views, but about the position you are being asked to take in managing a single desk marketing authority. Should it come to pass that it not be a single desk and that you'll be competing in the world with others, perhaps you will be the ideal gentlemen to be on that authority because you believe in competition. But I wonder if you have the capability, the desire, and the heart to go out there and prove that the single desk can work. Maybe the minister will see the light of day and we'll have a vote on wheat and there will be a decision to maintain it.

I understand that it is not unanimous among western producers, that it is a matter of debate. But should that come to pass, then you're in a position where you're asked to make the single desk work to its maximum advantage, to make the modifications in the single desk system to take advantage of the opportunities that have been argued successfully here—and we heard Ken Ritter point to some of the decisions and changes that they have made.

So I ask you to tell me, to convince me, that you have the heart to make the single desk system work, if that's the decision that is taken, and that you're not there just to argue against it, to argue that it cannot work.

Mr. Bruce Johnson: I'll start out with that.

I have a high regard for democracy, and the board really does function now on the basis of simple majority. There have been decisions that have gone against perhaps what I wanted to see happen, but basically the deal is that you pitch in and support the board.

On the other hand, we have a split constituency out there, and there are a large number of farmers who want choice. I think it's reasonable that a board of directors would represent the wishes of both sides of the argument as we go forward.

It comes down just to a matter of simple professionalism. If you agree to certain terms of office, you abide by them. If the democratic choice of farmers in a plebiscite, as indicated by the minister, on barley says that it stays as a monopoly, we're bound by it and we'll be committed to it.

● (1345)

Hon. Robert Thibault: Barley, I think, is a foregone conclusion. I think what's really at play here is wheat. We haven't had a plebiscite, and we know that the new board is being set up to reflect the views of the minister, that he's trying to get as many people who reflect his views as possible, through appointment and through election, and that they have a year to sabotage the Wheat Board.

Right now he's asked that members of the board or the board itself not promote itself, not talk about the good things they can do. He's fired the president and CEO for doing that. So there's a good year or year and a half during which the new board can sabotage the Wheat Board and create a negative vote amongst farmers.

Those are my concerns. I have no problem if in the new world, should the farmers choose, that board reflects that view. That would even be necessary, I believe. But in the meantime we still have the single desk. I believe the board should promote the single desk and bring aboard expertise.

Mr. Motiuk is a producer and he comes on the board representing that point of view, as do the other elected ones.

You, Mr. Johnson, are being brought in, I suspect, in the expertise category. Mr. Easter has made a good argument that your expertise might be questionable. I have no details on that; I have no information. But I do know that you're very much opposed to the single desk system; you don't believe in the single desk. But you're being asked to promote it; you're being asked to make it survive. And that's a dilemma, in my mind.

Mr. Bruce Johnson: I would imagine as an elected member you face the same dilemma very often, too, in terms of party line on certain issues. It's an identical situation.

I'm happy to serve. I love the grain industry. I've been part of it for 25 years, and I look forward to being part of it for a few more years. But my appointment really came about more on the basis of expertise than politics. As I indicated to the other gentlemen, I'm not known as a Tory or an NDP or a Liberal. My view has been that I am in favour of open market and choice.

Hon. Robert Thibault: I'm not known as an NDP or a Tory myself.

Mr. Ken Motiuk: I'll try to be brief, Mr. Chairman.

We cannot ignore the fact that there are thousands and thousands of farmers in western Canada who wish to have the choice to market their grain the way they wish. They are not imposing their will upon others who wish to pool their grain. And that's the fundamental issue here. It's a fundamental issue of minority rights, which comes right down to being a Canadian.

Who represents the minority in this issue, and what rights do they have in Canada? Though this group may be a minority in absolute number, they may well be a majority in terms of grain produced. We don't know that for sure.

We spend a lot of time in this country arguing about minority rights. Right now you're in a debate just across the hall here about minority rights, about those who wish to cohabit with others of the same sex.

I just want to leave you with a parting statement.

Yesterday as I was listening to C-SPAN there was a member of the House who said, "I am not in this House to limit the rights of anyone", and that was Olivia Chow from the NDP.

The Chair: Thank you, Mr. Thibault.

I have just a couple of corrections here. Mr. Gaudet actually got Mr. Johnson to admit he wasn't a member of the Bloc, as well.

You said that the minister fired Mr. Measner. I'm wondering if I was wrong in introducing him today as the president and CEO. Did I not get the memo that you did?

Who do I have next? Mr. Menzies, five minutes, the final five.

Mr. Ted Menzies: Thank you very much.

Let me pose a question that you as new directors probably will be faced with. My understanding is, and I'm reminded every time I see a news release from the Canadian Wheat Board, that all returns except for the cost of marketing go to the farmers. I would hope then that when the discussion comes up around the board table about more trips to Geneva..... We've seen multiple trips to Geneva by board members, by staff, not to sell grain, I'm quite sure. I would stand corrected if someone could provide me sales affidavits where sales were actually made in Geneva of wheat and barley. These costs were not costs of marketing, these costs were defending the monopoly internationally. Add to that Seattle ministerial, Doha ministerial, Hong Kong, Cancun. Many board directors, many staff, doubt that there was much wheat sold there either.

I find it very offensive that every press release says that all the money except for the cost of marketing is returned to farmers. That cost was a cost of defending the monopoly. I would hope that both of you as new directors will take this into consideration when that discussion comes up around the board table.

Mr. Motiuk, I know that you've been recognized as a pea producer. I've never been able to match your canola yields up in that country. What should be any different for you about marketing your wheat than you have marketing your canola, or your peas, or your feed barley? Can you explain the difference, why a monopoly buyer of your product of wheat and barley could gain you any more advantage over what you have in selling your canola, or your oats, or your peas?

● (1350)

Mr. Ken Motiuk: Thank you, Mr. Chairman.

A few years ago when my wife and I sat down and developed a long-term plan for our farm, we said we had to operate in a manner where we had control over as many factors as possible. The one thing we very quickly realized is that with Wheat Board grain we do not have control over that. So we made it a very obvious choice, or a very pronounced goal, to minimize the effect of the Canadian Wheat Board on our farm, because we always made more money on non-board crops.

The problem is that when you grow crops on the Prairies, wheat is a natural adaptor to the prairie habitat, and we have to grow wheat. If we grow wheat and if it's exported—and most of the wheat is exported, as was mentioned earlier—it has to go through the Wheat Board. So we minimize the amount of wheat that we can grow through the board because we can always better manage our individual businesses by selling non-board grains. Our wheat acreage is broken into a large acreage of CPS wheat, which we market through our hog business because we have the control over when we sell it and what the price is. Again, we can't do that with export wheat.

I think if you checked out my record you'd see we operate a farm as a business to be profitable. I don't think you'll ever find me on the record anywhere crying for more government subsidies, or anything in that manner, or more support to the agricultural industry because I can't make money growing wheat or canola or something. I try to manage my own business. It's very difficult to manage my own business marketing wheat through the Canadian Wheat Board.

The Chair: Mr. Johnson, anything?

Mr. Bruce Johnson: I would just add that if indeed there is one heck of a PR machine at the board, and there is a lot of time and effort spent on advocacy, I would prefer to see us focus on sales. I'll just leave it at that.

The Chair: Mr. Menzies, you have a minute.

Mr. Ted Menzies: We had a barley plebiscite in Alberta. I won't ask Mr. Johnson, because you may have watched it from afar. But Mr. Motiuk, you and I went through that. Can you explain how that worked and how it didn't work?

Mr. Ken Motiuk: I'm not sure of the question. I know the results were that something like 62% or 66% of farmers wished to have a choice in the way they marketed barley. That was the result.

What do you mean by the question on how it works?

Mr. Ted Menzies: Why do we still have a monopoly over barley?

Mr. Ken Motiuk: It's because it's a provincial jurisdiction, a provincial plebiscite in federal jurisdiction.

Mr. Ted Menzies: Oh, that's the difference. Thank you.

I'm sure you remember that they almost had a malt plant in Camrose, the one that ended up Great Falls, Montana. I watch barley go by my door now. It's probably your barley going down to Great Falls, Montana.

Were there lost opportunities, Mr. Motiuk?

•(1355)

Mr. Ken Motiuk: Every time we export something and don't process it, be it any kind of raw resource, and when an institution makes it difficult to process a resource in Canada, it's a loss to the Canadian economy. It's a global statement.

Mr. Ted Menzies: Jobs are lost too.

Mr. Ken Motiuk: It's jobs and prosperity—although in Alberta right now, we can't find enough people to keep the yellow iron going.

The Chair: Thank you, Mr. Menzies.

Thank you, gentlemen.

Mr. Easter.

Hon. Wayne Easter: I have a motion, Mr. Chair, that we as a committee, under our right through Standing Orders 110 and 111, examine the order in council appointees.

I feel that the order in council appointee, Bruce Johnson, has failed to respond to the concerns of the committee with respect to demonstrating the necessary qualifications to fulfill the requirements expected of an appointee to the board of directors, namely to act in the best interests of the Wheat Board.

During questioning, I outlined the concerns over the experience with the Wheat Board and FarmGro Organic Foods, as well as the fact that there wasn't a personal discussion with the minister relative to those qualifications. I don't expect a minister to get his information from the press, as was indicated.

For those reasons, I so move this committee recommend that Mr. Johnson is not qualified for the job.

The Chair: Is there any debate?

Mr. James Bezan: Isn't he required to provide proper notification on submission of the motion in both official languages?

The Chair: No, not in this particular instance.

Mr. Menzies.

Mr. Ted Menzies: I must have been at a different meeting, because that isn't what I heard. I would voice a strong objection. I think it's based on an ideological difference with the witness, and I don't think it has any place at this committee table.

The Chair: Thank you, Mr. Menzies.

Is there anyone else? Mr. Bezan.

Mr. James Bezan: Mr. Chair, I'm sure the minister did due diligence in making his selections for appointees. I think it's presumptuous of Mr. Easter to bring forward this motion. I believe the testimony we heard today shows that both of these gentlemen are very qualified to be directors.

The Chair: Mr. Easter has tabled the motion, which is his right under Standing Orders 110 and 111. It will be translated.

Does it have to be translated to be presented?

Mr. Richard Rumas (Procedural Clerk): No, you can move a motion on the floor, as long as it deals with business.

The Chair: I understand that.

Do you want us to present it to the House or do you only want it sent to the minister?

Hon. Wayne Easter: Sending it to the minister is fine.

The Chair: All right. It doesn't need translation. We'll have the clerk type it up, so we can read it, and we'll then submit it to the minister.

Do you want it reported to the House? That's the point I'm trying to get at, Mr. Easter.

Hon. Wayne Easter: Yes.

The Chair: Then we will need it in both official languages. I'll leave it with the clerk to have that done. We then have five sitting days in order to make it happen.

Hon. Robert Thibault: Are we going to vote on it today?

The Chair: We will. I'm only getting it down that this is what we want.

Shall I call the question on the motion? Does everybody understand what's before us?

Hon. Wayne Easter: As a final point, Mr. Menzies, if it was ideologically driven on my part, then I would certainly be putting Ken's name on the list as well.

I went through the evidence in terms of what was previously reported, relative to Mr. Johnson, from the Saskatchewan Wheat Pool and from FarmGro Organic Foods. It's that experience I'm

dealing with. Otherwise, if it was ideologically driven, I would have put both forward, but I'm not doing that.

The Chair: The time for Mr. Motiuk has passed. It couldn't happen anyway, Mr. Easter. Thank you for raising it.

We will have it translated, and so on.

That's it, gentlemen. Is there anything else at this point?

Mr. James Bezan: Will we have a vote?

The Chair: Yes, we will have a vote.

(Motion agreed to)

The Chair: Gentlemen, Mr. Motiuk, Mr. Johnson, thank you so much for appearing before us today. I hope you enjoyed your stay in Ottawa.

This meeting is adjourned.

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