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# Standing Committee on Agriculture and Agri- Food

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EVIDENCE

**Thursday, February 15, 2007**

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**Chair**

**Mr. James Bezan**

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Thursday, February 15, 2007

• (1525)

[English]

**The Chair (Mr. James Bezan (Selkirk—Interlake, CPC)):** Order, please.

I'm going to turn the floor back to David Anderson. At the last meeting, we were talking about Mr. Easter's motion. Mr. Anderson has moved an amendment to that motion.

**Mr. David Anderson (Cypress Hills—Grasslands, CPC):** I wanted to make sure the section on marketing choice was read into the record from the last time. I assume it has been, so we have that for the amendment.

There was a second issue that we had. Mr. Easter quotes Dr. Fulton, but he doesn't give a balance here. There is another expert who has been quoted, and that's Dr. Rolf Penner, so I would like to move a second amendment. In a commentary published last summer, "Dual Market Denial", on July 26, 2006, Penner wrote, "The odds of successfully transitioning the CWB into an open market setting are extremely high." I would like to have that added as an amendment to the paragraph that begins, "In November 2006".

Third, we have a comment that needs to be made. I think there has been some misinformation left about the possibility of the board operating successfully with marketing choice. I just need to point out that in 1993 farmers were free to market their barley directly to the U.S. or through the Canadian Wheat Board for 40 days. I understand that there was more barley marketed in those 40 days than had been marketed in any year prior to that, and the board was able to make the adjustment. It did that and moved into that marketing choice environment very successfully.

Fourth, I want to point out to the committee, as I did before, that this is an incredible waste of our time. The ballots have already gone out. Farmers have received them and are actually mailing them back already. It's far too late for this motion to come forward now, and it's inappropriate. I don't assume that the Liberals are going to vote against it, but I would ask my colleagues in the Bloc and the NDP to consider the fact that this is irrelevant and that we really need to vote against it.

I want to add a third amendment, and that is that we take out the recommendations and replace them with: "The committee recommends the following: That the Minister of Agriculture and Agri-Food be commended for a balanced plebiscite question."

**The Chair:** We have the amendments as moved by Mr. Anderson.

Is there any discussion on those amendments? We'll have to do them one by one. Do you want to do them as a package? Yes? Okay, then they're one amendment.

**Hon. Charles Hubbard (Miramichi, Lib.):** Mr. Chair, if they've been tabled as three separate amendments, they're either one or they're three, so there will be three votes.

**The Chair:** Yes, and that's what I'm just wondering about here.

Are you moving those as one amendment?

**Mr. David Anderson:** I'll move them as one.

**The Chair:** We have one amendment, then, because he put the one amendment forward last week and he has added that.

**Hon. Charles Hubbard:** I have a question on one of them. When he talks about dual marketing, could a farmer market both ways, both privately and with the board, or does he mean one or the other?

**Mr. David Anderson:** No, the second question of the three gives farmers the opportunity to market either through the board or to any other buyer. Depending on how the thing is set up in the future, they will have the option of doing one or the other, or both if they so choose. So yes, there is a choice there.

**Hon. Charles Hubbard:** Both if they so choose.

**Mr. David Anderson:** Yes, unless it's set up so that they can't. The intention is that they would have the opportunity to do either.

**The Chair:** Is there any other discussion?

Yes, Mr. Easter.

**Hon. Wayne Easter (Malpeque, Lib.):** I have just one other point that certainly confirms the remarks in the task force report that a dual market is not possible, and it confirms Mr. Fulton's statement that without the single desk, without the monopoly, the board is certainly powerless.

This morning in the House, the Parliamentary Secretary to the Minister of Agriculture made this statement. For once we got some facts from him, and I'll quote him in full:

Mr. Speaker, the member should be embarrassed, he really should.

—he was talking about Ralph Goodale—

He was the minister in charge of the Canadian Wheat Board. He knows full well...that if we have choice the single desk is not in place, because by definition it cannot be.

We finally have it on the table, Mr. Chair, that if there's choice, there is no longer a single desk, and that is not what the ballot says. The parliamentary secretary's own words confirm the fallacy of the questions that the minister has put forward in a plebiscite.

I'm absolutely amazed that the government side on the Standing Committee on Agriculture and Agri-Food would accept the contempt that the Minister of Agriculture is showing for this committee—which has reported to the House and directed the House, with the House of Commons voting and supporting this committee in that recommendation to the House—by stating that the minister be allowed to bypass what this committee has recommended in terms of a vote.

Be that as it may, those are the facts. I will say I am pleased that the parliamentary secretary was finally direct this morning and said what really is the fact: that the single desk and the open market cannot exist as one.

Thank you.

• (1530)

**The Chair:** Mr. Anderson.

**Mr. David Anderson:** I need to clarify that, obviously. Mr. Easter is being silly here, because if the single desk had choice, we'd have choice right now. Obviously you can have a system in which everybody has to be either under the single desk, or you can provide the opportunity for people to go to the Canadian Wheat Board as one of the options, which is what that second question says.

Mr. Easter, of course, wants everyone to believe there can only be a single desk. We're saying you can have a single desk; you can have the choice of the Canadian Wheat Board operating and farmers having the opportunity to sell to other people as well, which is the second question; or you can have the third question on the ballot, which is simply whether you want the Canadian Wheat Board completely out of marketing barley entirely.

So Mr. Easter's being silly. That's okay, he can do that, but he knows better than that.

**The Chair:** Mr. Miller.

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

This is an issue that has no bearing on my riding, and it has no bearing on Mr. Easter's riding. But I'll tell you the one thing we both have in common. We want to look out for farmers.

When the Wheat Board issue about choice came up, I can remember talking to the minister at the time. My only wish that I wanted to make sure of here was that, number one, farmers had that right to choose for themselves, that they had a plebiscite. That's happening now, on barley anyway. The other was that the questions be concise.

I totally disagree with you, Wayne, when you say the questions aren't clear. How much clearer could they be? One states that you keep it the same way, the second one gives you choice, and in the other one you're totally opposed to it. How much clearer? It's as clear as a glass of water, in my opinion, Mr. Chairman.

This is nothing short of partisanship. Let's get on with it. The vote is happening out there. I understand that the ballots are coming back in, so let's cut out the tomfoolery and get on with it.

**Hon. Wayne Easter:** This is not tomfoolery, Larry. It's not tomfoolery at all. The middle choice—and this has been stated by

many—is in fact impossible. You folks seem to not realize that. It'd be the same thing as saying, let's have the right amount of sunshine and the right amount of rain, because we can have it all. That's about what that middle option is.

The middle option is not possible, so your government is not putting a clear question before producers, with clarity, not in any way, shape, or form. It's a confusing question. You're asking people to vote for something that is not possible, and the end result—and I believe this firmly—will be to undermine the Wheat Board and take power away from producers. I've fought for power for producers all my life, and I'll continue to do so.

**The Chair:** Mr. Atamanenko.

**Mr. Alex Atamanenko (British Columbia Southern Interior, NDP):** It's important to understand that although some of us may not live in the area of the Wheat Board, we do speak for a lot of people who have concerns about this. That should be noted, and it includes Wayne and me.

I would also like to note that, in my opinion and in the opinion of my party and a lot of those people I speak to, point number two isn't clear, because it implies that the Wheat Board will continue to exist as it is if there is this choice. From the research that I've done, the indications appear to be that this isn't the case. As I've called for before and as others have called for before, there should be a lot more investigation into this path before we take it. That is why I will be supporting the motion as it is, to retain the previous recommendation that we had from Mr. Easter, to have a very clear-cut question.

Thank you.

• (1535)

**The Chair:** Mr. Miller.

**Mr. Larry Miller:** I wouldn't really speak to this, Mr. Chairman, other than to correct something that Mr. Easter said that's totally wrong.

When you say there can't be both, you can ask Mr. Steckle in his riding. I've talked to a pile of farmers in his riding, a pile in my own, and a pile in southern Ontario. What they have all said is that they use the Ontario Wheat Producers' Marketing Board, which is similar to the Canadian Wheat Board, to market about 30% of their crop. They have that margin.

Every one of them also said to me that we shouldn't get rid of it. We should leave it as an option. They want that choice to use it when and if they want. So don't tell me that the two can't work together. They can.

And why shouldn't my relatives and my friends in western Canada—and I have a pile of them—have the same option as I have in Ontario or any other place? That's what this is all about. It's about choice.

If this was about just getting rid of the Wheat Board, Wayne, I wouldn't be supporting it, but that's not what it's about. It's about choice.

**The Chair:** Thank you, Mr. Miller.

**Mr. Paul Steckle (Huron—Bruce, Lib.):** I'm not going to debate the matter just brought before the table. I'm going to call for the question.

**The Chair:** The question is on the amendment by Mr. Anderson. Is everybody clear on what that amendment is?

**Mr. Alex Atamanenko:** Could you repeat it, please?

**The Chair:** Please read the amendment into the record.

**The Clerk of the Committee:** We already have the first amendment. It's in the minutes from the previous meeting.

**The Chair:** We're voting on this as one.

**The Clerk:** It will all be as one:

Mr. Fulton's comments reflect his opinion but are no more relevant than any other witness, several of whom told us that they need marketing choice in order to maximize their returns. Many of them have expressed a belief that there is a place for a viable voluntary CWB. In fact, the direction of the whole task force report is to give suggestions on how we can move toward a system under which a voluntary Wheat Board would operate.

While some growers have expressed concern over whether the CWB can survive as a voluntary barley marketing agency, they need not. The CWB has successfully done this before. In the summer of 1993 farmers were free to market their barley directly to the U.S. or through the CWB. The CWB made a number of changes and successfully participated in the market.

The final amendment would be to change the recommendations, particularly the first recommendation:

That the Minister of Agriculture and Agri-Food be commended for his balanced choice of plebiscite questions.

**The Chair:** Mr. Anderson.

**Mr. David Anderson:** The recommendation would replace both one and two. The copy we have here does not have the full paragraph I read into the record the other day as part of the amendment.

**The Chair:** Those are the minutes that were circulated.

**Mr. David Anderson:** That's fine, as long as everybody understands that.

**The Chair:** Yes. There was also the amendment that came up last Tuesday.

(Amendment negatived)

**The Chair:** We're back to Mr. Easter's original motion.

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

**Mr. David Anderson:** Excuse me, Mr. Chair. We'll be filing a minority report. I want to make that clear so there is no question about it.

**Hon. Wayne Easter:** On that point, there are certain deadlines on filing a minority report. We would certainly expect that the minority report would be prepared within a couple of days.

**The Chair:** I'll make sure that—

**Hon. Wayne Easter:** There's other point. We let this slide last time but we're not going to this time. The clerk can correct me if I'm wrong, but under parliamentary rules the minority report should not be longer than the majority report. We'll expect the chair to ensure that.

**The Chair:** Is that a parliamentary rule? It's definitely an understanding.

**The Clerk:** It's an understanding, Mr. Easter, but I believe there are several committee reports that have ended up with dissenting opinions that are longer than the original report.

● (1540)

**Hon. Wayne Easter:** Let's stick to the understanding. We're making that request as a committee.

**The Chair:** We'll ask Mr. Anderson to put together that minority report in the time limits adhered to by Parliament.

We'll suspend until our witnesses come to the table.

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\_\_\_\_\_ (Pause) \_\_\_\_\_

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**The Chair:** I call the meeting back to order.

Welcome to the table. We have Kathleen Sullivan from the Animal Nutrition Association of Canada. From the Canadian Cattlemen's Association, we have Dennis Laycraft and Brad Wildeman. We have Jim Laws from the Canadian Meat Council. We also have Kevin Golding from Maple Leaf Foods Inc.

We're discussing the SRM regulations that are coming into effect in July. We welcome your comments and remind all witnesses to keep their comments as brief as possible so we can have a good exchange of questions in the rest of the meeting.

With that, I'm going to turn it over to Ms. Sullivan.

**Ms. Kathleen Sullivan (Executive Director, Animal Nutrition Association of Canada):** Thank you very much.

Good afternoon. I'm Kathleen Sullivan, the general manager of the Animal Nutrition Association of Canada.

ANAC is the trade association that represents manufacturers of livestock and poultry feeds across the country. Our members represent approximately 90% of the commercial feed manufactured in this country. We also own and operate the feed industry's HACCP program, FeedAssure. FeedAssure is a feed safety certification program that was developed specifically for the Canadian feed industry. It was the first feed industry HACCP program in North America, and one of the first in the world.

We very much appreciate the opportunity to meet with you today to provide feedback on the status of the enhanced feed ban that is scheduled for implementation this coming July 12.

In 1997 Canada introduced its first feed ban, a set of regulations that ban the use of ruminant meat and bone meal in all ruminant feeds. Last summer the Canadian Food Inspection Agency announced new regulations that would expand on that and ban specified risk material, dead stock, and downer cattle in all animal feed, including pet food, and in fertilizer. These changes are designed to provide additional controls against BSE by addressing the risks associated with ruminants inadvertently being exposed to materials that contain ruminant meat and bonemeal.

ANAC supports the enhanced feed ban. We believe quite strongly that a full ban is the simplest and most workable solution to further address the risk of cross-contamination in feed mills, and the only way to eliminate the risk of cross-contamination on farms.

**The Chair:** Ms. Sullivan, can I ask that you slow down your tempo a little so the interpreters can keep up with you? I'd appreciate that very much.

**Ms. Kathleen Sullivan:** My apologies.

We have been pleased to work with our industry partners and also with government officials on this initiative.

Throughout this process, ANAC has been a leader in its support for the new ban, and we will continue to be leaders in ensuring that the ban is implemented by July 12 of this year. In mid-March, for example, ANAC will launch a new website that features a communication campaign for commercial feed mills, educating them on the enhanced ban and reminding them of their commitments under the original 1997 regulations. Our material will include an educational component as well as interpretation bulletins on technical aspects of the new regulations. We hope this will be of use to our suppliers and also, very importantly, to our customers.

Through this enhanced feed ban, Canada has signalled its intent to eradicate BSE in as short a time as possible, and it is therefore imperative that the government and industry stand by the July 12 commitment. Having said that, it's also very important that this committee be aware of the extraordinary challenges that lie before this industry—and my colleagues here—and also government between now and July 12.

The enhanced feed ban is, in short, an immensely complicated initiative. It requires the active participation of the federal and all provincial governments across this country. That includes CFIA and Agriculture Canada and also the provincial ministries of agriculture, environment, and in some cases even health. It also requires a very high level of federal and provincial coordination, particularly in the areas of financial and other supports to industry.

The new regulations will also affect many different sectors: cattle producers, dead stock collectors, renderers, packers, feed manufacturers, fertilizer manufacturers, and the list really does go on.

In order to segregate SRM, as required under the new regulation, packers and renderers will need to invest in and execute significant infrastructure changes to their organizations. In addition, the ban will create the extraordinary challenge of addressing SRM disposal, as I'm sure many of you have already heard before. SRM will essentially, after July 12, have no value, but it will require that industry and government create and execute an effective disposal system.

In addition to making infrastructure changes and changes to procedures in virtually all industries, industries will also need to coordinate the timing of their respective activities to ensure that SRM is completely out of the supply chain by July 12. This is a very important point. If we want SRM off farms by July 12, we need it out of feed mills well in advance of this date, and this in turn will require that packers begin segregating SRM earlier still. All of this will need to be coordinated largely on a voluntary basis, because the

regulations really come into effect for every industry on that July 12 deadline.

Recognizing these challenges, the Canadian Meat Council and ANAC commissioned a situation report on the enhanced feed ban, which I believe the Meat Council has tabled with the committee. This report was developed with input also from the Canadian Cattlemen's Association and the major rendering companies, including Rothsay, which is represented here today.

The report describes the practical realities of the feed ban, including the range of issues that need to be managed by July 12. First and foremost, the report recognizes the need for a staged implementation of the ban. For planning purposes, we have collectively recommended that SRM-free meat and bone meal be available for sale to feed mills by May 1 of this year. This will allow 11 weeks for SRM to clear through the supply chain and be cleared off farms. But this also means that packers and renderers and all disposal solutions need to be sorted out and in place before May 1, which is less than 11 weeks from today.

I want to be clear that we stand ready to do what is necessary to meet July 12. But it is impossible for industry to meet the deadline without swift government action to provide the necessary support. The situation report that we've prepared outlines the need for action in four key areas.

- (1545)

First is the confirmation and delivery of capital funding for plant equipment and transportation. For plants to build the infrastructure to segregate SRM, significant capital investment is required. In 2006 the federal government confirmed \$80 million as part of a federal-provincial cost sharing agreement, but to date none of that money has flowed to industry in any province. Given the time needed for equipment to be ordered and infrastructure changes to be made, that funding needs to be delivered as soon as possible.

Second, we require clarification around specific regulatory and technical criteria in all the industries affected by the regulation. To adopt the procedures and requirements in the new ban, all our industries require some clarification from CFIA, and it's critical that we have that in place as soon as possible, so we can begin implementing the ban as effectively as possible.

Third, we still need to sort out short- and long-term solutions for SRM disposal. Disposal capabilities may very well be the biggest challenge in implementing the new ban. It will take time to build and to permit the permanent disposal infrastructure. Given this, there's no doubt that short-term or transitional measures will have to be put in place by July 12 and even before that, for May 1. Beyond the short term, we will also need to work together, industry and government, to identify long-term alternatives for disposal of this material.

Finally, we need to clarify short- and long-term support for disposal operating costs. Even if disposal options are available, we do anticipate that the cost will be prohibitive and will certainly have a significant impact on small processors and on dead stock pickup. To effectively achieve SRM disposal and keep the processing sector viable, it may be necessary to subsidize a portion of these costs.

A report was delivered to the Minister of Agriculture, to Agriculture Canada, to CFIA, and to every province across the country in early November. Since then we have seen a great deal of movement. We were very encouraged that in late 2006 CFIA established a task force to oversee coordination of the enhanced feed ban. We view this as a very positive development and we commend CFIA president and senior vice-presidents for taking leadership on this file.

Under the task force chair, Freeman Libby, the task force has set out a clear workplan and a plan for overseeing the ban and for coordinating with provinces and with industry. While ANAC is confident in the task force's ability, it's also clear that time is working against them. Even today, none of the federal-provincial funding agreements have been signed that we're aware of, and only one province, Alberta, has confirmed the details of its capital support program to industry. This makes it challenging for industry to implement the necessary permanent changes, particularly around SRM disposal.

It is increasingly clear that permanent SRM disposal infrastructure will not be in place across the country on July 12, let alone May 1, when we expect feed companies to stop purchasing the product, and if SRM-free material is not available on May 1, many feed mills will just stop using meat and bone meal altogether, making the disposal issues even more complicated. On July 12, feed mills will have no choice, obviously, but to stop using the product.

We're particularly concerned that SRM segregation and disposal must be made a priority, and if SRM disposal systems are not put in place, the entire feed ban will be placed in jeopardy.

Thank you very much.

• (1550)

**The Chair:** Thank you, Ms. Sullivan.

Mr. Laws.

**Mr. Jim Laws (Executive Director, Canadian Meat Council):** Good afternoon, and thank you very much.

My name is Jim Laws, and I'm the executive director of the Canadian Meat Council here in Ottawa.

The Meat Council is Canada's national trade association of federally inspected meat packers and processors, established in 1919. The red meat processing and packing industry of beef, veal, pork, and lamb is the largest food processing industry in Canada, with total sales of \$15 billion. Our industry employs over 45,000 people and is a major exporter of Canadian food products.

Our beef slaughter members include both large and smaller companies such as XL Foods, Cargill, Tyson, St. Helen's, Ranchers Beef, Levinoff-Colbex, Abattoires Z. Billette, Gencor, Delft Blue/Écolait, and Bellivo Transformation. They have invested millions of

dollars in expanding slaughter capacity since BSE by almost 45%, from 75,000 to almost 110,000 cattle per week.

These companies, which represent almost 95% of the beef processed in Canada, are all federally inspected under the Meat Inspection Act of Canada. Veterinarians and inspectors are present in all establishments, and they follow strict rules under the meat inspection regulations and the manual procedures. Strict quality control measures are followed to provide safe and wholesome meat products to Canadians.

The Government of Canada published its proposed ruminant feed ban rules in the *Gazette* part I in December 2004. At that time the Canadian Meat Council and our Canadian Cattlemen's Association colleagues expressed our concerns that the proposals to amend the ruminant feed ban were not in step with those proposed by the United States. Specifically, Canada proposed the removal of all specified risk materials from animal feed, whereas the United States proposed a shorter list of risk materials to remove from older animals and from dead animals.

On June 26, 2006, Canada announced that it would indeed go forward with the full list of specified risk materials banned from all animal feed by July 12. The government also announced that it set aside \$80 million to work with the provinces to assist industry's implementation of the plan. As of today, the United States of America has not yet published its final rule.

For animals less than 30 months of age, in terms of specified risk material, this can mean as little as two to three kilograms of specified risk material, the weight of a distal ileum. For animals greater than 30 months of age, the total weight of specified risk material can be as high as 40 kilograms per animal. The estimates vary widely based on factors such as the weight of the cattle and the ability of the packer to extract SRM with minimal additional tissue.

With over three and a half million head of cattle slaughtered every year in Canada and the capacity to kill over five million head, the volume of SRM that needs to be segregated and disposed of in an environmentally safe fashion is staggering. This involves a lot of commitment from the industry in terms of considerable changes in plant infrastructure, purchase of dedicated trucks, and investment in short-term and long-term disposal options for raw and rendered specified risk material.

The Canadian Meat Council members are very concerned that seven months have passed since the announcement of the new rules and only one province has announced the details of its program funding criteria. We had hoped the provinces would contribute an additional \$50 million under fed-prov 60-40 funding agreements for this important animal health initiative that the meat processing sector is faced with, bringing the total funding to \$130 million.

Beef and veal slaughterers and meat processors have their plans ready to segregate and stain ruminant specified risk material, but because of the considerable dollars that are required to be invested in the required plant and equipment, we have been waiting for the funding details from the provinces prior to committing to any plant improvements.

We have been working closely with the Canadian Food Inspection Agency on the specific rules and processes required to make changes to the manual procedures that will guide and direct our actions to slaughter and process in our facilities. We want to be ready and have all of our process-related questions answered to ensure a smooth transition to the new rules. We also want to clarify those processes to minimize the amount of material that is discarded along with the specified risk material, such as removing the distal ileum only, rather than the entire small intestine.

● (1555)

As Kathleen mentioned, we are very committed to meeting the regulatory deadline of July 12 to segregate specified risk material from the feed supply. The study we circulated to you earlier this week clearly indicates that we need to be ready to supply the feed mills. It indicates to us that we need to be ready by May 1. Our study indicated that full details of the program should have been made available to us by November 30, 2006, in order to make this deadline. Those ruminant feed ban enhancements that removed specified risk material required immediate action, as Kathleen mentioned—capital funding for plant and equipment; clarification on the rules, which have largely been clarified with the CFIA; immediate and long-term solutions for disposal facilities; and disposal operating costs.

As far as we're concerned, this is an extremely serious issue facing the industry. Many countries are expecting Canada to fully implement its ruminant feed ban enhancements by July 2007. Our BSE status at the OIE depends on it. We have already lived through the devastating impacts of closed borders and lost markets due to BSE, which cost our industry hundreds of millions of dollars.

We believe advocating for a delay in the implementation of July 12 is not an option for the Canadian beef industry. Standing back and doing nothing is not an option for the Canadian Meat Council. Most importantly, we must also fulfill the expectations of our customers.

We have sent a letter to the Minister of Agriculture expressing our concerns and requesting a two-year contingency plan that addresses the short- and medium-term disposal options for raw and rendered specified risk material. We have asked to meet with his staff as soon as possible to discuss this issue so that Canada can successfully meet its international obligations and our beef industry can comply with the July 12 deadline.

For example, we understand that some provinces currently are not fully engaged in discussions with the federal government, and claim they cannot participate in, or are not happy with, the funding they have received. We've been told that the funding must go through the provinces. The fact that there are different rules and eligibility criteria in each of the provinces causes us great concern. Ideally there should be one common set of rules applying to all companies across Canada.

Currently these slaughter byproducts are collected by renderers for meat and bone meal. After the feed ban there will be additional costs for disposal. Our options are very limited to us today, including raw SRM disposal. With funding not available through the provinces, the industry is truly in limbo.

With the United States considering opening their doors for Canadian cattle born after March 1999, and with no requirement to dispose of SRM in the United States, chances are that many cattle will go south, putting many packers at a competitive disadvantage. With the July 12 deadline fast approaching and options for SRM disposal being limited, some packers may be faced with having to reduce their slaughter rate to comply with these regulations.

We request that the Government of Canada and the provinces expedite the funding criteria for the \$80 million and the \$50 million provincial money, as originally allocated for this purpose, so that the industry can move ahead with implementing the regulations in time and with minimum disruption to the marketplace.

Thank you very much.

● (1600)

**The Chair:** Thank you.

Mr. Golding.

**Mr. Kevin Golding (President, Rothsay, Maple Leaf Foods Inc.):** Good afternoon. My name is Kevin Golding. I'm president of the Canadian Renderers Association and president of Rothsay Recycling, one of the member companies.

The Canadian Renderers Association represents Canada's independent renderers. By way of background, the committee needs to draw a distinction between a packer renderer and an independent renderer.

Packer renderers render their own slaughterhouse waste material. These are ruminant-based packer renderers—for example, the two in Alberta: Cargill and Tyson.

Independent renderers service the rendering requirements of the entire protein chain. This includes packers that do not possess rendering capabilities as well as butcher shops, small slaughterhouses, grocery stores, etc. This environmental service is provided for a fee.

Packer renderers do not render dead cattle. The pick-up and disposal of dead cattle from farms, feedlots, and slaughterhouses varies from province to province. Generally speaking, dead cattle remain on the farm, or they are removed and rendered for a fee. Fees charged by independent renderers are offset by the value of finished product produced from rendered raw material and the value of rendered hides in the case of dead stock.



The rendering process works as follows. It reduces and recycles animal waste tissue by high-temperature cooking and evaporation. This process reduces the raw volume by about 50%, and it yields useful finished products. Products produced from ruminant-derived raw material are tallow, and meat and bone meal. These finished products are traded as commodities, with the prices for them changing weekly. Tallow is used for a multitude of industrial purposes, and meat and bone meal is used as a high-protein ingredient in non-ruminant animal feed.

The enhanced feed ban due to come into effect on July 12 requires separation of SRM from other ruminant waste material. The enhanced regulation requires that the meat and bone meal derived from SRM be destroyed by incineration or containment. Similarly, SRM that has not been rendered must also be destroyed, contained, or composted.

The federal government has announced the availability of funds to facilitate the separation of SRM from all other ruminant material. It is understood that these funds will be allocated among the packers, renderers, truckers, and others involved in dealing with the separation, collection, rendering, and disposal or destruction of the SRM. However, as we've heard, the allocation of funds has yet to be determined. Industry plans to separate SRM are generally on hold until the amount of funds available to each participant in the SRM chain is announced.

At present, members of the Canadian Renderers Association render most of the ruminant waste material generated in Canada, unless it's rendered by one of the packer renderers that I mentioned. Until proper separation can be achieved, most ruminant material rendered by independent renderers will be treated as SRM. The value of meat and bone meal derived from the SRM-free material that is co-mingled with SRM material will be lost. This will result in substantial rendering fee increases, which will not be mitigated until new separate rendering lines are in place to facilitate the separation and value retention.

The problem of SRM varies by region and province. Plans for separation have been communicated to federal and provincial government officials by members of the Canadian Renderers Association and individual company representatives. However, implementation of separation plans, other than interim compliance, will not proceed until individual companies receive funding commitments from provincial governments responsible for administering the federal assistance program.

Unless and until separation plans are implemented, most ruminant raw material currently handled by independent renderers will be treated as SRM in compliance with the enhanced feed ban regulation on July 12, 2007. As Kathleen said, it actually will be earlier than that, as soon as her members stop buying our product.

Loss of meat and bone meal revenue, increased trucking costs, and additional handling fees and land tipping fees will result in substantial rendering fee increases, which will not be mitigated until separate rendering lines can be built to process SRM-free ruminant material. Economic considerations do not support the building of additional lines if the promised capital funding support is not forthcoming.

Although CRA members expect to implement interim solutions for compliance with the enhanced feed regulation on July 12, delays in making federal government funds available to the renderers for necessary capital improvements will increase disposal and destruction costs more than originally contemplated. These costs will not come down until improvements can be completed. In addition, even interim compliance may be impossible in some provinces unless permitting decisions related to landfills are resolved.

I'm going to give you a short status report on each of the provinces or regions in which Canadian Renderers Association members operate.

- (1605)

With respect to Alberta, B.C., and Saskatchewan, interim plans are in place to deal with SRM in these three provinces. The independent rendering company that is currently processing ruminant material in these three provinces will treat this ruminant material as SRM until such time as it's able to separate and add a separate processing line to facilitate the production of meal and bone meal derived from the SRM-free material. The separation and construction of a separate processing line remains dependent on capital funding assistance being given to this company. The independent renderer operating in these three provinces also expects to receive and process SRM material from the two packer-renderer companies based in Alberta.

In Ontario, Atwood Pet Food will be in a position shortly to render the 250 to 300 metric tonnes per week of dead stock, which is in balance with the dead stock currently collected today in Ontario.

Because the government funding has not yet been released, Atwood has not begun construction to accommodate the approximately 160 metric tonnes per week of slaughterhouse SRM material. This material will have to go to landfill in the interim. In the long term, the slaughterhouse SRM material will be disposed of based on the most economical solution: rendered, to landfill, or some other form. As of yet, no equipment, containers, trucks, or trailers have been ordered or purchased to collect or transport any of this material, and no landfills have been approved to receive either the rendered finished or the raw SRMs.

The meat processing plants are in various stages of design and implementation of the changes required to meet the SRM regulation, and it's uncertain whether all the plants can be ready by July 12.

In the Maritimes, despite our company's efforts, there's been very little discussion between government and industry, and we're unaware, at this time, of plans in those three provinces to deal with SRMs.

In Manitoba, since BSE in 2003, ruminant material has been collected from the small abattoirs in the province and taken to landfill. The province has occasionally sponsored a ruminant dead-stock cleanup program, and that material has also been taken to landfill. It's expected that the ruminant material will continue to go to the dump as a long-term solution for Manitoba.

In Quebec, on July 12, SRM could be processed with non-SRM mixed material at a cost of approximately \$286,000 a week, or more than \$50 million a year. The non-SRM raw material provider will not bear this cost. This company, Sanimax, has gone through the engineering, planning, permitting, and price quotes phases for a dedicated SRM processing line at the Lévis, Quebec, plant. If the provincial-federal agreement with Quebec giving the go-ahead to Sanimax is not finalized within two weeks, a dedicated SRM processing line will not be ready by July 12, let alone by May 1. Sanimax does not believe that all the ruminant slaughterhouses will be ready for July 12.

Thank you.

**The Chair:** Thank you, Mr. Golding.

We'll go to Mr. Wildeman.

If you can speak slowly for our translators, we would really appreciate that. We have the best translators in the entire Parliament; they give them to the agriculture committee, but they still need some time to translate. So the slower, the better.

**Mr. Brad Wildeman (Vice-President, Canadian Cattlemen's Association):** I'll only speak as fast as I can think, Mr. Chairman.

Thank you, Mr. Chairman, for holding this hearing on the enhanced feed ban and inviting us to advise this committee on the policies we believe Canada's nearly 100,000 cattle producers require.

My name is Brad Wildeman. I'm an elected member of the Canadian Cattlemen's Association. I serve as their vice-president and chair of their foreign trade committee. I am also the president of Pound-Maker Agventures, a 30,000-head capacity feedlot and a 12-million-litre ethanol facility in Lanigan, Saskatchewan.

Along with me is Dennis Laycraft, whom many of you know. He is the executive director of CCA.

I think it's important to begin with the statement that Canada's cattle producers compete in a North American market and that we're part of a long, integrated supply chain. Each piece of that chain relies on the strength and the ability of the next.

While we are supportive of the enhanced feed ban due to come into force on July 12, we also have some concerns. Our colleagues have outlined their concerns in meeting the rigorous demands of the enhanced ban by July. This is further complicated by the failure to date of the federal and provincial governments to work out the agreements necessary to provide the financial incentives intended to assist in making these necessary investments and these operational changes.

All were advised in September 2006 of the urgent nature of completing these agreements quickly or at least ensuring the retroactive eligibility of projects started following July 2006. We know all too well that any measures that slow down their operations will have a negative impact on all cattle producers in Canada. We are already facing very difficult circumstance from losses incurred because of BSE, the appreciating Canadian dollar, labour shortages, escalating labour costs, and the huge increase in feed grain prices driven by government policies towards energy and environment, both in the United States and in Canada. We are told now that we can expect an additional \$20 per head for livestock disposal.

Since the finding of the first case of BSE in May 2003, the cattle business has been a challenge. Since that time we have seen just how resilient this Canadian beef industry is. We've increased our slaughter capacity. We've increased our utilization of commercial beef. We've increased our share of domestic consumption and are regaining key export markets. In fact, we were the first country to resume exports after finding a native case of BSE—in one year—and hope to see our North American market return to its integrated pre-BSE state later this year if we're successful with regard to passing and implementation.

In spite of all these gains, the challenges faced by the beef industry in the past almost four years have eroded our competitive advantage over other beef-exporting nations, and we are not without continuing challenges. The industry is still rebuilding, and many of our producers remain in a fragile circumstance. It's critically important that we do not shock this system unnecessarily while we're still recovering. This enhanced feed ban has the potential to do just that if all the parties are not fully engaged in implementing it and complying with it by July 12 of this year.

Today Canada is the largest exporter of grain-fed cattle and beef products in the world. We can compete providing we have a level playing field. While we support enhancing the feed ban, everyone must recognize that it means higher costs for Canadian processors and cattle producers than for our U.S. competitors.

While we hope that over time alternate uses will reduce this cost disadvantage, the stark reality is that they're likely two to three years away. It's vitally important we do not put our industry in crisis yet again. This enhanced feed ban, without further transitional support measures, has the potential to do just that.

● (1610)

Every week Canada slaughters approximately 75,000 head of cattle, with a potential capacity of over 100,000 head. These are sold to beef packing plants in Canada and in the U.S. by feeding companies just like my own. Some are bigger operations, and some are much smaller.

When fed cattle are ready to market, there's a short period of time when they must be processed. Any delay in the time it takes to market fed cattle can cause a backlog in the system, similar to what happened in the early days of the BSE crisis, which resulted in decreased prices for Canadian cattle producers.

Our immediate concern is that if Canadian packing plants are not fully ready to comply with this feed ban by July, they have to either greatly restrict the number and type of cattle they process each day or reduce the number of days they operate. Either way, it will lead to another sharp decline in cattle prices, more cattle and jobs will leave this country, and cattle will be processed in the United States.

Our industry has worked hard to increase our processing capacity, our identification and age verification capabilities, and our global marketing efforts. Cattle producers are also required to play a significant role in implementing changes within their operations to comply with the new feed enhancement regulations. They're preparing to fulfill their specific obligations in ensuring complete implementation of these changes throughout the beef value chain. We must not, however, let our regulatory and government policies push the packing industry out of Canada, or all this effort will be in vain.

We are supportive of at least a two-year transitional program, along the lines advocated by the Canadian Meat Council, while we push forward with the investments and new technologies that will eventually reduce this burden. In the longer term, the competitive impact of this policy needs to be carefully monitored, and further programs may be necessary to offset competitive disparities that may well persist.

We ask for your support in the creation of transition measures to ensure the timely and non-disruptive implementation of the enhancements to our feed policy. This issue reaches outside of federal jurisdiction right down to municipal waste disposal that's already been described. We have seen in the past how this kind of situation can drag out the decision-making process endlessly. This time, Canada's beef cattle industry cannot afford this type of delay. We critically need the federal government to take the lead on this issue, pressing the provinces where needed, and ensuring that Canada is ready.

In closing, when it comes down to it, we are really representing the whole industry with the same message.

Thank you for this opportunity to speak to you. We'll be pleased to answer questions.

• (1615)

**The Chair:** Thank you for all your presentations.

We'll start with the first round and Mr. Boshcoff, please.

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

Of the \$80 million allocated federally, is it not strange that there's no process to access this? When they announced this, wouldn't the government have some kind of application process or distribution system?

**Mr. Jim Laws:** That's our view exactly. It's too bad, because they were in discussions with the provinces well before they made the announcement at the end of June 2006, so they knew it was coming. We would have preferred just one single program where the rules were known. It's not that complicated, but because a certain amount is given to each province, it got very complicated.

**Mr. Ken Boshcoff:** You say the minister knew this in June 2006.

**Mr. Jim Laws:** *Canada Gazette* part I was issued in December 2004, and that's when their proposed regulation was put in place. It was June 2006 when *Canada Gazette* part II came out, with pretty much the same regulation as proposed in part I. So there was plenty of time in between to decide what was going to happen.

**Mr. Ken Boshcoff:** The Province of Ontario has promised to set aside dollars, but only during their budget process, which could be after May 1. So how many other provinces are in the same situation? I'm not saying they're playing a game, but this can certainly stifle a cooperative effort.

**Mr. Jim Laws:** Apparently they're all pretty much in the same boat, so that's where the complication lies. It would have been nice if the rules had been made very clear to everyone. Then things would have moved forward.

**Mr. Ken Boshcoff:** So would it have been up to the federal minister to resolve these jurisdictional disputes? Were there not forums before where all the agricultural ministers met on these things?

**Mr. Brad Wildeman:** Certainly this was a topic of discussion at several federal-provincial meetings of agriculture ministers and others. The announcement was made, the funding was out there. The problem, of course, is that no one government has jurisdiction over all these things. Municipal disposal, for example, is an issue for the provinces. And each province is different, as Kevin has described. Some have landfill options, some don't. These increases in costs, increases in logistics....

So the money was out there. But it seems to us there wasn't much discussion about what the appropriate measures were initially, what those costs would be. And there has been no agreement on the funding formula. So we have, as you guys are always aware, a federal-provincial issue about what the funding split should be, whether it's 60-40, 90-10, or 100-0, and so I think that's hurting it. And of course getting close to the budget cycles within the provinces, that's likely occurring right now. A lot of this is being hung up in budgetary consideration by the province.

And of course we understand all those things, except that the clock is ticking and it's ticking quickly and we're going to comply. We have no choice. We've promised the world we'll comply with this. We've all committed to this. And we simply can't continue to wait for all these processes to come together over several months and years.

• (1620)

**Mr. Ken Boshcoff:** Would the \$80 million federal commitment have been enough on its own? Could it be delivered independently without provincial or territorial support?

For mobile abattoirs, in the rural parts where we don't have massive plants to deal with this, they're already in a somewhat precarious economic situation. What is SRM going to do to these businesses?

**Mr. Dennis Laycraft (Executive Director, Canadian Cattle-men's Association):** Mr. Chairman, to your previous question, then your latter question, certainly there are elements you have to have the provincial governments involved in, and then you fall into the regulations to deal with disposal. An enormous amount of work has gone into trying to address that, but with federal-provincial agreements it always comes down to that point around getting the final financial agreements signed. And we even asked to have the simple commitment, to just tell us it would at least be retroactive if we started on these projects, so we don't make ourselves ineligible. To date, I think only one province has made that commitment, and that's been frustrating. In terms of the type of transition measures we're talking about today, that can be done strictly under federal jurisdiction.

**Mr. Ken Boshcoff:** I think that's somewhat of a solution.

I have two fast points, Mr. Chairman. How much time do I have?

**Mr. Dennis Laycraft:** Do you want me to answer the smaller-plant question?

**Mr. Ken Boshcoff:** Yes, please, or the mobile operations.

**Mr. Dennis Laycraft:** Or the mobile operations. But even the smaller provincially inspected plants, because of the smaller quantities, are not going to be able to do the level of segregation. It's estimated they'll have at least twice the costs associated with implementing this program than the larger plants will experience.

**Mr. Kevin Golding:** I'd like to make one comment on that as well.

One of the things in the regulation is a six-month exemption for small abattoirs. Essentially, once the SRM rule comes in, that exemption really won't.... That would be meaningless, because for anybody who's going to pick up their material at that plant, it will be essentially SRM.

**Mr. Ken Boshcoff:** When you talk about additional costs, two things come to mind: the farmer who is saying there are more costs here, and then the fear of actually losing jobs and businesses to massive operations south of the border.

Anybody who wants to comment, please do so.

**Mr. Brad Wildeman:** There's no question, I think, that those are the issues. We can only absorb enough cost until the cattle start going somewhere else. So we'll either be non-competitive in the feeding sectors against our U.S. counterparts, who have very large capacities—they could easily swallow up the feeding activity we're doing in Canada—or we'll lose our packing industry down there because they can't bid the kind of prices it takes. So it'll be easier to have the animals trucked to the U.S., slaughtered, and the meat come back up onto our grocery shelves. And we'll lose a good portion of our processing sector. And after all this industry has been through and all the work and effort we've done to try to rebuild our slaughter capacity so we wouldn't be so vulnerable, we're at a very real risk of going back there and perhaps even farther than that.

So I think that is the issue.

•(1625)

**The Chair:** Thank you, Mr. Boshcoff.

[Translation]

Mr. Bellavance.

**Mr. André Bellavance (Richmond—Arthabaska, BQ):** Thank you for your presentations.

The real question here is whether we will be able to fulfill the terms of the mandate awarded by the federal government by July 12. I think industry is committed to eliminating SRM material by then. As you mentioned earlier, we have international obligations.

I read a second time a report or a comprehensive, highly interesting overview of the situation that you prepared in November 2006. I wanted to congratulate the Canadian Meat Council and the Animal Nutrition Association of Canada on this initiative.

However, three months have passed since this overview was done. Three months later, that is five months before the deadline, we don't seem to have made much progress.

Am I wrong?

[English]

**Mr. Dennis Laycraft:** Yes.

[Translation]

**Mr. André Bellavance:** Yes, I'm wrong, or no, I'm not wrong?

[English]

**Mr. Dennis Laycraft:** You're right.

**Ms. Kathleen Sullivan:** You're correct. I think it's fair to say that there has been some progress in the last few months, but given the size of the task and how daunting it is, the progress certainly hasn't been enough to track us to July 12 in a safe way.

[Translation]

**Mr. Jim Laws:** We merely want to know, or have someone write to tell us, if we are eligible to have reimbursed some of the expenses that we will incur, so that we can start construction. However, we haven't even received the go-ahead for this.

Each province has a responsibility to deliver on federal funding. This team is not working fast enough for us. We don't want to lay the blame on anyone, we simply want things to move forward.

[English]

**Mr. Kevin Golding:** I think it's important to note that although the technical date is July 12, as Kathleen, who is the purchaser of the products, says, the reality is that the date is sooner than that. We have definitely been talking to the government about that since last summer and been pointing out that we have to get going on this, because the ability to execute is hard, even starting back then. From now until May 1, if we're not ready, everything that is produced is SRM, which loses value and essentially has no place to go to be disposed. That's a big issue.

[Translation]

**Mr. André Bellavance:** In this as in other matters, provincial areas of jurisdiction must be respected. I can't imagine that this is the first time that discussions have taken this long. We have managed to smooth over such problems in the past. We've seen this happen before and it probably won't be the last time either. The trouble is, I'm having problems keeping track of things.

Mr. Goldring, you stated that you had drawn up a list of those provinces that have made progress on this matter and had prepared a kind of status report. So then, things are moving forward, but the industry has yet to see any money. A mere five months from the deadline, nothing has been done. Mr. Goldring, I thought I understood you to say earlier that the provinces had made some progress.

[English]

**Mr. Kevin Golding:** Let me reread...for example, I'll use Alberta, which is dealing with the largest amount: "The independent renderer operating in these provinces expects to receive and process the SRM material from the two packer renderers." So West Coast Reduction, which has a rendering plant, will build another line. But as they've said, and this is from their notes to me, "Separation and construction of a separate processing line remains dependent on capital funding assistance being made available to the company."

So they are not going forward. They've done the engineering, they're getting ready, but this a substantial capital investment. They aren't going to do that unless they have that capital funding. For them to be ready, I don't think it's realistic to build another line that quickly.

I said in Ontario, Atwood is moving ahead at certain levels, but they're stopping because they're not going to handle the rest of it. From the standpoint of things like disposal, we've definitely been in touch with a variety of landfills, but that takes time. Some we haven't got approval for, and some will take the rendered product as opposed to the raw product. The raw product is the guts and the bones, pretty messy stuff. The rendered product is the powdered material, a little easier to take to a landfill.

The other concern is, even if you had the approval to take the raw material to the landfill, how quickly would somebody in that jurisdiction say they don't want this stuff anymore, once they get a little taste of that material coming into their jurisdiction?

Does that make sense?

● (1630)

[Translation]

**Mr. André Bellavance:** It's hard for me to believe that officials from various levels of government are not on this, because July 12 will be here before you know it. I would have like to hear some views on the subject.

Mr. Laws, I believe you mentioned earlier that you wrote to the minister and requested a meeting with him. Have you received an answer? I would imagine that you have contacts within the department. Have you heard anything at all about how this matter is progressing?

**Mr. Jim Laws:** I know that over the past two weeks, a departmental representative has visited each province in Canada to encourage them to sign on, to advance funds and to set out program criteria, so that decisions can be made regarding contracts with firms.

Last Friday, we spoke to the minister again in Vancouver. As far as we know, no provinces have signed the agreement to date. However, Alberta has unveiled to industry officials the details of a program that it intends to carry out with the federal government. That's where matters stand at the present time.

[English]

**The Chair:** Mr. Laycraft wanted to jump in.

**Mr. Dennis Laycraft:** On that, we have had conversations with the minister and the senior officials. Our understanding is that they have indicated that the federal funds are available and eligibility will not be dependent on the commencement of the projects afterwards. In other words, they're willing to accept the retroactivity that we've asked for, but it gets bogged down because of the federal-provincial agreement that's required, with most provinces saying they have to go to their treasury departments first before they're prepared to make that commitment. So we're caught in that lengthy process you referred to earlier, when you get down to negotiating the final details around the financial commitments of both parties.

**The Chair:** You're time's up.

Mr. Miller, the floor is yours.

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

Madam and all the witnesses here, thanks very much for coming today. I'm a beef farmer too, so I understand the quandary that we're in here.

First of all, Mr. Laws, I believe it was you who mentioned that the last thing we want is a delay or anything like that. Have you heard some indication that it's in the works? I haven't, so I'd just like to clarify that.

**Mr. Jim Laws:** Some members are just shaking their heads, asking how they're going to make the deadline. As I mentioned in this report, we had been advocating before for the same list the Americans were going to have, because we knew that was going to put us in a very uncompetitive position. But when the announcement came out, we didn't whine, we didn't complain, and we didn't say we weren't going to comply. We said, okay, that's it, we didn't get that, but certainly we're going to comply. The government announced this \$80 million at the same time. That was way back at the end of June.

People have their plans. As Kevin said, they have their plans, but they're not going to go ahead and spend millions and millions of dollars on plant and equipment if it doesn't come through.

Given the delay with all the provinces, we have also asked the federal government if we can we get the funding directly from them. The answer is no. It has to go through the provinces because in Canada—welcome to Canada—it's a shared responsibility. Agriculture and the environment are shared, so it has to go through the provinces. That's the holdup, and that's what we're waiting on.

**Mr. Larry Miller:** That's a good point. As my colleagues at the table here have already said, working with the provinces isn't always easy. We recognize that, I think, but that still doesn't take away from the fact that we are approaching the deadline very fast. I agree with you. I don't think we can delay it. It has to come through.

I have a few questions. First, did any of the new packing capacities or packing facilities that were built during the height of the BSE crisis, whether they were additions or brand new, allow at that time for the removal of SRMs in order to make it less costly at this point? Were any of them developed like that? Does anyone know?

• (1635)

**Mr. Jim Laws:** No, they did not put in separate lines at that time.

**Mr. Larry Miller:** We're starting right from scratch even with those.

**Mr. Jim Laws:** Absolutely.

**Mr. Dennis Laycraft:** We should clarify that they were designed to remove SRMs from the food portion, which they do completely, but they all go into the same disposal lines that come out of their system. At that point when most of those investments were made, there was still quite a discussion on whether to go with the long list or the short list. The final decision was the long list that took place.

**Mr. Larry Miller:** Ms. Sullivan, you mentioned that we have this May 1 deadline when we have to start. Could you again go through exactly what needs to happen on May 1 and basically what happens after that as far as disposal between there and July 12 is concerned?

**Ms. Kathleen Sullivan:** Effectively the regulations come into being on July 12 for all of the industries that are affected, and that's completely unrealistic. Our final objective is to get this material off the farm and out of the feed system as much as possible on July 12, so we have to back it up. What we're recommending to our members is that they go to their suppliers and ask their suppliers to have SRM-free material available to them on May 1.

We know there are feed companies that have already gone to their suppliers and asked for SRM-free material even now, particularly for bagged feeds, which tend to stick around in the system a little bit

longer. On May 1, the feed ban is very easy for the feed industry to comply with. We just stop buying the product.

The challenge isn't really for the feed companies. They'll just call their suppliers and say that they either have the SRM-free material for the feed companies or they send soy meal or an alternative product. What really happens at that point is that the whole system backs up. The renderers then end up with product and the packers have nowhere to send it. What we end up doing, by virtue of trying to comply with the regulation, is really exacerbate the problem. We take the July 12 date and we really just take three months off that period of time.

**Mr. Larry Miller:** One of you talked about how we can do a number of things. You said we can take it to a landfill, and I believe it was you, Mr. Laws, who said there were 160 tonnes.

**Mr. Kevin Golding:** In Ontario, possibly there will only be 160 tonnes of specified risk material. But if I could, I'd just follow up on what Kathleen said, because it is important.

First of all, her members could essentially enact the ban from their perspective today, because they're the purchasers of the product. They don't have to buy it. They're not affected whatsoever, except for their involvement in the chain, and they're responsible.

From our perspective, on May 1, if we're not ready to go... I'll give you the example of our Dundas plant. It's located near Hamilton. Right now, the Dundas plant handles approximately 5,000 metric tonnes per week of ruminant-based raw material. It's important to go back in time to when BSE hit. All the large rendering plants segregated their plants at that time. It used to be that whatever the material was—pork, beef, chicken, or whatever—it all went to the closest plant. When BSE hit, we split the plants, which is one of the reasons we're in a difficult situation now, because there are no extra plants around, so to speak.

I'll give you the Ontario example. Our plant in Moorefield, north of Guelph, is a non-ruminant plant. It handles pork, poultry, fish, etc. The plant in Dundas handles all ruminants. That plant handles about 5,000 metric tonnes of ruminant material—bones, guts, etc.—per week. Of that, our estimation is that about 400 metric tonnes are SRM. Some of that will be handled by the dead stock, which is right now being picked up by Atwood and then comes back through the Dundas plant. We'll handle that. We're working with them on that. For the 160 tonnes, they're not ready to go on that and that may have to go to landfill, if we can find a landfill.

The issue we have on May 1 is that if we're not ready to go there—and I'm just using Ontario as an example—all that volume at Dundas could be specified risk material.

**Mr. Larry Miller:** Just so that I don't run out of time here, to carry on with this, there is taking it to the landfill site and then there's composting. I need to understand the composting a little better, because as a farmer, if I lose a cow, I have to either get the dead stock in or I bury it. You can't leave it around. So how do you compost this? It's not only the smell that you have to worry about; you have animals. It must be in some kind of contained compost site.

**Mr. Kevin Golding:** For on-farm, an abattoir associated with a farm is allowed to compost the SRM material. If it's an abattoir not associated with a farm, for example, it cannot do so. The regulation states that.

• (1640)

**The Chair:** You're out of time, Mr. Miller. I'm sorry.

**Mr. Larry Miller:** We'll come back to that, then.

**The Chair:** Mr. Atamanenko, you're batting cleanup.

**Mr. Alex Atamanenko:** Thanks very much for being here, folks. This is obviously a huge issue.

In our notes, we've touched upon on the issue of biofuels and the fact that there's going to be a demand for feed when it comes to biofuels. I've been doing some research and trying to get my head around this whole biofuel issue. The other aspect, though, is that there's apparently a plant coming up in Alberta that's to take in these SRMs and rendering products and make them into biodiesel, I believe it is. Do you see this as a way out, either in the short or long term?

In other words, ideally it would seem logical that you have this possibility. The federal government has said it wants to go forward on biofuels. There's some concern about corn, so it's looking at other things. Should we be going in this direction?

**Mr. Kevin Golding:** If you go back to what I was talking about, it's important to note that there are two streams coming out of the rendering process. One is tallow-based, or oils. We're using some of it in our biodiesel plant in Montreal, which I believe some of you were scheduled to go to last June. Please reschedule, because you're quite welcome to come back again. But that has its own share of issues.

On the protein side, I believe there's a lot of work going on, but there's nothing commercial right now. Remember, we're talking about weeks or months, not years. Longer-term, certainly things like gasification or anaerobic digestion are all types of things that are being worked on. But we don't believe anything will be commercially viable over the next three or four months. I don't think anybody sitting here believes that is an option.

Brad, you're involved in that business too.

**Mr. Brad Wildeman:** That's right. I'm in the biofuels business now. I have been for 15 years, and we've looked at this. We look at this as a potential on a couple of issues. It may have the potential to be biodigested to create methane and for thermal generation. It may become a feedstock, because we have a boiler for that.

The reality, though, is that there's not enough known about this product. A lot of research needs to be done. We also don't know what the value of it is, so what's going to be the input cost of that energy, and what's the output cost? That's why we're talking about this two-year transitional program for that product to get out there, for people to evaluate it, and to be able to see what sort of research occurs.

We think there are other, better uses than putting it in a landfill. We have a lot of concern about putting something in a landfill, because that's a contingent liability that goes on forever. But the reality is that it's the only option we have today, until some of these processes get researched.

**Mr. Alex Atamanenko:** I'm hearing the idea that maybe we should have a two-year period. Is the consensus that we shouldn't have to meet our July 12 deadline? Is that what I'm hearing?

**Ms. Kathleen Sullivan:** We have to meet the July 12 deadline. If we don't, then we lose tremendous credibility with international markets. What we certainly said in our report, though, is that it's highly unlikely at this stage that we're going to have permanent infrastructure in place for July 12. We need to work together with the provinces and with the federal government to have what we're calling transitional measures, but we have to have some disposal mechanism for this material on July 12. Beyond that, though—and we noted this in our report—we can't stop working. Industry and government still have to work together to try to pursue some of these new technologies that are coming along.

Putting this material in landfill, as Brad and Kevin have said, is not a long-term solution to this problem. But if we just rest on our laurels after July 12, if we make it, then we're not going to see the development. We still have to continue to work together and we need a plan of action so that we stay on it.

**Mr. Jim Laws:** We're also asking for these extra funds because there has been such a great delay in this capital money and because we think that all this \$80 million and the provincial money is only going to pay for capital improvements, although we don't know because the rules haven't been made clear to us.

We've said that what's going to happen is that the market's going to crash and no one is going to want to take this stuff. Where are they going to put it? We figure that if we don't want this market to crash, we had better have some plan in place that's at least going to help the industry pay for the disposal of this stuff, so that the renderers will keep buying it from the packers and the packers will keep buying cattle from the cattlemen. It has to all be working together.

We're quite concerned. We saw what happened during BSE when the market crashed. This is making us nervous now that we're getting so close and nothing has been announced. We figure that if we can maybe get some federal-only program to help over the next couple of years, that will at least pay for disposal. But we know the challenges that are coming.

•(1645)

**Mr. Dennis Laycraft:** I just want to add that the two-year period we're talking about is a period of time for additional financial assistance. We're going to have higher volumes of product containing SRM because we're not going to have the infrastructure to segregate it, as we talked about earlier. We also have very limited places and uses for it.

We believe the technologies you mentioned are going to offer us some more choice, but commercially we're going to be lucky if they're available in 18 to 24 months. It could easily be 36 to 48 months when you take a look at where they are in terms of development and construction and at the type of environment we're seeing in parts of this country.

So no one wants to see this delayed, but we recognize that there is some potential serious financial hardship in the interim, while we try to get to a point where we can manage this more effectively.

**Mr. Alex Atamanenko:** We can assume a couple of things, I think. One is that there doesn't seem to be an easy process between provinces and the federal government. I think the other thing we can assume is that the minister would like to do this as quickly as possible, to meet your demands.

If we were to start something tomorrow, what would the steps be? If you had a chance to make the rules and to put this in place, what would be the first three or four or five steps you would do, starting now?

Anybody.

**Mr. Jim Laws:** I'll say a few things.

We need to make the rules known, make them clear. We need to set a bunch of rules that everybody in the industry across Canada knows. Everybody's working in a vacuum right now.

If you could influence the provincial agriculture ministries in your provinces, that would also be of great assistance, to try to tell them that this is serious business, and we need to work together as one country. This is a Canadian problem. Forget about provincial or whatever it is; we have to get this thing moving.

**Mr. Alex Atamanenko:** Dennis.

**Mr. Dennis Laycraft:** I chair the beef value chain round table, and we have discussed this issue. I think the first step, as Jim acknowledged, is pretty clear: we have to identify that this is a serious problem, and the current program is not going to be capable of addressing it.

The second thing we've asked for is that we convene a meeting very quickly, involving federal officials and the industry, with a commitment to work towards this transition program, not to sit there and argue for the next 12 weeks, as we did in the early part of the BSE crisis, on whether we need to do something. We need to roll up our sleeves and decide how we address this instead of whether we need to.

Once we sit down, I think among the people around this table we could come up with some pretty workable solutions fairly quickly to address this issue. But the last thing we need to do is get into another

federal-provincial agreement scenario that usually takes up to 18 months to work to a conclusion.

**The Chair:** Thanks, Mr. Atamanenko.

I just want to follow up on what Mr. Laycraft was saying.

Now, there are steps to be taken. Some of the provinces have started down that path, and some haven't. Which provinces do we need to talk to? I think Mr. Laws suggested that we should go and talk to our provincial counterparts, if need be, to get them back on track, and so that they understand this urgency. Which are the provinces we're dealing with? What steps need to be taken?

It was mentioned here that we should come up with a plan fairly quickly. Have you looked at other models around the world that are facing the same situation with SRMs, particularly over in Europe? What have they done to rectify this situation?

**Mr. Jim Laws:** I think you probably should be asking the agriculture ministry which provinces are farther along in discussions than others. They are the ones that are intimately involved in this, and they know the answers. We hear things, but they have the actual facts.

In terms of what's happened in the rest of the world, we saw what happened in Europe, where the governments bought up all this ruminant meat and bone meal and had it in storage for years and years. We're not advocating that, but we are advocating some type of assistance with disposal costs.

With regard to the details, as Dennis mentioned, we'd have to sit down with the government authorities and find out the best way to fund that so that the market won't collapse, the industry won't collapse, and we can keep it moving so that we can meet the July 12 deadline.

•(1650)

**The Chair:** Mr. Golding.

**Mr. Kevin Golding:** From a decision-making standpoint, as I laid out here, all the provinces are important, but the three provinces that have the most volume are Alberta, Quebec, and Ontario. They are all in at least forms of dealing with whether to render the product down and find a way to dispose of it. Pretty much all of them are waiting for the decision made on capital.

As I said about Sanimax—Mr. Bellavance had asked the question—they have done the engineering. They are waiting for the final go-ahead and then they will go. But they need to know now. Decisions have to be made immediately.

So really, time is of the essence.

**Ms. Kathleen Sullivan:** The Canadian Food Inspection Agency, as I mentioned, has formed a task force to head up coordination of the ban. This is a daunting task, because it really is just coordination; in many cases, they have no authority to make the provinces do anything. Their chairman, Freeman Libby, is actually travelling across the country, even as we speak. He's meeting with the different provinces to try to overcome hurdles and challenges.



Having said that, as far as we know, no province has signed the federal-provincial funding agreement. That would suggest that every province is ripe for a conversation about moving this initiative forward.

**Mr. Dennis Laycraft:** Mr. Chairman, I certainly need to involve the provinces, because they are an important part of this solution. But we don't need a new set of federal-provincial agreements to address this.

That task force that is moving around the country is starting to look at transition measures. The reality is that we're going to have to make some decisions fairly quickly to put the type of assistance in place that's necessary to address this. We can sit down within industry, and with this group, and work out details fairly quickly, but more often than not, what we hear is that there's nothing available.

**The Chair:** Mr. Steckle, kicking off the second round, five minutes, please.

**Mr. Paul Steckle:** Very quickly, we're approaching five years since we started this process with the animal found in Alberta. I think we were aware then that we would be coming to the point where we would ban SRM products from animal feed.

We have a government that has committed \$80 million; we have provinces that have not committed any part of that money. We're not coming together on it. I think both feds and provinces are totally responsible.

But I also have a problem. Who got us into this situation where we're now committed to July 12? We're committing ourselves to something the Americans are not.

I understand that for us, consumers around the world, and our markets—which we have now or are proposing to get—there's a benefit there. Are we going to benefit in the Taiwan market, the Japanese market, the Indian market because we've taken the extraordinary step that Americans have not? Are we going to follow behind in the footsteps of the Americans and take whatever spoils are left? I find it's always that they call the tune and we pay for it. I'm frustrated.

What has made it a requirement for us to do this when the Americans are not doing it? We did it on the feed ban. We had a joint date, I believe, in 1997, when we agreed to stop using the feed. Why are we not together on this one?

**Mr. Brad Wildeman:** I would say this, Mr. Steckle. Of all the countries in the world that have had a BSE occurrence, to date there are only two countries that have not implemented a full feed and food ban, and that's Canada and the United States. We're going to—certainly that's expected—and the U.S. hasn't.

My second point would be that if you look at the international review committees that looked at our BSE and appropriate structures, the last of their recommendations is that we should have this feed enhancement in place. So we've done that.

Third, it's a very critical component of our submission to OIE for controlled risk status, which will start to open up some of these markets. We hear from CFIA—and I don't like to speak for them because I don't want to misinterpret this—that many of these markets

that are closed to us are waiting for us to have a meaningful and full feed ban in place. That's why we support it.

We have the same concerns as you've echoed, and I think you've articulated them very well. We have this problem of wanting a full food and feed ban enhancement because we need international markets, yet we still need to be competitive with a country we live beside and compete against every day for meat and cattle that isn't going to do that. Perhaps they don't feel they need to because of their market power and dependence on international foreign trade. Perhaps they think they don't need to go there. Perhaps there's some sort of naiveté, I would say, on their part, that they're not convinced they really have BSE. I think you hear some of those things.

The reality for us is that we have to go there. We've all bitten the tough bullet to say yes, we have to get this done. If we said the implementation date is July 12, 2010, I think we'd be here in February 2010 telling you how imminent this issue is. It seems that this deadline is finally starting to drive some movement. We're the industry that has to get it done.

We're here to say we're ready to go, but tell us what the rules are. Tell us whether we can start while you get some of this done and not disqualify ourselves. Once we have that, then how much of the \$80 million is left for some of these other issues? We simply don't know any of those things, because we don't know how much is going to spent on capital or how much will be ready for operational and transitional programs.

Here we are. We are waiting to move, anxious to move, committed to move, but we are unable to move.

• (1655)

**Mr. Dennis Laycraft:** I want to add that as we analyze this from the round table, one of the issues is that we export close to half of our production, and the U.S. exports about 10% of theirs. We're far more vulnerable than they are.

We recognize, through the work we've done, that the current feed bans in North America will eventually lead to eradication. It's not that we don't have effective feed bans. That's the first point I want to make sure, since this is recorded.

Secondly, this has the potential to shorten that timeframe by about 50%. Obviously the faster we can get to negligible risk, we believe long-term that will have benefits for the industry. But we have to make sure in the meantime that we don't push our processing industry out of the country again. That's what really drove the greatest part of the crisis in 2003-04. We just had more cattle than we had the ability to process. We watch that very carefully.

**Mr. Paul Steckle:** Yes, that takes me to my other point. It's probably the last point I'll have, but it's a concern. You've raised it, and I think Mr. Laws raised it. It's the fact that so much of our beef already, in the last year, has been going south. We're at about 75,000, and we have a capacity of 100,000 plus. As government, we put some money into the industry to build capacity, and we see the beef flowing south. I see a greater incentive to move south when they don't have to rid themselves of the SRM. There's a value there that they can capitalize on—send the beef back up into Canada.

Now, we invest government money into capital. How much of that capital is going to be put into plants that are going to be redundant five years from now because the industry has moved south? I don't want to leave us on that note, but it is a concern and I think all of us need to be thinking about it.

**The Chair:** Mr. Steckle was on time, so just a quick response, if possible. There's no response? Okay.

Mr. Gaudet, please, five minutes.

[Translation]

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

Earlier, you talked about Europe. I'm curious as to what is happening on that continent. Countries have taken action in this area. Briefly, can you tell me what being done?

[English]

**Mr. Kevin Golding:** I think that post-BSE, they've essentially eliminated any type of ruminant-based feed from the feed chain. Depending on where you are in Europe, they've done anything from putting it back through cement kilns to storing it in airport hangers to incinerate it. But it has been a huge cost to either the industry or the governments. I think it varies by region.

I don't think they necessarily have the solutions we had talked about earlier. Right now—and I haven't been there recently—they are rendering the material down, taking the proteins, and either sending it through cement kilns or whatever.

It's very costly. Their industry has just driven costs up. I'm not sure how much per head it was, but it's a lot of money.

• (1700)

[Translation]

**Mr. Roger Gaudet:** What is the percentage of animals in Alberta, Ontario and Quebec?

Or, if you prefer, I will put the question to you a different way. How much do Quebec, Ontario and Alberta need to invest in order for you to be satisfied?

**Mr. Jim Laws:** In so far as the \$80 million is concerned, are you asking how many animals, percentage wise, are slaughtered in these provinces?

**Mr. Roger Gaudet:** That's correct, percentage wise, in terms of the \$80 million.

**Mr. Jim Laws:** We don't have any official figures yet. They haven't yet been released.

**Mr. Roger Gaudet:** For instance, if Alberta accounts for 60% of the cattle slaughtered, Quebec, for 15%, Ontario, for 14%, and the remaining provinces, for 1%, some provinces may not want to make any kind of investment at all.

Would it be better to proceed by territory, as was the case in 2003 when many were requesting this? Another case of mad cow was reported last week. Newspaper and television reports make this out to be... Yet, we never hear the Americans talking about mad cow disease. I have a problem with that. The Americans are going to stick it to us once again where this matter is concerned.

**Mr. Jim Laws:** That's a good question. In fact, you might want to put it to Agriculture and Agri-food Canada officials. They could explain to you how the \$80 million were allocated. As I understand it, the funds were allocated according to need, but I'm not sure how that was defined. They were not allocated on the basis of the overall number of animals slaughtered.

**Mr. Roger Gaudet:** Would the territorial approach be appropriate in terms of managing BSE? From what you've just said, if more cases are reported, we won't be any further ahead on July 12 than we were five years ago.

You may say that parliamentarians are to blame for this state of affairs. I'd like you to give us some information so that we can put questions to government members.

**Mr. Jim Laws:** The mistake may have been made back in 1867 when the Constitution was signed and responsibility for agriculture was shared among the provinces. That's the answer, but we're not looking to blame anyone. We're looking for a solution. And, we believe the solution, quite simply, would be for the federal Department of Agriculture and Agri-food and for the provincial ministries of agriculture to sign agreements to move this matter forward.

[English]

**The Chair:** I think Mr. Wildeman wanted to jump in here.

**Mr. Brad Wildeman:** To clarify a point, it wouldn't necessarily matter whether we find more cases or not. The reality is that we've had the cases, we've been defined, and we're going through this risk classification with OIE to determine what it is. But unless we have many more cases... In fact, with all the controls we have in place, and the way the OIE guidelines are stated today, it would not change our risk status. We continue to look for more cases, because we're committed to having all the safeguards in place.

The final safeguard is a full implementation of this feed ban. That's why we're committed to it, because then it won't matter how many more cases we have. I just wanted to clarify that.

In the longer term, if we do this and it's effective, the win for the country and our producers is that over the next decade, we can eliminate finding more cases. Over time, we can get back to negligible risk status, where we may not be required to have all these conditions in place.

**Mr. Dennis Laycraft:** In addition, our programs concerning the health of animals are national, not provincial. As far as we know, agriculture isn't divided provincially; it's national. There are issues related in our Constitution to property rights and so forth that are divided along different...

The industry as a whole is committed to a national approach on this, and it's essential work. Instead of counting the number of cases you find, which is still important, the whole world is moving towards looking at the controls people have put in place. That's what's really important around this issue.

[Translation]

**Mr. Roger Gaudet:** I'm not interested in asking questions about the many different cases. I'm interested in finding out why the provincial ministries and the federal department have been unable to agree on a solution over the past five years. That's what bothers me. I'm not interested in asking questions about the nine or ten cases reported. I simply mentioned the last one that was reported.

How is it that no progress has been made in the past five years? As usual, you're going to do the work hastily and it will be poorly done. That's what happens when a deal is signed at the last minute, to mollify everyone.

Thank you. I'm just telling it like it is.

• (1705)

[English]

**The Chair:** Thank you, Mr. Gaudet.

Mr. Devolin, it's your turn.

**Mr. Barry Devolin (Haliburton—Kawartha Lakes—Brock, CPC):** Thank you.

One thing that's tough when you're asking question six is that a lot of the questions have already been asked.

Mr. Wildeman, I think that your comment, which was—I'll paraphrase—that if it wasn't for deadlines lots of things would never get done, is true in this case. As you approach a deadline, you cross a couple of panic points. The first panic point is, if I don't do something right now, I'm not going to be finished on time. Then there's a second panic point, which is that it actually doesn't matter what I do now, there's no way I'm going to get done by the deadline. Is it safe to say now we're at the second panic point?

You can't get a two-car garage built in three months. I can't imagine how facilities are going to get built that require funding, when the regulations haven't been developed yet. There seems to be a bit of a disconnect here.

Are we still talking about having things ready by July 12?

**Mr. Brad Wildeman:** Maybe I'll turn it over to Kevin, but my initial thought would simply be that this is why we're talking about problems. We need to define this first part of funding, so we know what it's for.

We're already saying that there are going to be some transitional measures, because it's likely now that not everybody's going to be fully enabled by July 12. Some will be enabled; some won't. So the volumes that have to go to a landfill either not rendered, unprocessed, or fully segregated may not occur.

We still believe a significant portion of the industry, these big players, can make it, but not everybody can make it. That's why we're already starting to talk about what we need to do after this in the next transitional period, recognizing that it's likely that not everyone is going to make it.

Kevin, maybe you could add to this.

**Mr. Kevin Golding:** It's interesting to understand what Mr. Steckle said earlier, that this is going to cost the country money versus the Americans because we're not harmonized. Everybody

understands that. We're dealing with it. The issue now is that because we're so close to the deadline, it's going to cost us possibly a whole lot more. What's going to happen is that we can't segregate in time, and so we can't save the so-called "good" raw material to make into finished products that go to Kathleen. We have to possibly throw it all into the "bad" stuff. We can do that, no problem. That can happen, it's just that the economics are very stringent.

The only other issue, when we're not 100% sure we can execute that, is whether we can find landfills to take that material. As we've said, if we take it all to Dundas and it's all bad stuff except the tallow, then we've got thousands of tonnes each week of rendered meat and bonemeal that can't be sold and that has to go somewhere. It has an economic cost to the industry, which is what these gentlemen were talking about. But also, it's one thing if you can execute it, but can you take it somewhere? I don't think we have that nailed yet.

**Mr. Barry Devolin:** Shouldn't it be fairly easy to find out whether landfills are prepared to take it or not?

**Mr. Kevin Golding:** Landfills are in the same situation as everybody else here. I talked about the access to capital. Some of these landfills actually have to open up space, or whatever. If they've applied for capital, they're not going to do anything until they've been given approval. Plus, there's some permitting.

**Mr. Barry Devolin:** On the \$80 million that the federal government has put up, if there aren't even signed deals with the provinces yet—not to mention the fact that the provinces haven't committed whether they're putting dollars in it or not—fast-tracking this is weeks or months, it's not hours and days. Maybe I'm being overly pessimistic here, but realistically, unless you identify some shortcut, given that we're already too late as to what can be done by July 12, I don't see how. Keep hoping that the federal government will sign the deals with the provinces. Keep hoping that the regs will come. Keep hoping that you can find builders to do this stuff in time. How do all those things fit together in four months?

• (1710)

**Mr. Kevin Golding:** I think those were and are for capital improvements. If you look down the chain, Kathleen's group, as I said earlier, can be ready today because they don't have to buy it. As for Jim's people, from the packing standpoint, I'm not sure if you're absolutely sure they can all be ready by a certain date, but the larger ones will be ready, or it'll all be SRM material anyway. The renderers can be ready as well, because it's just a matter of turning everything we have now into rendered material. Everything can happen, it's just that the cost is prohibitive, and we have to have a final resting point for that stuff when we take it away.

In the mid to longer term, we're looking for capital improvements to try to mitigate the cost. In the short term, this is going to be very costly and we have to find places to take it, and those haven't yet been nailed down. Part of the reason it hasn't been nailed down is that some of those landfills either haven't agreed to it or they're waiting for money as well. I think it actually can happen, it's just that the longer we go, the more costly it gets in the short term.

**The Chair:** Did you want to jump in?

**Ms. Kathleen Sullivan:** I was just going to reiterate some of that. We can absolutely be ready for July 12. In fact, we're going to have to be largely ready for May 1. We know from our conversations with the largest packers in the country that they'll be ready even for May 1 to segregate their lines.

The real issue, though, is that we're going to have to be very creative about where we put all this stuff come May 1, or July 12, and all the time in between. Part of the conversations that have to take place with the provinces aren't just about the \$80 million and signing federal-provincial agreements, it's also speaking with each of the provinces to ensure they're having the right conversations with their landfill operators and with all the different disposal outlets. It could actually be that come July 12, or even before, we have to store this material somewhere until we really do have a viable disposal mechanism.

We'll be ready. It just won't be as pretty and as clean as we would like it to be, if you will. We certainly won't have the permanent infrastructure in place. Even then, we're really going to have move heaven and earth, and we're going to have to have all the right conversations take place in all of the provinces across the country with all of the industries so this can work.

From the beginning we said, when we did our report, that the challenge here is largely a coordination exercise. Where it really falls apart is that we're trying to coordinate disposal of a product that has essentially no value. We like to pretend that markets will take care of themselves, but we're talking about garbage. It's waste product, it has no value, and if you have to pick it up, in fact it starts to have negative value.

How do we make sure all the right people are having the conversations? That's where we've been trying to put pressure on the provincial government, the various departments in the federal government, and those conversations are going to have to take place every day certainly for the next 12 weeks. And even then, there's no doubt that we're going to have to store some of this material somewhere.

**Mr. Kevin Golding:** I could maybe follow up on that by painting the volume picture a little bit. These are estimates—because we don't really know until things come out—but essentially we're looking at approximately 4,000 metric tonnes a week of specified risk material across the country that has to be dealt with. I think that comes from the Informa study that George Morris did.

Putting that in perspective, there's approximately 25,000 tonnes right now of ruminant-based material that goes to the rendering plants. So 4,000 or so of that would be SRMs, and that's going to come out of the chain. Every week that goes by, there is an extra 21,000 tonnes that you have to deal with.

As Kathleen said, if we haven't got a way to dispose of it, then for every week that goes by, what do we do with it? We have to put it in hangers or bins or....There's not that kind of storage around. That's one of the issues. When BSE hit, to begin with, our company had thousands of tonnes of material that we had to find short-term storage for, at nowhere near this kind of level, and that wasn't easy to do.

**The Chair:** Mr. Easter.

**Hon. Wayne Easter:** Thank you, Mr. Chair, and my apologies for having to go over to the House for a few minutes.

We did make a commitment internationally, and certainly we definitely have to stick to it or our credibility will be bad. But the simple facts are these, Mr. Chair. We're three short months from the first crucial deadline. There are rules, but nobody seems to know what they are. There's money, but we don't know where the money went and how much is left.

My question is this. Who's in charge and who's responsible for the rules? That's question number one.

**Mr. Dennis Laycraft:** The first thing is that we know there's money, but none of it's been spent, so it hasn't even gone anywhere. That's part of the problem.

**Hon. Wayne Easter:** Right at the moment, though, Dennis, do you know, from your perspective, who is in charge and who is responsible for the rules? That's my first question.

•(1715)

**Mr. Dennis Laycraft:** Well, the indication we've gotten, as far as the \$80 million and then the subsequent 40% match that's expected of the provinces goes, is that while they have a working group looking at this, the expenditure of that money is going to fall back to each single province once they've signed the agreement.

CFIA has taken a strong role in terms of working out some of the specific details that various companies will need to meet. This is not a simple process when you get into a processing operation, and they've been working very actively with various individuals throughout the country, coming up with clarification on those things. We could get into that in great detail as well.

As far as getting this all resolved is concerned, a new working group has been struck, and we've attended federal-provincial meetings, and we've been doing that for a period of time. Every time it seems as though you're only weeks away from an agreement, every time you meet—and there are months between meetings—it seems to just keep moving forward. We're getting to the point where.... We thought it was critical to have this in place by November. Then we indicated it was essential we have it in place by January 1. Now we're in the middle of February, and we're having the same discussion again. There's not a good answer when you get into these types of negotiations.

**Hon. Wayne Easter:** The federal government has a lot of authority through various acts, whether through CFIA, whether through some of the federal-provincial agreements, and it's not unknown for the federal government to basically take charge and put the money out. Money has been expended before, and a bill has been sent to the provinces. Maybe that's what we ought to do in this case.

What I'm wondering is if we, as a committee, were to decide to call an emergency meeting for a Wednesday, Mr. Chair, who would be the players we'd have to call? Basically on this issue somebody has to take charge. I've been involved in federal-provincial negotiations, and I'm not blaming the federal government by any means. You can say this one's to blame, and that one's to blame, and years pass.

I really think we're at a point here, because we don't want our international credibility.... We have some authority as a committee, and I would suggest that if we knew who the key catalyst would be to move this thing along, whether it's the federal Minister of Health or the federal Minister of Agriculture or the president of CFIA or whoever, we should ask for an emergency meeting and say, look, get your act together; it's got to happen. Whether we ask all the players.... For that matter, we can subpoena people from the provinces, if we really want to, as a committee.

We cannot miss that deadline. It's that simple.

**Ms. Kathleen Sullivan:** I think one of the challenges we've had is that there are so many different people who have authority over different parts of this whole puzzle. CFIA is certainly responsible for the regulations themselves, the technical pieces, and ultimately compliance. Agriculture Canada has always held the money, the provinces are responsible for disposal, and in some cases disposal is going to rest on municipalities for landfills. Authority has really fallen across so many different camps that I say this has largely been a coordination challenge. But those would really be, in addition to the industries you see here today, the main players in this regulation.

**Mr. Brad Wildeman:** I have an additional comment. Private industry doesn't usually get filled in on what's happening in intergovernmental negotiations. I know there's some frustration here because we can't tell you the answer, but as private industry, we're not often privy to what's being negotiated, so that does make it tough for us to try to give you a really appropriate status report.

**Mr. Dennis Laycraft:** Just to add to that, we're not even privy to how much money is allocated province by province.

**The Chair:** You may have a final comment, Mr. Easter.

**Hon. Wayne Easter:** There's no reason we can't turn this into an opportunity. I was talking to Mr. Anderson earlier in the day about the technology by which you can maybe even make energy out of some of this waste. But we have to meet our commitments and try to seize the opportunities that are here, and we're not going to do it unless somebody takes charge. So if you could get to us the names of those who you think are the key players, maybe, Mr. Chair, we could discuss this and see if it would be possible to hold an emergency meeting, call the players in, and provoke at least some quick movement.

• (1720)

**The Chair:** Point taken.

We're going to finish off this round with Mr. Gourde, then we have some housekeeping to do.

[*Translation*]

**Mr. Jacques Gourde (Lotbinière—Chutes-de-la-Chaudière, CPC):** Thank you, Mr. Chairman.

Since I'm the last person to speak, I'll try not to ask the same questions.

We're dealing with a product that will contain SRM material. I don't know why that is, given that a decision was made to eliminate SRM material nationwide. Witnesses told us that these materials currently had no value, even though several tons are produced weekly. Under the circumstances, I fail to understand why industry officials are not jumping on the opportunity to sign up for programs

that promote biodiesel use, since we are talking about a steady supply source.

No doubt such programs will allow us to eliminate these materials in the short term. This appears to be a relatively clear and simple solution to ensuring that SRM materials do not find their way into the food chain. Why wouldn't we band together to eliminate these materials by turning to this energy source? From an environmental standpoint, everyone would benefit from this solution that would give some value added to the product.

[*English*]

**Mr. Brad Wildeman:** I'll take the first stab at it.

I think a lot of us have looked at that opportunity, but I think there are a couple of things that are yet unknown. First, how much of this product will be available? And of course, that's fully dependent on what kind of segregation we're going to be able to achieve, what the regional differences are going to be, and where the location of those specified risk materials will be. That's the first thing.

Second, we're unaware of the chemical characteristics of some of this product until we understand what's in the mix. So that's the second thing.

And third, we're not exactly sure what the cost of it is.

So those are the other things. My other comment would be that if we extract it for biodiesel, or if we use it for biodigestion for thermal generation in electrical production, for example, that doesn't eliminate the problem; it doesn't get rid of all the byproduct. There's still considerable byproduct left. You're only taking the oil-fat portion out, remember, so you're still going to have this. Will we have degraded the prions appropriately enough so they can be disposed of in other manners?

There are a number of questions that need to be answered. We think it's certainly an honourable and appropriate thing to be researching and putting a lot of effort towards, but I'd argue today that these are unknown things. And to have private industry adopt it with all its unknowns is simply not going to occur. So that would be my answer.

[*Translation*]

**Mr. Jim Laws:** Mr. Goldring broached this subject earlier when he talked about Maple Leaf Foods Inc. As for these products, I would like to point out that in Montreal, fat is rendered for commercial uses. What we really need to render are proteins.

Regarding biodiesel, we even sold these materials two years ago to the City of Montreal for its buses. SMR material is now being used to power city trucks.

In short, Mr. Goldring is taking the initiative and many projects of this nature are being carried out. But rendering proteins continues to be a problem.

[English]

**Mr. Kevin Golding:** My last comment on this is that it's important to realize the two streams coming out of the rendering process. Go back to the process, which is that the raw material goes in, water is evaporated off, and two usable streams come out—one is the tallow and the fats. The tallow and the fats actually are either going into commercial use for chemicals, feed fat, or actually being used in biodiesel in Montreal. The proteins aren't appropriate for biodiesel; they don't go into that. The issue with that is whether they can be used for things like energy, or in your boilers or whatever. That will be investigated. It's not commercially viable anywhere that we're aware of now.

I think the issue, as I said before, is that we have weeks and we have to deal with it on a base case, and that is to make this stuff go away as quickly as possible, as economically as possible. Then over the course of time, as Dennis said—and Brad, I think—can we close the gap and get some commercially viable things on the protein side? We hope so.

**Mr. Dennis Laycraft:** The reality on July 13 is that the product that was worth \$150 to \$200 a head is going to be worth about minus \$60 to minus \$80 a tonne. In the U.S. it's still going to be worth \$150 to \$200 a tonne, so they're going to be competing for those cattle. That may change if they adopt a different policy, but there's no evidence that's going to occur quickly. We are working with companies that are involved in things like the new hydrolysis process, which looks like it can deactivate, but it involves a lot of units, and those are still probably in the range of two years, best-case scenario, from being available to us.

We're funding research into composting. There's some evidence to suggest enzyme mixtures also lead to a significant risk reduction, and you can compost quite efficiently without odour and do this fairly quickly if it's done in the right types of protocols.

We are looking at cogeneration, but right now there's only one company that we're aware of that's prepared to even accept this for burning purposes. When you are only negotiating with one company, they just want to know how much you're going to pay them to take it. So until you get enough uses out there that you actually create some competitive pull for it, we're going to be dealing with a negative-valued product that was worth a considerable amount of money prior to the introduction of this policy. That doesn't mean this is a bad policy, but it means we're facing a vastly different economic equation when we get to July.

• (1725)

**Mr. Kevin Golding:** So, for example, one of the ways we're looking to mitigate is through the cement business, but essentially still you have to take the rendered products, get it to the cement manufacturer, and as Dennis said, they're not necessarily going to pay you for it, they're going to charge you for it. And they can only use a certain amount. That's actually what is happening in some parts of Europe.

**The Chair:** Our time is up for today. I want to thank all of you for coming in and bringing this to our attention and the urgency that surrounds the matter. We'll figure out as a committee how we wish to proceed.

We do have some housekeeping that we want to do right now, so we'll wait for one minute until our witnesses leave the table.

**Hon. Wayne Easter:** I wonder, before you leave, whether it is possible for you to give the chair some.... If we were to hold an emergency meeting, who would you suggest to come? We can take it from there. Perhaps you could get back to James on that right away.

**The Chair:** It doesn't have to be right now, but if you could get back to us in the next 24 to 48 hours, we'd really appreciate that.

**A witness:** Okay.

**The Chair:** We won't go in camera.

On the schedule, there's a change coming up. I've already talked to the vice-chairs. Minister Emerson is available to appear before committee, as requested by Monsieur Bellavance. He is going to appear on February 27 and can be here for about 45 minutes. We had scheduled that day for the Wheat Board witnesses and the report, so I don't know how you want to deal with the rest of that day.

**Mr. Larry Miller:** Mr. Chairman, you say the minister is going to be here for an hour?

**The Chair:** Roughly.

**Mr. Larry Miller:** I'm just wondering, gentlemen, about one issue that I know has come up, and maybe André will agree with me here: the tobacco growers in southern Ontario, and I know in Quebec, and I believe...is it P.E.I. or New Brunswick that has a couple, although not very many, I understand...? Is it P.E.I.? I just wonder, Mr. Chairman, to fill up that hour, about having some of them in, and then we could deal with the original plan on another date.

**The Chair:** We had the growers before us about that, but we haven't had government officials here.

**Mr. Larry Miller:** Government officials: that's where I'm headed on this, to have somebody from the Ontario and Quebec governments in particular, and of course the federal side, to deal with it. It's just a suggestion.

**The Chair:** Mr. Atamanenko.

**Mr. Alex Atamanenko:** With regard to that, Larry, I had a meeting with Joe Preston, and he's aware of that. He was going to take it upon himself to talk to Wayne and André, and maybe we can get a joint letter to the minister, trying to speed up some kind of high-level meeting. We had discussed—I think it was Paul who brought it up at the committee—that we've been around in committees, and now is the time, and we thought it might be a good idea to try something like that. Just so you're aware, apart from the committee, that's in the works, to try to get some kind of meeting to speed this up.

• (1730)

**The Chair:** Mr. Steckle.

**Mr. Paul Steckle:** I agree with you, Larry. We need to expedite a meeting at some point at a very high level.

I've spoken to Mr. Strahl, I've spoken to Joe, and maybe he's spoken to you about it. Of course I've met with the tobacco industry as well. We have had this before the committee many times over the years. This is the final kick at the can, and I think at this point they want to exit the industry.

We have to bite the bullet, do it. A lot of players need to be partners in this, including the industry itself, but I think we can only do that by having all the players at the same table. We need to do that quickly, because March 1 is the deadline.

**The Chair:** Mr. Miller.

**Mr. Larry Miller:** I know the exit is what they want. We did have representation here last fall from the industry. That's why I think it's important to hear from the government side. Of course, if there is some kind of strategy it has to be in conjunction with the provinces, so that's the reason.

**Mr. Paul Steckle:** All the players have to be at the table. I don't think we could do it with just—

**The Chair:** Then are you suggesting, Paul, that we have the provincial governments affected, the federal government, and do we need to bring in the—

**Mr. Paul Steckle:** I think we need the buyers, we need the processors—the ones who are still here working—and we need the farmers. We need them all at the same table, because we're getting all the messages but they're coming at different points. One is denying what the other said and denying they ever said it. I think it's time we had them all at the table. I know this is what everyone wants, and this is what they're prepared to do.

**The Chair:** I sense there's some consensus here.

I have André and then Alex and then Wayne.

[*Translation*]

**Mr. André Bellavance:** Paul has raised a very relevant point. However, we're talking here about a one-hour meeting. Correct?

[*English*]

**The Chair:** I'm at your disposal. Do we need the producers at the table, since they've already made a presentation? Should we just have the government representation this time to see what they're doing? We know exactly where the producers are. Should we just have the government players and the processors? We haven't had the processors here at all. We can extend one hour.

Mr. Atamanenko.

**Mr. Alex Atamanenko:** My feeling is that we could have people here; it's good, we can listen, and it's recorded. The feeling from the tobacco growers is that it should be pumped up another notch apart from this committee, to work with the minister, to get him to push for a high-level meeting with all the players at that level, so some decisions can be made, so we can get things going. That is the feeling I got when talking to Joe Preston.

I thought that was what Paul was referring to, and that's why we're trying to get that—

**The Chair:** Let's not confuse what we need to do out of the committee with what we need to do at committee.

Wayne was on, then Larry, then Paul.

**Hon. Wayne Easter:** I agree that we bring in the tobacco producers in the second hour. I think we ought to meet with Mr. Emerson when he's available.

Where will the Wheat Board meeting be moved?

**The Chair:** We could move it back to March 1, when we have biofuels scheduled to start. Why don't we just pump that back?

**Hon. Wayne Easter:** I think we seriously need to have that meeting. The vote is on ongoing. It needs to be held before the final day.

What's scheduled for next week?

**The Chair:** Next Tuesday we have Steve Verheul coming in with representation from CFIA. Industry Canada, Finance are going to come in, and even the Canadian Border Services Agency. So we have that on Tuesday.

On Thursday we're dealing with the farm income crisis. I've only received witness suggestions so far from Alex and André. We have the NFU coming in, the UPA, and I think the University of Regina might be coming. Any suggestions from other members are most welcome. Please submit them immediately. If we think of somebody else who could be there....

We want to talk about women in agriculture and how they're dealing with this crisis. I believe the Women's Institute might be an appropriate organization to be here as well.

•(1735)

**Hon. Wayne Easter:** It's getting late in the process—no more delays.

The other thing on this issue is that I really think we should hold an emergency meeting. Next Wednesday is probably too soon because you would need to get witnesses. When they come back to us with names—we can think about it in the meantime—maybe the steering committee should meet to see if it's possible to hold an emergency meeting, because this thing has to move.

**Mr. Larry Miller:** What about the 28th?

**Hon. Wayne Easter:** If they get names to us on Monday it will be too soon to call the meeting on the 21st, in fairness to people. The 28th would be possible. Steering committee members can think about it in the meantime, but we really need to deal with this issue quickly. We can't dilly-dally.

**The Chair:** I agree with you 100% on that, Wayne. Hopefully we'll get some feedback through either me or Carol, and we'll figure out which way to move forward. Hopefully we can do it by the 28th as an emergency meeting of two hours in the afternoon, or whenever we get a space.

Are there any other comments on the schedule? Is everybody happy?

**Mr. Paul Steckle:** I want to once again impress on everyone that this matter of tobacco is urgent. If we can convene this meeting without our being the conveners—somehow have the minister convene this meeting—I would be happy to absolve us of that responsibility, but it may take this meeting to get the next meeting going. We're running out of time. It's incumbent upon us to show leadership here.

**Mr. Larry Miller:** There's one thing I'd like to find out that we all need to know at the committee level here, as federal MPs. What kinds of intentions do the Ontario and Quebec governments have? We don't know that, and it's very important. We need to know that and hear some comments from them.

**Mr. Paul Steckle:** It's a \$1 billion pie. We don't know how many weeks or years it's going to take to make that pie, or who is going to take part in digesting that pie, but that's what it's going to take.

**The Chair:** I'll suggest that on the 27th, in our second half, we have representatives here from the ministries of agriculture from Ontario, Quebec, and Canada who are responsible for this file, as well as the processing industry representatives.

Okay, if everybody is good with that, seeing no other business, we'll adjourn.

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