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**Tuesday, February 27, 2007**

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**Chair**

**Mr. James Bezan**

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## Standing Committee on Agriculture and Agri-Food

Tuesday, February 27, 2007

• (1530)

[English]

**The Chair (Mr. James Bezan (Selkirk—Interlake, CPC)):** I call this meeting to order.

We are privileged to have Minister Emerson, Minister of International Trade, with us today; and Minister Strahl, Minister of Agriculture and Minister responsible for the Canadian Wheat Board.

We have Steve Verheul back again. It's good to see you. And John Gero, who is with the Department of Foreign Affairs and International Trade, is also here today.

Welcome, all of you, to the committee table.

We're going to keep things flowing quite smoothly today. We're going to give the two ministers fifteen minutes total time to make a presentation, and we're going to go with five-minute rounds so that we can get in as many questions and as many questioners as possible in the time we have allocated.

With that, I'll turn it over to Minister Emerson for his opening comments.

**Hon. David Emerson (Minister of International Trade and Minister for the Pacific Gateway and the Vancouver-Whistler Olympics):** Thank you very much, Mr. Chair.

It's a great honour and a privilege to be with this group of parliamentarians today.

As was mentioned, Minister Strahl and I are joined by our chief trade negotiator, John Gero, and Steve Verheul, the chief agricultural negotiator.

I'll make some brief remarks and then take some questions, once my colleague Chuck Strahl has made some brief remarks.

Let me just begin by saying that Canada as a trading nation and its economic success, which means our jobs, our prosperity, our social programs, and our whole quality of life, have historically depended, depend now, and will depend for the foreseeable future very much on our ability to sell goods, products, and services throughout the world. This is true of agriculture, true of manufacturing, true of natural resources, and true of services.

We also know, and many of you know, that Canada's farmers can compete with the best in the world, but they need access to markets. That's really why Canada supports the open markets, the liberalized trade, and the level playing field for farmers that the World Trade Organization framework provides. It's a stable, predictable, rules-

based system that is fair to all trading nations, whether they're large, small, developed, or developing.

Our exporters depend, in other words, on the World Trade Organization as the cornerstone for our international trading strategy. And that's also why Canada has been such a strong proponent of an ambitious conclusion to the Doha Round of trade negotiations.

Fundamentally, we must achieve increased access to world markets for our goods and services. We must achieve improved trade rules on anti-dumping, countervail, and subsidies, and we have to achieve a reduction of red tape at national borders. Fundamentally, we're fighting for a level playing field for all countries to compete fairly.

As you know, development is the centrepiece of the Doha Round, and again, an ambitious, balanced outcome is absolutely essential for reducing poverty and integrating developing nations into the world trading system.

Canadian farmers also have a lot to gain from a successful Doha Round, which is why we've lent our full support to the objectives of the agriculture negotiations; namely, the elimination of all forms of export subsidies, a substantial reduction in trade-distorting domestic support, and real and significant improvements to market access.

At the end of January, Minister Strahl and I attended an informal WTO ministerial in Davos with ministers from about 30 countries. We emerged from that meeting with a clear consensus to try to get the negotiations back on track, and as a result, WTO Director General Pascal Lamy immediately relaunched full-scale negotiations in all of the negotiating groups.

Since the restart, the pace of informal negotiations has picked up in Geneva. In parallel, key players, including the U.S., the EU, Brazil, and India have been engaging in bilateral discussions to try to narrow their differences.

But time is running out. Substantive results must come soon in order for the U.S. administration to push Congress for a renewal of trade promotion authority. Without an approval or an extension of trade promotion authority, a Doha deal is very unlikely for years to come.

It should also be clear to all of us that Canada has a big stake in an aggressive international trade agenda. In that context, I'd like to make a few comments about the government's commitment to supply management.

In comments last December, which I suspect are the reason you've asked me here today, I talked about the real opportunities for Canada internationally, but also about some of the pressures we face in the international marketplace.

• (1535)

Across our international trade agenda, Canada has both offensive and defensive positions. Like all countries, we seek to both advance and protect important economic interests. This means we are seeking a fair, more rules-based international trading system, are seeking to expand market access, and are pursuing a strong defensive position in some areas, including that of supply management.

My remarks in December were candid, but they were fundamentally intended to convey that negotiations by their very nature are about give and take. As Canada seeks to achieve enhanced economic benefits either through the WTO or through regional and bilateral agreements, we will face pressures to make concessions ourselves. That is just common sense; I think we all know that.

Nevertheless, this government is resolutely committed to Canada's supply management system. That has been and it remains this government's position. As Minister Strahl has noted many times, we've gone to the wall on this issue.

We're also moving on other fronts. In January we requested WTO consultations on U.S. agricultural subsidies provided to American corn growers, as well as on the total level of trade-distorting agricultural support in the U.S. and certain export credit programs. We believe these subsidies create unfair market advantages. We want to see the U.S. live up to their WTO obligations, especially as they rewrite the Farm Bill this year.

Earlier this month we announced that the government will be initiating negotiations under GATT article 28 to restrict imports of milk protein concentrates from our trading partners. This was in direct response to the wishes of Canada's dairy producers.

We're also working to ensure Canada's future economic prosperity through regional and bilateral trade initiatives. Here again, we'll act in the best interests of both export-oriented and supply-managed agricultural sectors.

As I said at the outset, our farmers can compete with the world's best. By pursuing an ambitious agenda at the WTO and by moving forward on a robust defence of our agriculture industry, this government is laying the foundation for a strong, sustainable, and competitive farming industry for generations to come. We look forward to working with Canadian farmers and with parliamentarians across party lines to reach this goal.

I'd now like to turn the floor over to my colleague, Minister Strahl, so that he can make a few remarks.

Thank you, Mr. Chairman.

• (1540)

**Hon. Chuck Strahl (Minister of Agriculture and Agri-Food and Minister for the Canadian Wheat Board):** Thank you, Mr. Emerson and Mr. Chair, and thanks to the committee for devoting some time to this critical issue. It's an important one and it gives us an opportunity to once again stress our government's strong support for supply management.

I want to strongly echo the comments made by Minister Emerson and I'd like to focus my own observations today on my portfolio and the range of initiatives and positions the government has taken specifically in support and defence of the supply management system.

We understand, as I know the people around this table understand, the enormous value that the supply management system brings to those sectors that have chosen to market this way.

[*Translation*]

The system has served producers, processors and Canadian consumers well for many years and will continue to do so.

[*English*]

As Minister Emerson has made clear, we have not only been active on behalf of our farmers in the domestic community, but we've been working hard internationally as well. Mr. Emerson has already spoken about our trade negotiation agenda and our recent initiative to pursue formal WTO consultations with the United States regarding their trade-distorting subsidies for agriculture.

We've taken other recent measures as well. For example, as you know, in response to dairy industry concerns, three weeks ago I announced we will be initiating negotiations under article 28 of the GATT to restrict imports of milk protein concentrates. As you are aware, the increased use of milk protein concentrates in dairy products has posed significant challenges to producers for several years, and we took aggressive action on it.

In a separate initiative in support of supply management, I also announced that I would ask the Canadian Food Inspection Agency to launch a regulatory process related to compositional standards for cheese. This process should result in the further harmonization of the relative federal regulatory instruments and will be designed to protect consumer interests and promote choice in the marketplace.

[*Translation*]

Mr. Chairman, Canada's farm leaders have commended this government for taking action on behalf of the dairy sector. They have also said very clearly that they recognize this government's strong commitment to measures that support their vital marketing tools, such as supply management.

[English]

These are important government initiatives that will help the industry move forward. However, the discussions in the dairy industry working group we established last spring made it very clear these actions alone cannot achieve the long-term solutions required to ensure profitable growth for producers and processors. That's why I've also urged producers and processors to renew their discussions under the dairy industry working group framework. We're committed to supporting the industry and to tackling the key challenges it currently faces, but long-term solutions can only come from producers and processors working together.

I want to thank both of those groups for putting so much effort already into those negotiations and discussions, and I urge them to continue them wholeheartedly.

The theme of close collaboration with our industry, and indeed of leadership in collaboration within and across our agricultural industry, is also relevant to our work in international trade negotiations. In that regard, I'd like to close my remarks today by briefly returning to Minister Emerson's observation about our position at the WTO. I want to strongly reiterate Minister Emerson's point that Canada has much to gain from a successful outcome in Geneva. For Canadian agriculture to thrive and to compete effectively, we need to achieve an ambitious result and strengthen the rules that currently govern world agricultural trade.

[Translation]

We are continuing to seek substantial reductions in trade distorting domestic support, as well as significant improvements in market access and the elimination of all forms of export subsidies.

[English]

There's absolutely no doubt this government has mounted a very strong defence at the WTO of interests important to supply management. The record on this is very clear. We continue to take a very hard line on these issues. At the same time, it's important to recognize that all other members of the WTO are willing to accept at least a degree of over-quota tariff cuts and tariff quota expansion.

We have no allies for this position. So what does this mean for Canada? This government's commitment to supply management is strong. Our negotiating position in Geneva remains aggressive in defence of supply management, but as Minister Emerson has explained, we're also committed to the WTO; it is the cornerstone of our trade policy.

So this reality presents Canada with a challenge. We have a very strong interest to remain as effective and influential as we can at the negotiating table so we can achieve the best possible outcome for our whole agricultural sector, including exporters, but also for supply-managed industries. Our agricultural industry will have an important role to play here.

• (1545)

[Translation]

As we move forward, we need to continue to work very closely with the provinces and a full range of our agriculture stakeholders, including supply-managed industries, to make sure that we can

deliver the best possible result for Canada. We will be listening closely to their views.

[English]

It's always preferable to be a deal maker than a deal taker at any negotiation, and that's why we will continue to work together collectively with industry and collectively between departments to ensure an effective approach for Canada.

With those remarks, I would think we're ready to take questions.

Seeing there are no questions, I think you're ready to leave.

**Some hon. members:** Oh, oh!

**An hon. member:** Well, thanks for coming!

**Hon. Chuck Strahl:** Oh, there are a couple of questions.

**The Chair:** Thank you, ministers, and thank you for staying under your time limit.

I want to remind members that we are going to stick to a five-minute round, and I will enforce five minutes on all so you respect it. Also, we're talking about supply management, so let's keep our comments to the topic.

With that, I turn it over to Mr. Easter.

**Hon. Wayne Easter (Malpeque, Lib.):** Well, the key question here, Mr. Chair, is really the government's commitment to supply management and orderly marketing, and whether it's real or an illusion—because they do go hand in hand.

Given the fact that there's no question you're basically undermining orderly marketing with your tactics at the Canadian Wheat Board—

**The Chair:** We're talking about supply management.

**Hon. Wayne Easter:** We are.

**The Chair:** Orderly marketing is different from supply management.

**Hon. Wayne Easter:** And that's what I'm talking about, as they both apply, Mr. Chair, because the world is watching. They're watching as you talk about choice under the orderly marketing concept of the Canadian Wheat Board. So my first question is really for Mr. Emerson.

Mr. Emerson, I just want to be sure you're still standing by this statement. I'll read a quote of yours:

We've got sector sensitivities and we've always deferred to this industry or that industry that felt that they couldn't cope with free trade and so we tended to put aside agreements that were largely in this country's best interests but because of narrow sensitivities—

That was attributed to you in *The Western Producer*. I take it you're not withdrawing that statement. Do you stand by that?

**Hon. David Emerson:** Let me just state right off the bat that this government's position is that we are committed to supply management. But there is no doubt, when I made those comments, which I do not withdraw, I was talking about the long run, and I was talking in the context of Canada being a highly trade-dependent economy. There are many sensitive sectors, not including supply management. We have, as a country, over the last five to ten years, since NAFTA, not entered into sufficient trade agreements to keep up with the competition. Our exporters are now being disadvantaged because other countries are forging bilateral free trade agreements, and we're not part of them.

**Hon. Wayne Easter:** The key question for us here—and we've seen it in all the other agricultural commodities that aren't under supply management—is that very often producers are disadvantaged. The fact of the matter is that in the dairy system, for example, under supply management, we're a heck of a lot freer traders than are the Americans. We allow more product in here than they allow in there. So it is a system that works.

You made a comment that you have to look at the long run, and that's true. I recognize that. That's what worries me. Just going with an article 28 doesn't necessarily signify that you're strongly supportive of supply management. What is happening with offering choice on the Canadian Wheat Board is that, based on that principle, if a number of producers want to produce and sell outside the supply management system, that's their choice. If they want to do that in Quebec, outside the single-desk selling system, within those commodities, which you really don't have jurisdiction over, would you allow that to happen, as well?

It's the same principle. If you're going to allow choice to individuals to undercut the single-desk selling of the Canadian Wheat Board, are you going to eventually, in Mr. Emerson's long run, allow choice to undercut the supply management system itself, by individuals?

• (1550)

**The Chair:** I would suggest that since we're talking supply management, we talk about supply management with article 28, as it applies to the discussion at the table today.

**Hon. Chuck Strahl:** Okay, thank you, Mr. Chair. I'll try to restrict my comments to that.

Looking at the long run for supply management, the long run is not simply to use article 28, although I would point out that our government's the first government to use article 28 to protect supply management. It was something that was asked for for many years of previous governments and was never used. We have gone further than previous governments. We've put our money where our mouth is. We were pleased to do that. The comments that we got from the Dairy Farmers of Canada, for example, showed that they were very pleased. They made comments about there being no doubt now in producers' minds that this government supports supply management, which is true, and they recognize that.

The longer run, though, does require more than simply an article 28. That's why I've been very pleased with the work of the Dairy industry working group. My hat's off to both the producers and the processors for taking a long-term view in the work they did on that committee. It would be easy for everyone just to hunker down and

say "It is the way it is, and everybody just has to live with it". Instead, they said, "Well, let's look at the long-term viability of the industry and, more than that, let's look at growth opportunities for the industry".

To get everybody bearing down on that question in the industry, the industry leaders of both the farm community and the processing community, and to talk about these long-term steps that are necessary to restore growth—because there's been retracting in recent years—that's getting the right group of people asking the right questions with a government that is keen to do our part to make sure that we can restore growth.

The longer term is not simply article 28. That isn't the longest term. The longer term includes things like the Dairy industry working group, which started off talking about cheese compositional standards, but has other things on its agenda, and I look forward to its getting to them. I'm hoping it's going to talk about things like yogourt and butter oil, and how to restore growth to the industry. That is the long-term solution.

**The Chair:** Mr. Bellavance, go ahead for five minutes, please.

[*Translation*]

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

Mr. Emerson, we wanted to hear your views on supply management. That is why I requested that you testify here. You granted an interview to the *Western Producer* which appeared last December 21. This interview generated a great deal of concern amongst supply-managed farm producers. The national presidents of the five supply management sectors asked to meet with you, but this meeting has not taken place to date. You're here, and these are public debates: these people will therefore be able to hear your responses.

You could try to sweep this interview under the carpet, but the fact remains that this is not some little quote given during the course of an interview on some other subject. The entire interview pertained to supply management. In addition, you were interviewed by an experienced reporter. He has been attending all of the agriculture committee meetings since I came here. In other words, he knows the subject. I personally read the *Western Producer* as I read all of the other newspapers and magazines dealing with agriculture, and I know that you were not facing a new recruit. I believe that he reported your words accurately. Moreover, as you yourself said, you are not denying what was written.

In your opening remarks, you said that with this type of negotiations—and this is how things are occurring in the Doha Round—, you have to give and take. You also said that concessions were necessary, and therein lies the source of some serious concerns.

You're talking out of both sides of your mouth by saying that we will be supporting supply management while at the same time making concessions. What do you mean by that? You were there in November 2005 when we voted unanimously in favour of a Bloc Québécois motion stating precisely that there were to be no concessions. This motion clearly stated that there would not be tariff reductions or increased market access. And yet, you said in your opening remarks that concessions were required.

I would like to know what type of concessions you're prepared to make.

[English]

**Hon. David Emerson:** Yes, thank you, colleague.

Let me just say that the *Western Producer* interview that I did was actually a larger context on a discussion of Canadian trade policy, and the big picture looking forward many years was not fundamentally focused on supply management. Nor, in fact, when I spoke about sensitive sectors, was I specifically focusing on supply management. That came in as almost an afterthought, as the reporter asked me whether sensitive sectors also included supply management. I said yes, indeed they did.

I supported the motion in the House—I guess it must be close to two years ago—on supply management. Our government has respected that parliamentary motion. We are absolutely rigid in terms of supporting supply management. Our negotiators have been rigid, clear, and unambiguous, and when I say we're going to have to engage in some give and take, we have given nothing on supply management. What we are doing is taking whatever steps we can, in whatever negotiating context we can, to ensure that sensitive products and the treatment of sensitive products are such that we will preserve our supply management system.

We have given no concessions. We intend to give no concessions on supply management. Having said that, I think everyone in this room knows that it is inconceivable at the end of these negotiations, if there is a successful WTO Doha Round, that Canada would opt out. So we have to think about how, given our strong position on supply management, we ensure that this position is preserved at the end of this round of negotiations. When there is no room to engage in discussions, that will be a challenge.

• (1555)

[Translation]

**Mr. André Bellavance:** Nor must we—

[English]

**The Chair:** You have a few seconds left, André, so very short questions.

[Translation]

**Mr. André Bellavance:** The chief negotiator for Canada, who is in attendance today, said more or less the same thing when we met him the last time.

At any rate, our position was stated clearly in this motion. You're saying that you will defend it, and you are currently defending it internationally. However, we are left wondering whether Canada should sign this agreement at any cost, should the case arise where we are asked to make concessions with respect to supply manage-

ment. Other countries are following quite rigid rules in their negotiating process.

[English]

**The Chair:** Please keep your response really short, Minister.

**Hon. David Emerson:** As I say, I do not now, nor will I ever, recommend that Canada withdraw from the World Trade Organization. It is the one mechanism that gives Canada a fair shake in international trade talks. It means that geopolitical power does not drive the outcomes. It gives us a fair, neutral, transparent system that governs international trade. For Canada to contemplate getting out of the WTO would be inconceivable to me.

**The Chair:** Thank you.

Mr. Miller.

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

Thank you, Mr. Ministers, Mr. Verheul, Mr. Gero. Thank you very much for coming today.

I've got to note, Mr. Chairman, that again, like always, Mr. Easter seems to be more intent on not giving farmers a choice than he is on protecting the supply management.

My first question to you is what is your main concern about possibly being left out of WTO negotiations? Any one of the four of you can answer any of these questions.

**Hon. Chuck Strahl:** I don't claim to be a real veteran of these negotiations, but I have been over to Geneva, and most recently to Davos, and I've had a lot of bilateral discussions with different countries that often share our interests on sensitive products, and sometimes don't. But all those discussions convince me, as Mr. Emerson has already mentioned, that for us not to be engaged during the give and take of negotiations—

What I didn't realize when I first got involved in this is that a lot of these negotiations take place in myriad ways. They take place in formal rooms like this. There are groups of 10; there are groups of 20; there's the Cairns Group; there's G-10, G-20. There are groups of developing countries. There's the EFTA group. On and on it goes. The more of those you can get into, both formally and informally, the better chance you have of influencing the outcome.

So you can go to the final wrap-up, and go to the green room, and I was there with Minister Emerson last July, I guess it was—You can go to the green room and say let's see what everybody's got for us, and this is where we ended up, or—and I think this is preferable—you say we engaged at every step of the way and at every forum we could, large and small, formal and informal, putting forward aggressive ideas to protect Canadian interests.

I think we're very fortunate—I can say this publicly—to have people like John Gero and Steve Verheul. I've talked to people internationally who say that we have some of the best negotiators in the world on our team. So the more they can engage, the better it is for Canada.

• (1600)

**Mr. Larry Miller:** So it's fair to say, in regard to not being there, that it's pretty hard to champion Canada's position if you're not sitting at the table. It's a pretty clear statement.

**Hon. Chuck Strahl:** You want to be there, and you want to be invited back. It's just like a dinner party for the Oscars. You want to be at the right party, and you want to be there for the right reasons. I shouldn't use that example. I'm sure it's mostly bread and water when Steve's involved. But the point is, you want to be there and you want to have an opportunity to set the agenda.

One of the things we've been able to do with this kind of leadership is that we've been able to put forward ideas—some of which nobody had thought of before—and then they're Canada's ideas that are being debated, including supply management, not those of some other country that won't care about our bottom line. So it's best we get our ideas out there. Then at least those who set the agenda often carry the day.

**Mr. Larry Miller:** My next question, Mr. Minister, is we talked a bit about enacting article 28 in relation to the WTO. I wonder if I could hear some comments on what the consequences would be of using an article 28 with the U.S. And I'd add another question to that. Could you just talk a bit more about the two-pronged approach that you had in order to protect supply management?

**Hon. Chuck Strahl:** Just quickly, we talked about two things at the Dairy Farmers of Canada annual meeting. One was the use of article 28. The dairy farmers have said, and we've become convinced, that there has been a spike in the amount of MPCs used in Canada and that the numbers continue to rise rapidly. We became convinced from doing our own research that article 28 was in the best interests of Canada and supply management, and they wanted us to use it. We moved ahead on that. It hasn't been done before. It was a pretty aggressive thing. Even though we took a little flak internationally on it, we think it was necessary.

This was also the culmination of our dairy industry working group announcement as well. They met over the summer, into the fall, and even over Christmas. We talked about ways we could find a balance on compositional standards for cheese. The processors and farmers had been unable to come to a complete agreement on this, but there was a moderator's report that we felt was close enough to an agreement.

We wanted to move ahead, so we're moving ahead where we can with that report while encouraging the dairy industry working group to continue with other work they need to do. Those two things will offer some short-term help and security for supply management. The compositional standards and the dairy industry working group is an effort to bring longer-term growth and stability to the industry. I think that is actually pretty key.

Do you want Steve to briefly address the other issue?

**The Chair:** It will have to be very quick.

**Mr. Steve Verheul (Chief Agriculture Negotiator, Negotiations and Multilateral Trade Policy Directorate, Department of Agriculture and Agri-Food):** On the consequences, I think there are a number of possible consequences of applying an article 28 against the U.S. First of all, if we could apply an article 28 against the U.S., then it stands to reason that they could apply article 28s against us. We certainly export a lot of agricultural commodities to the U.S., so we could see potential actions against wheat, pork, and some of our key exports. That's one danger.

Secondly, I think we'd be concerned that if we did apply an article 28 against the U.S., they would challenge that. Certainly we have legal advice that says we shouldn't be allowed to apply it against the U.S. If they were to challenge that, an interpretation of article 28 may not be confined too strictly and we might get into broader issues of supply management. I think we could face certain risks if we went in that direction.

• (1605)

**The Chair:** Thank you.

Mr. Atamanenko.

**Mr. Alex Atamanenko (British Columbia Southern Interior, NDP):** Thanks very much, gentlemen, for being here.

I'll try to see if I can have some logical thought in my questions.

Minister Emerson, you talked about give-and-take negotiations and the fact that our government is committed to supply management. We know there is pressure by other countries to either water it down or do away with it. We know there's pressure on our other state trading mechanisms—and I'll say the word—the Wheat Board. We know that. Yet getting out of WTO is inconceivable, according to what you said.

If we maintain our supply management as it is, with the overquoted tariffs as they are, with the percentage of products coming in as they are, obviously there are no concessions there, so we have to then make concessions somewhere else. Is it my understanding that they have to be in the area of agriculture, or do we make concessions in some other area to keep this sector of agriculture? Is our Wheat Board the sacrificial lamb?

I'd like to get clarity in this. We give and take. We negotiate. If we're saying that we're not changing anything here, what can we negotiate if we still want to stay in?

I have one last question. Have we yet signified our intent for article 28? If not, when are we planning to do that?



**Hon. David Emerson:** I'll answer the last question first. We're just preparing some of the data that's necessary for notifying the WTO of our intent to pursue article 28. You need to distill the data so you're getting clean data on the milk protein concentrates. So that will be a couple of weeks.

On the general question of where we make movement, members of this committee would know that the WTO negotiations are covering a range of areas. We have non-agricultural market access, which is manufacturing and those kinds of products. Actually, our Canadian ambassador to the WTO chairs that negotiating group. There's an area where we're relatively comfortable that Canadian concerns and issues can be met.

There are services negotiations going on. There are negotiations going on with respect to new rules and better definitions to discipline the use of trade remedies, like we've had in softwood lumber, for example, to limit the ease with which you can bring dumping and countervailing cases in an intransigent way. There are trade facilitation negotiations around systems that are in place in various countries, particularly developing countries, to ensure that in fact you can get through the processes at the border in an efficient way. So that's all going on.

There is very little, I would say, in cross-sector give-and-take. In other words, if you have a problem in agriculture it is very, very difficult, if not impossible, to offset by some concession in non-agricultural market access. What you tend to see is that agriculture negotiations have their own group, their own chair, and those negotiations tend to be largely contained within agriculture. I'm not going to say to you that it's 100%, but it's probably 95%.

Steve, you're there. Is that correct?

• (1610)

**Mr. Steve Verheul:** That is correct.

**Hon. Chuck Strahl:** I could add to that, Mr. Chairman.

The question was asked if the Wheat Board is a sacrificial lamb, to use your words. Obviously the government's position is clear on the Wheat Board. At this time we think that barley growers deserve more choice in how they market their products. That being said, we've also made it very clear that it's a decision we should make here in Canada, not at the WTO. We're engaged, as you know, in a plebiscite here and so on to make a decision, what we hope to be a decision here in Canada. We've been consistently saying that a decision for Canadians should be made in Canada, even when it comes to barley.

**Mr. Alex Atamanenko:** Am I out of time?

**The Chair:** You may have a quick question.

**Mr. Alex Atamanenko:** What do we give? We don't give on supply management. The Wheat Board is in Canada. What do we give?

**Hon. David Emerson:** We're not sitting on the sidelines. We have, as Chuck said, some of the best negotiators in the field. They are actively looking after Canada's interest to the maximum degree possible.

At the end of this negotiation, there will be a broad-based consensus of countries, and it will be a balanced package, and we will have influenced it in various places.

If we are not actually into give-and-take in some areas, as we aren't with supply management, then we lose that degree of freedom, that element of bargaining opportunity. We will then have to assess the overall package that the broad majority of countries will accept. Then we will be faced with a decision of whether we stay in or get out.

Is that a fair statement, Mr. Gero?

**Mr. John Gero (Assistant Deputy Minister, Trade Policy and Negotiations Branch, Department of Foreign Affairs and International Trade (International Trade)):** Yes.

**Hon. Chuck Strahl:** I could just say also that one of the things that impressed me in negotiations I've been involved in is that this is one of those rare occasions when it actually can be win-win. It's not a matter so much of what we are going to give up in Canada. What we're looking for is substantial reduction in domestic support systems—for example, with the Americans, trying to get their domestic support systems for their agriculture industries down to a level where it's going to create huge opportunities for us. In return, of course, the Americans are asking the Europeans and others to reduce tariff and non-tariff barriers for trade opportunities for them.

This is the development round, and this is a great opportunity to actually have a winning combination of decisions, if you will—the package that Mr. Emerson talked about—that can be a winner across the board. If you can reduce domestic subsidies, export subsidies, and tariff and non-tariff barriers to trade and get that as part of an overall package, the world is going to be much better off when it comes to trade—and the disciplines on the support systems that remain, the disciplines the minister talked about. All of that package is going to make Canadian agriculture—just speaking from my own ministry—much easier to manage, and farmers will be able to predict the future as they plan their own business.

This is a great opportunity, the world's best opportunity, to get a win-win-win situation for all products and for almost all countries.

**The Chair:** Mr. Hubbard, you're on.

**Hon. Charles Hubbard (Miramichi, Lib.):** Thank you, Mr. Chair.

The minister just said it, but one of the fears that farmers have is that in our negotiations in the past, when you consider the European Union and the Americans, we entered the 1990s with no clothes in terms of how we were able to respond to the subsidies in the United States and the European Union. So I think farmers have a lot of concern, especially in these five commodities where supply management is so important. The value of those so-called quotas within the agricultural community is tremendous. I think most farmers would look for some offsets if we were to negotiate that supply management concept away.

I'm concerned that I heard at least twice today the words "best results for Canada". We are an agriculture committee, and it appears that what we're hearing is that maybe supply management might not be part of that best result for Canada.

If we were to assume that we were to trade off... I know Mr. Emerson talks about agriculture itself, but what are the other examples of what our overall negotiator might give up or gain in terms of what concessions we would offer to the nearly 150 other countries that are dealing with the WTO?

What would be an example that we could visualize, that Canadian farmers could see, that we'd give up or gain in terms of what we might change within the supply management system?

•(1615)

**Hon. Chuck Strahl:** We've been pretty clear on our position on over-quota tariffs and so on that there isn't any change. We're not negotiating anything on that. There aren't any negotiations taking place respecting the decision of the House that we all voted on. There aren't any concessions being planned or anticipated, being negotiated or talked about. There aren't any.

The only thing I can say about specific examples of what our position would be on any one product is that we do have a negotiating mandate that cabinet has agreed upon. I've told you that part on supply management. That's up front. We're being open about that. Everybody in Geneva knows it anyway, so there's no secret here. I'm telling you what we know.

We're just not discussing the overall negotiating mandate, other than that part, in public. You can't negotiate in Geneva with the kinds of things that are on the table by saying "You know what we'll do? We'll give you access on textiles if you'll give us something on bicycles." You just don't get into that kind of stuff in public. You never can, and you won't get anything out of me on that.

**Hon. Charles Hubbard:** Today at noon we met with young farmers from across Canada, young people who are investing their future in the agricultural sector. A good number of them were in those five vital sectors that we're talking about this afternoon. What assurance can we give them that they are investing and that they're beginning their careers in a safe sector that's being protected by the historical concept of supply management? They're going to the banks, the Farm Credit, borrowing vast amounts of money to get involved. Yet we hear words such as the "highly trade-sensitive economy" that Canada has, that we're looking for the "best results for Canada" in terms of our economy.

Are we, in our negotiations, getting tremendous pressure in terms of what somebody wants us to give to them, in order for us to have to make changes within supply management?

**Hon. Chuck Strahl:** Yes, huge pressures.

**Hon. Charles Hubbard:** Can you give us some examples?

**Hon. Chuck Strahl:** No, I'm not going to give you examples as to what is being talked about, but I can tell you that there are huge pressures when you get into negotiation. Just on agricultural products, we export \$25 billion a year—\$25 billion a year. So it's extremely important for us to have the best possible access to markets, the lowest possible tariffs for other countries, the least amount of domestic support and trade-distorting domestic support, and the elimination of export subsidies. All this is hugely important for Canada, which exports \$25 billion in agricultural products from the country.

So getting a good aggressive deal is of course in Canada's interest. Here's what I would tell the young farmers who are starting out. Canada's government fully supports supply management. We're standing behind it in word but also in deed, as you've seen in the last few weeks. We are standing tall, and sometimes all alone, in Geneva and elsewhere as we stand up for the SM5, and they should put that into their overall decision-making process. Everybody is going to make business decisions as to what they want to get into and expand, how far they want to get into it, or how big an outfit they want to have, how their business plan will work, and how their financing is.

We don't tend to make those business decisions for them, but they know they have a government that stands behind supply management and a government that's working hard to make sure that \$25 billion of exports doesn't fall by the wayside either.

That's why we have both defensive and offensive interests, and always will have, and they will continue within these negotiations.

**The Chair:** Thank you.

We had originally booked your time until a quarter after four. We are over that time. I do have two other questioners. Are you in a rush to leave, or can you take two more questions?

**Hon. Wayne Easter:** As long as they're tough questions.

**Hon. Chuck Strahl:** We have to leave at 4:30. I think I have another meeting.

**The Chair:** For sure we'll be out of here by 4:30, so we're going to go to Mr. Gourde and then Mr. Gaudet.

•(1620)

[*Translation*]

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

I would like to thank the minister and the witnesses for coming here.

Grain prices are climbing and this trend seems to be holding. Given the situation, will it be easier for you, as a negotiator, to enter into bilateral agreements while at the same time defending supply management?

[*English*]

**Hon. Chuck Strahl:** I'm not sure that the price of grain is going to actually make a difference in our overall efforts to achieve reductions in domestic support. It may make it easier for other countries to accept a reduction in support. For example, my hope is that corn prices have come up quite a bit, the soybean prices are up quite a bit, and so on. I'm hoping that may be a factor in the Americans, for example, reducing their overall level of support in their next farm bill, because it just makes it easier for them when prices are on the upswing. So I guess there's some hope there.

I don't think it affects our position too much, because we're already well within the limits of the kinds of numbers that the WTO is talking about on support programs, generally, but I'm not sure.

Did you have something you wanted to add?

**Hon. David Emerson:** Minister Strahl has commented well on the WTO. I would just make the general observation that when grain prices are high, it's evidence that there's a shortage of grain out there.

Outside of the WTO context, there are opportunities for bilateral trade deals, many of which would create opportunities for agricultural products. It's much like when energy prices are high. We're seen as a petro-giant, if you like, and I think it gives us some pretty good opportunities when it comes to negotiating some trade bilaterals that we wouldn't see if our grain was in surplus.

In fact, I know there are countries out there today that we don't have free trade agreements with that would like to be buying Canadian grain. They basically are being disadvantaged in buying Canadian grain because they're in a free trade agreement with somebody else and not with us.

[*Translation*]

**Mr. Jacques Gourde:** Thank you.

With respect to article 28, I think that the application timeline and, during the second phase, the cheese composition standards, will represent an enormous challenge.

Do you think that it will be difficult to tie the two, in a coordinated fashion, so that we can protect supply management?

[*English*]

**Hon. Chuck Strahl:** I don't know about coordinating the two issues you're talking about. As I mentioned earlier, one of the best long-term measures that I can see for supply management is to have a government that supports supply management. That helps, and we

have that right now. A second is to have the dairy industry working group, both the

[*Translation*]

processors and dairy farmers, to work together for the industry. I think that the composition standards are part of the solution. Indeed, if the farmers are happy with the agreement and the processors' products are in demand on the Canadian market and elsewhere, I think that this will be the beginning of a good solution for the industry.

The taskforce must continue working because there are other issues that need to be resolved, such as, for example, the price of milk, yogurt and other dairy farm products. I think that industry members should work together.

[*English*]

Article 28 is, I think, necessary at this time, given what has happened on milk protein concentrate imports over the last year or two. The dairy farmers brought this to our attention, and we did our own investigation into how much of that product was coming in. With the trend, the graph of what's happening there, it just became clear to us that we had to take some action. By using article 28, we capture not all, but most of that MPC import into Canada and can cap it at a certain level.

So I think there are two issues that we addressed the other day. One is a long-term solution dealing with milk use. The working group will talk about everything from pricing to other issues that exist in the industry. As well, we took the measures to address the other issue, which is milk protein concentrate imports.

The other thing it does is send a message to the industry that the government is serious about long-term answers for the SMS, and particularly for the dairy industry. We're serious about it, we're willing to take action, and we're willing to work with them. I meet often with the executive of the dairy farmers. I met with them a couple of times in Davos when we were there, because obviously part of the answer is to work closely together for the good of the industry, and we're doing that.

•(1625)

**The Chair:** Thank you.

Mr. Gaudet, for the last round.

[*Translation*]

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

My question, which is for Mr. Emerson, was raised by Mr. Laurent Pellerin in a news release published on January 24, 2007. It reads as follows:

Is the federal government's stubbornness in wanting to weaken the CWB, a cooperative tool, not in keeping with certain statements made by government's spokespersons—and subsequently denied, which, shortly before the Christmas holidays, questioned the future of single-desk marketing and supply management in Canada?

I fear that, by working together, you are both weakening them. I would like to hear your comments on the matter.

[English]

**Hon. David Emerson:** Maybe I'll get Minister Strahl to comment, but I don't think there is any significant division in terms of our thinking within Canada. We're committed to supply management. I think Minister Strahl has commented many times that decisions on the Wheat Board would be taken here in Canada, and that's the position we're taking to the WTO talks.

Minister, do you want to add anything?

**Hon. Chuck Strahl:** The only thing I would add is that there has been some effort, and a lot of it, frankly, is politically driven by people who are trying to link these two issues.

From our point of view, to ask farmers in western Canada if they would like to have the same matter of choice on barley that people enjoy in Ontario or Quebec is the right thing to do. You go to them and ask them. They never had any say when this legislation was brought in. There are a lot of different opinions on it, but we think by asking in a plebiscite where they would like to go with that is the right thing to do.

But there's no push that I've heard of in the supply-managed world to get out of supply management, to change it in this country. I have not seen any, nor am I aware of any, nor is this government interested in any—

**The Chair:** Point of order?

**Hon. Wayne Easter:** On a point of order, in fact there are some producers who want to market outside the supply management system. I can get you that information, Mr. Minister. Choice in one could apply to choice in the other.

**Hon. Chuck Strahl:** The two are completely unrelated. You can always find somebody who wants to do almost anything. I don't dispute that may be possible. But the industry from coast to coast in every single province, every provincial government, this federal government, and this party are convinced that supply management is in the best interest of producers, consumers, and the Government of Canada. There's unanimity of support. If you can find a dissenter out there, I'll grant you there's the odd one floating around.

It's far different in the barley market, Mr. Easter. We'll find out when the plebiscite comes in, but there are certainly broad, disparate opinions on this. The best way to find the answer is to have a plebiscite on it. We'll see what people have to say.

The important thing is that this is a grassroots effort on the prairies, where people basically want the same marketing choices that the rest of Canadian farmers enjoy.

•(1630)

**The Chair:** Mr. Gaudet.

[Translation]

**Mr. Roger Gaudet:** Thank you, Ministers.

Earlier, I listened to what you had to say about concessions to the United States and article 28. Don't you feel that we have made enough concessions to the Americans? Take the example of cabbage and asparagus, which is harvested in the spring. We have to use certain herbicides, pesticides and fungicides assessed by the CFIA.

In Canada, we are not authorized to use the same pesticides and fungicides that are used in the United States. Why is it that the Americans can use them and you, Minister, leave the door wide open for them?

I have been a member of the Standing Committee on Agriculture and Agri-food for some time now and, since you are the Minister of International Trade, I was not able to meet you beforehand. Now, I would like to ask you this question. Why is it that all of these products can come into our country but we are not allowed to use the same tools as they are?

As for the protestations that are going on in the United States, I would like to talk to them a little bit. I would tell them that they sell us many things that are not very good for our health, in my opinion. But you let them in any way. I would like to have a clear answer from you.

Thank you.

[English]

**Hon. Chuck Strahl:** I agree with you.

[Translation]

**Mr. Roger Gaudet:** Wait a minute! When I put this question to the Minister of Agriculture from the previous government, he told me that the Minister of International Trade could answer the question. You are now before me and I would like to have an answer from the minister.

I would like to have your answer, Minister.

[English]

**Hon. Chuck Strahl:** I don't disagree with much of what you've said about the need to try to level the playing field with the Americans. When I'm travelling across the country I hear people's complaints about the CAIS program and a lot of things. But they often come back to me on the need to have a level playing field on things like access to pesticides, fertilizers, and all the other tools that input costs and that Canadian farmers use and need to be competitive.

Minister Clement, who is in charge of the PMRA, and I have been working within Agriculture Canada and the PMRA to try to find ways to harmonize our testing mechanisms and our approval processes with the Americans so Canadian farmers can get quicker access to the same types of pesticides at the same prices and compete across the border.

I share your concerns. We had examples in western Canada and other places this year. One example I can give you is the blueberry industry. We're using pesticides that are 10 or 15 years old, and you have to withdraw the use of these pesticides 10 days before harvest. The Americans are using pesticides that are cheaper and more effective on the pests, and they can use them to within three days of harvest. There's less residual pesticide on the product, they're better for your health and cheaper for farmers, but we won't let our farmers have access to them. We simply have to change those kinds of rules.

Ironically, blueberries from Washington State are in the supermarkets in Canada at cheaper prices because we don't have access to the same pesticides. It's a crazy system and we have to fix it.

**The Chair:** We're out of time. I appreciate you extending your time to be with us, Minister Emerson and Minister Strahl. I thank you for your presentations and clarifications on government support for supply management. Thank you.

We are going to go in camera now.

*[Proceedings continue in camera]*

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