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Chair

Mr. James Bezan

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• (1315)

[English]

The Chair (Mr. James Bezan (Selkirk—Interlake, CPC)): I call our meeting into session. We're going to continue with our Alberta hearings on the agriculture policy framework.

I want to welcome to the table Stephen Vandervalk, from the Western Canadian Wheat Growers Association. From the Alberta Grain and Oil Seeds Crisis Advocacy Trust, we have Lorne Darlington and Leroy Fjordbotten. From the Alberta Soft Wheat Producers Commission, we have Lynn Jacobson and Everett Tanis. Appearing as an individual, we have Brenda Schoepp.

With that, I will open it up for your opening presentations. Please keep them to 10 minutes or less.

We'll start with you, Mr. Vandervalk.

Mr. Stephen Vandervalk (Vice-President, Western Canadian Wheat Growers Association): Good afternoon, everyone. The Western Canadian Wheat Growers Association welcomes this opportunity to appear before you to present our views on business risk management.

My name is Stephen Vandervalk, and I am the Alberta vice-president of the Wheat Growers. I'm a fourth-generation farmer from Fort Macleod. We're a family business, and we grow durum wheat, canola, mustard, peas, barley, timothy, and alfalfa.

For 37 years, the wheat growers have been advocating forward-looking farm policies to improve the profitability of our farms and to reduce our reliance on government support. It has always been our goal to ensure that farmers have the ability to earn as much income from the marketplace as possible. We are proud to be farmers and to contribute to the wealth of this nation.

In our presentation today, we will provide specific comments on the current approach to BRM and some of the challenges and risks that need to be addressed.

Before I begin, the wheat growers wish to extend our thanks to the federal government for the recent federal announcement to provide \$1 billion to kick-start farmers' savings accounts and to assist in rising production costs.

In our view, there are two major risks that we face: production risks and various marketplace risks.

In grain, production risks are primarily related to weather, disease, and pests. Crop insurance currently plays a lead role in managing these risks, although in recent years the private sector has introduced

contract-based products that give farmers more tools to manage these risks.

One difficulty with crop insurance programs is that there appears to be a wide variability in terms of premium levels and coverage across the Prairies. Production rates vary considerably depending on the perceived value of these programs. In the past six years, we have seen coverage levels drop and premium levels rise to a point where it is often no longer an effective insurance tool, and I will have some examples from my own farm, if you wish to ask about it in Q and A time. The wheat growers would like to see a greater share of federal farm support funding devoted to making crop insurance more affordable.

Prairie grain producers also face a number of what we call marketplace risks. These are risks that affect either our revenues or other input costs. Many of these risks are often beyond our control. For example, in February, farmers were the victims of a crippling strike at CN Rail. For two weeks CN workers were off the job and imposed significant costs to farmers, including demurrage payments on vessels, increased storage and interest costs, lost sales, reduced canola prices, and severe disruptions to the pulse industry. It's very difficult to get an estimate on the price tag of these financial losses, although we understand demurrage payments alone by the Canadian Wheat Board were in the millions. We now face the risk of a repeat CN strike. We urge all parliamentarians to immediately pass back-to-work legislation to limit the losses to farmers and other wealth creators in this country.

In our view, the best way to deal with these marketplace risks is to reduce our reliance on the export of raw grain. We currently export 50% of our grain production, and it's mostly shipped by rail to offshore markets. We strongly believe the future of our industry lies in processing more of our grain closer to home, whether it is through grain processing, biofuels, livestock production, or any other initiative that can reduce our dependency on shipping raw grain to export markets.

In this regard, we appreciate some of the initiatives that have been undertaken by the federal government to encourage greater grain processing on the Prairies. For example, the wheat growers strongly endorse the federal government's recent biofuels initiative under which we will move to a 5% renewable standard in gas and a 2% renewable fuel standard in diesel. We also endorse the program announcement in December that will provide some investment assistance to help with the start-up of biofuel plants.

While we support these initiatives, we have some concerns with the contemplated clawback provisions that might discourage investment in the biofuel industry in Canada. We urge your committee to ensure that the investment climate is right for all investors, whether they be farmers or others, to take advantage of this growing opportunity.

For an ethanol industry to fully develop, we also emphasize the need to allow the development of wheat varieties that are specifically geared to industrial uses. In this regard, we commend you for your report on the Canadian Grain Commission review in which you recommend the removal of KVD, kernel visual distinguishability, as a registration criterion in all wheat classes. We ask you for your continual vigilance to ensure this constraint is removed as soon as possible.

The wheat growers are also very encouraged by the progress towards gaining marketing freedom for wheat and barley producers in the Prairies. Currently, about twice as much wheat is processed in Ontario and Quebec as in the Prairies, yet the Prairies grow eight times the wheat. We do not begrudge this of our eastern counterparts; in fact, we applaud their efforts to process more of their grain locally. We simply want the opportunity to do the same. For this reason, we wholeheartedly endorse the government's initiative to give prairie farmers the same marketing options for wheat and barley as Ontario farmers now enjoy. We fear the wheat acres will continue to decline unless the government moves forward to bring the same level of optimism and opportunity in the wheat market as we see now for barley.

These are just a few examples of how our agricultural policy must evolve to meet the new risks and opportunities we face. While we believe exciting and prosperous times lie ahead for prairie agriculture, we recognize the role that government has to play in ensuring that there are adequate financial safety nets for farmers. We are pleased with the federal government's announcement of \$600 million towards a new farmer savings account. In our view, this is a move in the right direction to give individual farmers greater flexibility and responsibility for handling their own financial risk management.

Moving to a NISA style of programming would eliminate or reduce many of the problems associated with CAIS. Chief among these is the program's lack of predictability regarding program benefits. In contrast, NISA accounts would give farmers greater ability to manage their own financial risks. The key to the success of the program would be to give farmers the flexibility to draw on these NISA accounts whenever the need arises, as determined by the farmer, not by some arbitrary trigger.

Another key element of farm income support is the federal cash advance program. This is a well-regarded program, as it gives

farmers the ability to better manage their cashflow and marketing programs. We thank the federal government for the decision last year to increase the interest-free portion to \$100,000 and the overall program limit to \$400,000. These limits better reflect the size and scope of many of today's farm operations.

One final element that we believe requires more focus is ensuring that farmers have the skills to better manage risks. For example, there is a need for more education on the use of production or pricing contracts and the various risks and opportunities that each entails. There's an ongoing need for improved understanding of future market options and derivatives and how farmers can use these tools to their advantage.

In our view, moving toward a simplified farm income stabilization program such as NISA, together with cash advances, improved production insurance, and good risk management skills training, should be the four cornerstones of the business risk management program.

Thank you for the opportunity to share these views. I am happy to answer any questions you may have.

• (1320)

The Chair: Thank you, Mr. Vandervalk.

Mr. Fjordbotten.

Mr. LeRoy Fjordbotten (Chair, Alberta Grain and Oil Seeds Crisis Advocacy Trust): Thank you for the opportunity to appear before you today. My name is Leroy Fjordbotten. I farm at Granum, south of here. People often don't know where Calgary is, so they usually ask where it is from Granum. So if you're asking the other way you probably have been in Granum.

With me is Lorne Darlington, the executive director of AGCAT.

The agricultural institute today is undergoing great change, and to ensure that producers have the ability to adjust to that change, they must have no impediments to those changes. In order that agriculture will remain strong, producers and governments both have to act quickly to respond to consumer and world market demands. We compliment your committee on the diligence you have had in listening and, we hope, in making some recommendations coming out of your hearings with respect to the changes that are needed.

AGCAT, the Alberta Grain and Oil Seeds Crisis Advocacy Trust, is a group some of you may not have heard of, so I'm going to take a couple of minutes to tell you who we are.

First of all, we're not a commodity-specific group. We are not a full farm organization in the full sense of the word. We are not critics or complainers, and we do not have a policy on every issue facing agriculture. We don't blame anyone for policies that are in effect, and we don't care who gets credit for good policy development as long as we end up with good policy development.

Who are we, and why should you listen to anything we say as being credible?

AGCAT came about because a few dedicated producers saw no one organization speaking on behalf of grain and oilseeds producers. And that isn't said to be critical of anyone; however, it's a fact of the environment we live in. Grain and oilseeds producers are in crisis and needed help to plead their case, and the group has grown across western Canada. We have close to two million membership acres. Members join AGCAT based on the acreage they have, and we have both large and small.

I was asked, as the former minister of agriculture for Alberta, to advise the group. I serve in that role, and I'm also chairman of the board of AGCAT.

Since its inception, AGCAT has been asked for and has given confidential advice to governments on specific major issues facing producers. We've done it in a quiet way, with no fanfare and no publicity, but we want to make sure the best advice is given. We identify the issues and we provide constructive solutions.

In our group we have former senior politicians from all parties advising us on resolution of issues. Some top accounting firms have given us their senior partners, and they run models of any solutions we propose to give the upside and the downside and how it would work and how it wouldn't work. All our board members are individuals who are actively farming and are highly respected managers.

We do not publicly seek credit for those solutions, and there have been many so far. Our goal is to get positive results and security and growth in the grains and oilseeds sector.

In politics we hear numerous complaints all the time about policies that are working or not working and of the desire to have new policies put in place. However, we need not overhaul entire policies often, but rather, we need government to remove impediments that hinder good programming and delivery. It is important to listen closely and act decisively on any suggestions that are made and to listen to those suggestions from people who actually have their hands in the dirt.

I don't wish to sound negative to civil servants, but as Dwight Eisenhower said, it's easy to be a farmer if you're a thousand miles from a farm and your plow is a pencil. It's a lot harder when you've got your feet on the ground and you have to make those decisions based on sound economics and principles of where you live. Civil servants are necessary, and I think they can learn from producers, and we in turn can learn from them. But you have to be sharp to survive in the new world environment, and removing impediments will make life a lot easier and more productive.

Today you've already heard, I'm sure, and you'll hear more, from groups that are critical of a number of things happening in the

country, and rightly so. An example is the transportation sector, with strikes and the impact they have. The KVD issue that Mr. Vandervalk just alluded to is one that I think is extremely important, and crop insurance is another one that isn't really meeting the needs of producers today in a very effective way.

• (1325)

I'm not trying to minimize that, but we had to pick a couple of issues, and I didn't see any sense in duplicating other issues that other people were raising. I'm not trying to minimize that or highlight that these are the most important. I know you came here and I know you're interested in business risk management, and that is a very good topic. Trying to define it in itself is a tough topic.

What is business risk management? I don't mind risk, because without risk you don't have opportunity. There are risks. One I'd like to raise with you is the cap on programs. I was told not to raise this one because it's too sensitive and nobody wants to touch this issue because you're perceived as only caring about big guys and not little guys, but that isn't the truth.

Producers don't like programs very much; we would rather the marketplace provide the returns and just get out of our way. But until the playing field in the world is levelled, we need programs to keep producers viable. This issue is such a sensitive one, and just caring about bigger farmers is not where we are, because in our group we have large and small farmers both. Governments always worry about a large cheque going to somebody, so they want to put a cap on the program so that they don't have large cheques going out. That can be sensitive publicly, so as we encourage producers to grow in size and become more efficient through economies of scale, they've done that and they've spread their expenses—their equipment and capital costs—over more acres.

I'd like to say this twice. Each and every acre must cashflow itself. Again, I say, each and every acre must cashflow itself. When we work out a business plan, we work on our cost per acre and we use forward pricing. We use all these, and we need to keep our costs below returns. When governments cap programs, that creates huge things. I'll talk more about how relevant that is.

The other program I want to raise with you is the GROU program—the grower requested own use program on chemicals. There are some wrinkles that need your attention in that particular program. For example, there are emergency registrations now happening. There's one for the pea leaf weevil in peas that's been approved. We need one for cheatgrass in southern Alberta, and there is a chemical we will have in 2008, but we have nothing in 2007. There is one that you could work on.

There's another wrinkle. I know my time is nearly up so I want to make sure that I cover it. When you import chemicals, they usually come through organizations or farmers have a growers certificate that they import chemicals with, and it usually comes out of some farm locations. It bypasses the local chemical dealers in the local communities, and that means there's thousands of dollars being taken out of rural communities. Why can't our own dealers and our own communities work on the same level playing field as producers in importing some of these chemicals? We're taking thousands of dollars out of rural communities all across this country by not allowing something like that to take place.

I have a number of other things I'd like to raise, but I'll just say that it's a pleasure to appear before you today and I look forward to the rest of the hour.

Thank you.

The Chair: Thank you.

Mr. Jacobson, please.

Mr. Lynn Jacobson (President, Alberta Soft Wheat Producers Commission): I'd like to thank the committee for inviting us to appear. We take the view that if we can meet with people from Ottawa and different committees and different parties, it helps both of us to understand each other and it maybe also helps in program development.

I'd like to do a little introduction. I'm a third-generation farmer from Enchant. In fact, I think next year our farm is coming up for its century plaque. My grandfather homesteaded in the area. There are a lot of farms that are coming up to that century mark. We've been around for a while, but some of us are a bit fearful of the future of our family farms.

The Alberta Soft Wheat Producers Commission has been actively involved in a lot of the policy discussions and consultation processes through the years. In fact, it's about 23 years that this organization has been in existence. One of the things we would really like to say, as the Alberta Soft Wheat Producers Commission, is that we recognize, and we hope you will also, that good agriculture policies that help primary producers to be self-sufficient, environmentally sustainable, and competitive in an international market are very important to us. If we want to sustain or encourage growth in our rural communities, we need a vibrant agriculture industry that provides opportunities and encourages young people to enter agriculture. That is our mission statement.

In program development, we've been involved in the APF 1 discussions. We went through that consultation process, and I think there were two rounds of discussions with producers. We attended both those meetings. It's very similar to what we're doing with APF 2. In the consultations with the producers in the APF 1, we somehow

got the impression that the policies and program details had already been decided between the federal and provincial governments and that any inputs or program suggestions producers had were not really considered, or at least they were given very little consideration at the time.

In the consultation processes through this last winter with APF 2, producers have asked—and they've asked this publicly at the meetings—whether government is really listening this time around. Are suggestions on policy development and programs being taken into account? Are the programs and policies already decided? Is it once again a futile process that we are going through, as producers?

You may be wondering why producers are asking those questions. I'd like to share what some members of our organization, and also other organizations, have told us across this country. In the national programs that are in place there are really three parties. There's the federal government, provincial government, and the producers. From our experience, as producers, policy development in the past has taken place with two levels of government negotiating on the policies and programs while only consulting with producers.

One thing that raised this issue with producer groups, and us, was when the federal government disbanded the National Safety Nets Advisory Committee. It was a committee that was comprised of all the major farm organizations in Canada. Despite government's assurances when they cancelled the program, once again it raised the issue of how well the federal and provincial governments are listening to producers.

One of the first recommendations we would like to make to this Standing Committee on Agriculture and Agri-Food would be to reinstate the National Safety Nets Advisory Committee, or some similar committee comprising all the national farm organizations, to work closely with the federal agriculture minister on farm policy development and programs.

I'd like to get to the business risk management. We know we have been asked to talk about APF 2 and some of the things that are important to us. We're not going to touch on every one of the pillars of the APF, but we will touch on some of the more important ones to us.

As you can realize, the business risk management portion of the APF 2 is of great interest to producers. The safety net programs and ad hoc government programs under this pillar in APF 1 have provided financial support to the producers. It is fair to say that many producers would have been in far greater financial difficulty if those payments had not been made.

•(1330)

However, there are problems with how the safety net program works, and I think we all recognize that. They have decreased production margins...

I'd like to go through some of the things that we see need to be fixed in the business risk management part.

Decreased producer margins that many grain and oilseeds producers have experienced through low commodity prices for crop loss is another problem that we recognize in the program. Timeliness of payments is also problematic. The program lacks the ability to recognize that input costs are rising and that as a consequence, results to producers' production margins are declining even further. A disaster component is not there to address issues such as drought or BSE in this program. There is a bit of a disaster thing, but we would suggest that there is a program outside that would handle those extraordinary measures that arise now and then. These reasons and many more are all factors that we need to address in any new safety net program.

We would like to say that if the APF 2 does not address these problems, the need for ad hoc payments to cover shortfalls will continue, and they will be demanded by producers in the future. As has been said before, we don't want as producers to have to rely on safety net programs for our living. We would like to be able to have sustainable agriculture whereby we can actually extract our living from the marketplace and from what we do.

I'd like to go on to science and innovation. The focus of Agriculture Canada has changed from what was once crop development research to value-added research. The Alberta Soft Wheat Producers Commission believes that concentrating more of the public dollars allocated to research into value-added programs does not translate into the best value for primary producers.

We would say that leaving the bulk of primary crop research to private companies for new varieties encourages companies to change those varieties every few years to maximize their returns, not farmers'. Reducing the government role in primary production research leaves producers and the general public vulnerable to uncontrollable costs and control of seed stocks by multinational companies.

Value-added research is important, but primary crop production research is equally as valuable as value-added research to agriculture. Without both components there and having equal weight, we have a disproportioning of where the returns are going to come, leaving us open as producers to basically being held up, or.... I'll go into that later, maybe.

Environmental issues are also one of the top concerns for urban Canadians. Agricultural producers are expected by the general public to be good stewards of the land, and we all recognize that. Most producers are willing to accept that responsibility, but the economic costs can be significant to an individual producer. The Alberta Soft Wheat Producers Commission believes there needs to be financial support from the general public for to protect the environment. I would like to go into that in more detail.

There has been a reluctance on the part of the government to fund projects that enhance the environment, especially programs such as ALUS and others. I know they've taken a look at it, and there have also been lots of other programs suggested. We would claim that governments give assistance to private companies and cities to reduce their greenhouse emissions or pollution. One of the questions we're asking ourselves in agriculture is what the difference is between funding a project for a producer who protects and enhances the environment and funding a project that cuts pollution and enhances the environment for a city or a company. I think the results are basically the same, and we're looking to where we want to be on that end of it.

Now I'd like to get into another thing that very much concerns us as an older generation of farmers. I think most of us realize that in Saskatchewan the average of farmers is probably between 59 and 62 years. In Alberta, we're not much behind. I think our average age is about 53 or 54 years old, so I'm sitting right in the range of where everybody else is.

•(1335)

Anyway, it is usual that farmers hope that a son or daughter would want to take over the operation of their farm. The majority of family farms in Canada have passed down from generation to generation, but that is not the scenario that is occurring recently.

In many rural communities in western Canada we have already lost one generation of farmers, and that generation I'm talking about is the 30- to 40-year-old generation. Those of the next generation, the 20- to 29-year-old farmers, the upper age group of those younger people, have already left the farm. The 20-year-olds, who are still going to school or are just finishing school, are now leaving in search of greater economic opportunities. In Alberta, we see that there is a lot more economic activity and more opportunities for young people outside of agriculture than there is within.

We would say the increase in the size of farms is not only caused by poor economic conditions on the farm, and the need to get bigger is not only the result of reducing your cost of production or unit cost of production, as Leroy has said. But another reason, part of that increase in the size of farms, is also the lack of new entrants into our agriculture industry. If you don't have your sons and daughters wanting to get into the industry, my major concern in the next 10 years, if my kids do not want to farm, is who am I going to sell out to? That's what a lot of farmers in our area are facing at this point in time.

The renewal pillar of the APF mentions succession planning as one of its categories, along with skills training, value-added opportunities, and farm action plans. We would agree that skills training and taking advantage of value-added opportunities will benefit producers in the future. Succession planning is also necessary, but as I said before, there's something missing in the equation, and that missing part of the equation is the lack of new entrants who want to come into our industry.

If we are serious about getting young people to choose a career in agriculture, they need to see that there is opportunity to grow financially and to succeed in this industry.

We'd like to make some recommendations to the committee on some of the stuff we did. Should I hurry through...?

• (1340)

The Chair: How many recommendations do you have there?

Mr. Lynn Jacobson: We have nine recommendations. They're very short one-liners.

The Chair: Okay, read those nine into the record.

Mr. Lynn Jacobson: Okay.

Producers need a true partnership between producers and government in program development.

We need to reinstate the National Safety Nets Advisory Committee or form a new similar committee that has representatives from all the national farm organizations and representation from provincial general farm organizations.

We need to design a NISA-type program for the top tier of CAIS. We've all talked about that, and that seems to be happening.

We need to allow regional companion programs to address different regional needs.

We need to initiate some type of component to address the declining margins for causes beyond producers' control, such as cost of production, an inflation factor, or a price decline adjustment, within the business risk management part.

We need to establish a disaster component to address major disasters such as drought or BSE.

We need to put public funding for primary crop development on par with value-added research.

We need to reward producers for projects that enhance or contribute to the public good.

Last, we need to develop policies and programs that encourage young people to enter agriculture and help older producers to exit.

Thank you.

The Chair: Thank you, Mr. Jacobson.

Ms. Schoepp.

Ms. Brenda Schoepp (As an Individual): Thanks very much, Mr. Chairman.

I'd like to introduce myself. My name is Brenda Schoepp, and I'm a producer from the Rimbey area.

Our family has had a long history in agriculture, from cow-calf to feedlot, organic grains and food production, retail sales, and now is going into food processing and looking into the processing of cosmetics from agricultural products in Canada. I'm a consultant for clients in Canada, the United States, and South America, representing several billion dollars worth of inventory. As a market analyst for the beef industry, I publish a national magazine called *Beeflink* that's quite familiar, and I've travelled extensively across Canada. I've been

across Canada 20 times lecturing on everything from grass management to risk management, all the way through to any concerns that producers might have. I also have 20 years of board experience.

What I'm going to do today is focus on some of that experience as the past chair of the Canadian Adaptation and Rural Development Fund; the past vice-chair of the Advancing Canadian Agriculture and Agri-Food program—both of them federal, of course—director of the Beef Cattle Research Council, also federal; and provincially as the research chair for the Alberta Beef Producers. I was also instrumental in the development and building of the largest beef cattle research station in Canada—and that is fully-operational now—in Strathmore, Alberta. I do work with a lot of private clients within the province as well. In 2006, the business community in Alberta awarded me as one of Alberta's 50 most influential people in the province. So I'm really enjoying my time in agriculture.

What I'd like to do is take a look at things from the 50,000-foot level and not talk about where the problems are, but about where the opportunities lie in agriculture.

Perhaps at no time in history has the rural producer been so challenged to maintain profitability in a small to medium-sized farm of conventional means. This is backed up by the substantial growth of 6.5% in farms over 1,600 acres or more. So we are seeing some growth in the agricultural industry. With a finite land base that is expected to meet both agricultural and societal needs, it is important to focus on long-term commitments to something greater than sustainable practices—in my own mind, I really challenge the term “sustainable” as an acceptable practice—and to attracting skilled labour and great leaders.

Agriculture, in my view, must be seen as an essential service driven by industry leaders who are educated, appreciate a global economy, understand the concept of adding value, and support research and commercialization. What we see when we go out and work with hundreds and hundreds of producers is that there is a gap between the understanding, most certainly, of taking research or their production practices and being involved in or committing, in an investment way, to the commercialization of value-added product.

Governments must support agriculture through enabling policy, regulatory reviews, harmonization, and a quick reaction to emerging issues. Without doubt, the long-term impact of all agricultural environmental practices may be questioned in the future. The intensity of demographic shifts will challenge infrastructure, health care, housing, education, information, and environment. It may be more difficult for political leaders to justify agricultural subsidies or investments to a largely immigrant, in-migrant population, which is those who are 50 to 60 years old and re-entering the workforce, or an out-of-province or out-of-nation population that is primarily urban with no ties to production agriculture. It will be equally difficult to defend water usage for agriculture production, land use for animal waste, odour from waste, expansion of production facilities near urban centres, and processing waste, unless agricultural waste and by-products, including CO mass or CO product, can be a proven resource.

• (1345)

Currently, co-product, as an example, from wheat is a waste product without proven inclusion levels in livestock feeding. The production of mass from corn and wheat for ethanol has sparked the moral discussion on food versus fuel versus feed. Cellulosic production of ethanol or butanol is perceived as a more stable business model, using agricultural waste, trees, shrubs, or grasses. It quells the fears of using food for fuel and is environmentally friendly, as the process produces less greenhouse gas than grain-based ethanol production methods.

Biodiesel production will be largely dependent on a level playing field with the United States, but it's unlikely that oilseeds will suffer because of the massive growth in that area.

Advances in biotechnology also allow for agriculture to be part of the solution for the need for plants-based medicines, and vaccines, and genetic improvement. You heard this morning, I think, that as more zoonotic diseases appear—those are diseases that could be transferred from animals to humans—and that as an increasing number of links are made between human disease and animal disease, there is also an immediate need for rapid testing and early diagnosis. Probably the one that strikes us immediately is the emerging potential link between John's and Crohn's and the need pre-slaughter—and that's the key, pre-slaughter on animals—for rapid testing and early diagnosis.

Food and beverage production is important, and continues to have growth potential in the production and manufacturing of sugar substitutes—especially sugar substitutes, as the annual consumption of sugar is 169 pounds in Canada. It's a huge emerging area. Functional foods, nutraceuticals and organic foods and products, plant-based cosmetics, toiletries, fabric, apparel, packaging, diapers, and medical supplies show enormous potential, as do pet food, pet toiletries, doggie diapers, pet care, and other animal wellness products. They are huge emerging industries for Canada.

Food animal health and nutrition now emerge as critical areas for investigation. The livestock and poultry industries need immediate answers to co-product utilization and net feed efficiency, along with genetic research, therapeutic approaches to health management, rapid diagnosis, antimicrobial resistance, zoonotic diseases, and product differentiation. The food animal industry must remain

proactive in their approach to the question of antimicrobial resistance in relation to food consumption.

In the area of product development, research on product development for poultry and livestock must continue to address the lack of usage of domestic product in institutional food as the population ages.

In order to support a value-based marketing system, it is necessary to identify traits or characteristics that set Canada's product apart from the competition. This recipe for success must be built from scratch, with auditable differentiation throughout the entire production, processing, manufacturing, and distribution chain. As currency valuation, labour shortages, and regulatory hurdles erode Canada's competitive edge, every player needs to stay ahead of the game and push their product beyond a brand.

So what I'm talking about here is a traceability system for all products right through the entire production chain. These will no longer be ordinary commodities; they will be auditable and traceable, and will offer distinct value to the buyer.

In an evolving environment, the commodity of greatest value is intelligence and information. Alberta companies, as an example, own several of the most comprehensive information systems in the world, but they are highly underutilized and often ignored. As an example, in Alberta we have the most comprehensive research, nutrition, health, age verification, breeding, carcass value, export, investment, and cost of production database in the world. We often try to get governments involved in utilizing that database to move product and to advance some of these traceability issues, and there seems to be some resistance there.

• (1350)

Historically, there has been poor technology transfer, a complete absence of training or certification of food production, and dissolution of technical support for farmers. In most cases, farmers are not formally trained in any aspect of risk management, and as the gentleman said, this needs to be addressed.

As agriculture in Canada grows beyond the production of raw commodities, it will become ever more clear that the industry will continue to be challenged internally by a shortage of technical, commercial, manufacturing, and research intelligence. To attract investors, new entrants, and partners to any of these niches of business, agriculture needs new models, a new image, and educated leaders. I'm talking about industry leaders here.

Therefore, research for the sake of revenue generation, to the detriment of the building of skills and the educational needs of the next generations of workers, may be challenged. A systems approach to research that is industry-driven, transparent, cooperative, and performance-based, with a focus on a knowledge economy, is the most desirable path.

A systems approach is where everything that is done in research looks two steps ahead and two steps behind and ties all that together, so that we don't have isolated cells of research not being tied into environmental, societal, and other needs.

Education, then, is the focus at all levels, and the key factor in the success of investment of public funds into the business of agriculture.

• (1355)

The Chair: Can you wrap up, please?

Ms. Brenda Schoepp: Where do we see things happening? Investment in biotechnology will continue. There are 459 biotechnology companies in Canada, representing 10% of the global activity. We foresee a lot of that continuing.

Working with public health will be a priority, as agriculture teams with researchers in the areas of plant-based medicines and vaccines and addresses anti-microbial resistance and zoonotics.

Sugar substitutes that are plant-based will see unprecedented demand, as will ready meals that are authenticated. Demand for organic foods will grow—and in these areas, specifically baby foods, meats, frozen meats, and soups. We've seen unprecedented growth there, so there are market opportunities.

Also, we need to look at the aging population and the fact that 100% of our meat in institutions is imported and is not domestic product.

We will be looking at biodegradable diapers and medical supplies, largely driven from canola, as an important advancement.

I guess I'd like to challenge the word "sustainability" as we look at all aspects of the grain industry. One of the things we need is a new appreciation of the grain industry.

It has been touched on, but varietal research is very important here. I encourage continuing it, because we have such a vibrant livestock industry in Canada that the grain industry is important to continue.

I want to say that product differentiation and quality assurance, under the name of traceability... I know we've had a lot of confusion in that area, as to what traceability is, who should lead it, who comes on board, and what it costs us all, but if we want to set Canada apart for the next 50 years, we would look at creating our own niche markets and price away from supply push towards a demand pull.

Funding for research, I feel, should not be restricted. There should be some sort of allocation for private industry to get more involved in research. Most certainly, as we go into feeding co-product and so on, we need to look again at re-establishing some funding for applied production research.

Technology transfer is a huge issue. Centralized research information and centralized technology transfer is a huge issue.

But again, at the end of the day I think education may be even more important than innovation in agriculture, if we want to attract new entrants.

Thank you, Mr. Chairman.

The Chair: Thank you, Ms. Schoepp.

Mr. Hubbard.

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

It was certainly good to hear such a variety of presentations. I thought for a minute I was in a time machine going forward. From the last presentation, I certainly think we might want to have the committee look at some of that at a later time.

For business risk management, I guess we're thinking more in terms of the present status and what we can do to improve the agricultural communities directly.

It boils down to Mr. Jacobson's concerns for the future in terms of farmers and where the farmers are going to come from. Without a good outlook in terms of what a career in agriculture has for that generation, young people will certainly not want to get involved. With business risk management, if we can't show them some success in terms of what is happening here across Canada in the agriculture communities, whether it be sons and daughters, neighbours across the way, or new immigrants who are getting into agriculture, it's going to be difficult for them to begin to devote a lifetime to agriculture.

One of the questions I've asked here at different sessions is this: do we have too many programs? Federally, a lot of money is spent. The province has put in various programs, and we have both regular and ad hoc programs. We seem to have a lot of consensus in terms of the idea of disaster relief, the need for crop insurance, and the need for research. There are probably other areas where we could federally put our cash payments.

First, in terms of your experience, are there too many players? Are farmers too intimidated by paperwork, as you mentioned, trying to respond to bureaucrats or civil servants who probably don't know a whole lot about agriculture?

You talked about Eisenhower's quotation. Is it too big a mix for most farmers to really appreciate what anyone is doing? Do we really see the success from those programs that we, as either federal or provincial politicians, think we should be offering?

• (1400)

Mr. LeRoy Fjordbotten: I think the two parts to your question are excellent. One is about what happens to farmers for the future, and I wouldn't mind making a brief comment on what happens there. The second question has to do with programming.

When I was minister, they would come to my desk with this stuff all the time. Everybody was excited if they could develop a new program, and this program was going to do this, that, and the other thing. But it's the old story. You can design a cow, but you don't know if you're successful until you find out if the bull likes it. Nobody liked a lot of the programs we designed.

What has happened is that even on our own farm today, one of us has to spend one day a week in the office. We have to spend at least all morning and sometimes most of the day on paperwork generated by programs that you don't dare to not be involved in. Frankly, for some of them, I'm not smart enough to figure out the forms, and we need to have an accountant do some of it for us. The complexity is certainly there. Everything is complex nowadays, but some of it is very complex.

When I was minister, we had a beginning farm program in Alberta to try to encourage new people into agriculture. Frankly, today most young people ask this: why in the world would they want to be on a farm when they can go out and make money doing other things? Not only that, it's hard to get labour on a farm nowadays. I think it's an issue that needs to be tackled.

To answer your question on the programs briefly, in one quick sentence, we need the programs, but yes, they're far too complex. Is there a future in trying to lower the age of farmers in agriculture? Yes, I think there is, but it's going to take some effort.

Did that answer your question?

Hon. Charles Hubbard: Mr. Jacobson, several people here have talked about the idea of the common good. If a visitor comes to our country and tours the rural area of Alberta or a visitor goes to Davidson, Saskatchewan, to visit the rural community, does he or she get a good impression of what agriculture is about in this country? Do you think some level of government should take some initiative in terms of the common good in presenting to others what rural Canada is about?

Mr. Lynn Jacobson: That's a hard question to answer, really, when it comes down to it.

On the first part, if a visitor comes in, he would definitely get a vision of the diversity of agriculture within our different regions. When you're talking from the far north of Peace River country all the way down to southern Alberta, there's that whole diversity between what we do and what they do and the different practices. Then as you go across the country, it becomes even more diversified.

I'm really having trouble answering this question. Maybe Everett has an idea.

Hon. Charles Hubbard: Everett.

Mr. Everett Tanis (Treasurer, Alberta Soft Wheat Producers Commission): Thank you for the question.

When we as farmers have a day a week to work through the paperwork to keep going, how can a visitor know what rural agriculture in Canada looks like?

When I drove back from Edmonton a few years ago, I looked out the window of my car and I said, "What a beautiful country. It's too bad it costs so much to farm it."

I don't know if that gives you an answer, but you have something to think about.

Mr. Lynn Jacobson: One thing I would like to say on having government is that we actually need government, or some funding within our farm organizations or other organizations, to show the complexity and also the diversity within agriculture, and it's going to come maybe not just to visitors but also to our urban population, which is becoming more and more the group that is going to set the environmental policy and our practices for rural Canada in the future.

So we need an understanding of what we are about and what they are about, and we need a chance to sell ourselves and show what we can actually do. If we don't have that understanding between an urban and a rural population in the long run, they will basically dictate what we're going to do in our practices, and we've seen it in Europe to a large extent.

So I think that's where the government very much has to play a role or provide accommodation for farm organizations to be able to play that role too.

• (1405)

The Chair: Thank you.

[*Translation*]

Mr. Gaudet, you have five minutes.

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

Ms. Schoepp, you said that you had a magazine and that you were looking at agriculture from a high altitude. I have not seen your magazine, so I cannot say anything about it. However, I want to know how you can tell urban dwellers what is going on in the country when no one ever talks about it. The people in the city only see big tractors, big combines, big machinery. City dwellers think that all farmers are rich, that they do not need any money or any help from the government or from whomever.

I cannot imagine that you have never talked about it in your magazine, since you are looking at agriculture from a very high level. The people are not aware that farmers work 80 hours a week, seven days a week, 12 months of the year. There will be no young farmers to relieve them. Why? Because they do not want to work 80 hours a week, seven days a week, never having any holidays, never going to Florida or elsewhere. We must ensure that city dwellers understand that farming is hard work.

I was born on a farm and I know what it is all about. As I have already told several persons, my municipality had 127 milk producers in 1957. Today, only two are left. Why? Because it requires working seven days a week and it never ends. Farmers should explain to urban dwellers what agriculture is all about. A person who is employed by some company works 37 or 40 hours. If that person is employed in a hospital, he or she works 37 hours and a half and then has three days off. Farmers do not have any holidays. If they do, it is because their farm is huge and they have enough employees, allowing them to enjoy the good life. But even in such cases, they have a lot of things to think about.

I would like to know your opinion about this, Ms. Schoepp.

[English]

Ms. Brenda Schoepp: Thank you. *Merci.*

The first part of the question asked how we could get the urban population engaged or show them the value of agriculture and the value of farming. My initial response is that I don't have the answer for that.

I think a lot of the engagement comes when you start coordinating your land use policies, your land access policies, your right to farm, and that sort of thing first, because at the end of the day it all comes back down to land. I mean, that's our capital investment. That's a societal need as well, the land and the access to land, so we can start there.

From both a federal and a provincial perspective, I think it's important for us not to sell farming as the "poor me" farmer, but as the start or as the means to an end—in other words, the innovation, the research, the technology, the processing, the science, and all the exciting aspects that go into taking something from the field through to the plate. Perhaps a better understanding of that whole transformation of field to plate would help.

As an example, we have done that with one little magazine in Alberta, called *Food for Thought*. It is distributed to grocery stores, doctors' offices, and so on. It covers all of agriculture, and you can pick it up and see as a consumer how agriculture is so important to you. I'll most certainly get copies of that to you, Mr. Chairman, just as an idea. It was born out of your question about how to transfer that information.

I think selling young people and getting investment, of course, are important. We had mentioned the lack of capital in farming earlier. We do have to recognize that a certain amount of economics of scale is required.

We have to recognize that the demographics are shifting now. At least 28% of farms are owned and operated by women. They will come in with a different view of agricultural practices and humane practices than existed previously.

We have to make it a little bit exciting in going back to the innovation and science aspect of farming, because there's a lot of it. Even in your new tractor there's a lot of engineering and things that went on there. We can appeal to them in some of those ways.

To reply to your question about *Beeflink*, it is published biweekly. It is an assessment of the beef industry, right from the very primary

producer through to global sales. It goes across Canada and the U.S. by e-mail.

Thank you.

• (1410)

[Translation]

Mr. Roger Gaudet: I told you about the 127 dairy producers who were in my municipality in 1957. Note that today, 100 percent of the land is cultivated. There is not a single plot of land left. It is another kind of agriculture.

I would like to ask a question to Mr. Vandervalk. You said that you had no need for the government, but I understand that you were quite happy to receive a billion dollars from the department, and then another 600 million for risk management, not to mention the money available from the APF and loan programs. I believe that in fact, you do need the government. That is the government's role. I do not want to criticize you, but you do give out the impression that you do not need help from anyone.

It is all very well to say that we want to export and open up the market, but do not forget that if we do open the market, others will want to come into our country. That is why I believe that we must find the right balance. At the level of the Canadian government policy, we must be careful. If we open up the doors wide open, some will go out, but others will want to come in. I would like to hear your opinion on this matter.

[English]

The Chair: Thank you.

Merci, monsieur Gaudet. Your time has expired.

So just a short response, please, Mr. Vandervalk.

Mr. Stephen Vandervalk: I'm sorry if that's how it came across. What I meant to say is that farmers want less reliance on government; we would like to make our income from the marketplace.

It's very tough, because we have trading competitors in the European Union and the U.S., where they are subsidized. They can sell at lower prices. So we can't compete fairly, and that's where the government help comes in. If we were on a level playing field and we could get our income from the marketplace, we'd rely less on the government, and that would be our goal.

The Chair: Thank you.

Mr. Miller.

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

Thanks to all the presenters. There were some very good comments from all of you.

One in particular, Brenda, is something you touched on. I think all of us in agriculture and in government sometimes.... You pointed out the vast need for more diversity and a willingness to change in agriculture. You know that old saying: "My dad and my grandpa grew wheat and raised cattle, so that's what I have to do." It's been pointed out here that there are other markets out there, and that we should be open, as farmers, to some of them.

You made a couple of comments, Leroy, that are probably a little controversial, but I found them interesting. Caps are one subject you touched on. I myself have been leaning toward them a little bit in some ways, and I'll tell you why. I'll use the first and only example that comes to mind, out of CAIS. A year or a year and a half ago, the Saskatchewan grain pool, which is not in my view a farmer, ended up with money out of CAIS. And there are other examples out there.

My question to you would be, should companies like that really have access to government programs? That's only one example. I'm not trying to pick on the Saskatchewan Wheat Pool.

Another one you mentioned is own-use imports. I presume the history is that government was approached by producers, and I think it started more in the west, and I understand that, as a way to help save the producer money. But you pointed out the fact that what I'll call local farm agri-dealers, or what have you, lose out there. And I understand that. This does take money out of the locals.

The question is, is there a happy medium there that government should be following? I'd like to hear a little more on that.

This is a question for all of you. You mentioned the one day a week in the office that's pretty nearly mandatory today. As a farmer, when there's seed to go in the ground, or cattle to round up, or a crop to come out, that's the last place we want to be. But we have to be today.

How does a government put in stopgaps and measures—an audit system—to make sure the programs aren't being abused, without some kind of paperwork? I'd love nothing better than to have it simplified, and I'm sure there is a way, but I'd like to hear some general comments from everybody on just how we could do that.

• (1415)

The Chair: Mr. Fjordbotten.

Mr. LeRoy Fjordbotten: I will take on the last one first. I'll just make a comment and I know the others will have something to say about that.

We need to have rules and regulations around any program. We're dealing with public money, and you just can't throw public money around without making sure that it's followed, or else the government gets in trouble in a hurry. So we don't want to do that. However, the forms get to be so prohibitive.

I'll give you an example. When I was the minister they'd come in and I'd ask them for a copy of all the application forms. They came in with stacks of them. I asked them what each application was for, and if I didn't like the answer, I threw it in the garbage. I finally ended up with a stack that you could deal with. I said, why can't you put this on one sheet rather than five sheets? It got to be that you never knew if you got the right form. I think it could be simplified.

To answer your question on large companies, I don't know the answer to that one; that's a difficult one. In a democracy, as Mark Twain said, it's like a raft; it never sinks, but your feet are always wet. I think our feet are always going to be wet on that one.

The comment I'd like to make on the caps issue is one I wasn't able to finish because I ran over my timeframe when I made the comment. But we have all kinds of caps on things. Cultivated acres

are handled differently depending on how many or how few farmers farm those acres. The degree of land ownership or whether you lease shouldn't be a consideration. Governments have all encouraged farmers to get bigger and bigger. They get economies of scale, and then once you get bigger then they put a cap on you, so you're being unfairly treated. Caps give a disproportionate amount of money to small producers and penalize large ones.

I'm going to make one comment about this that I'd like you to think about. I don't mind being a bit controversial and so I'll put it this way then. Caps have actually hurt western farmers more than eastern farmers. The reason they've hurt western farmers more is that there are bigger farms out here. When you put a cap on things it actually affects us more than the ones in the east, and that's truly unfair. When you look at the system of caps, everything always has to be done fairly, and I don't believe that's fair.

On the GROU program, there is a presentation and I think you all should read it. It's presented to you by the grain growers of North America. I don't disagree with anything it says in there.

However, the one part that you alluded to was the small chemical dealers. If we're to make an even playing field, then allow the local chemical dealer to have the same import rights as the producer. They have to prove things to do that, but that would put that chemical in our local communities right across this country. We get barrels of chemical coming out of the States. It comes through somebody else and our local dealer never sees it. I don't think that's fair. I think that dollar is being made by somebody out there, and why shouldn't it be made in our local communities?

I have a fellow who advised me on this before I came to make sure I was right. He said that by enabling those local dealers in rural Canada to supply these products at comparable prices to the U.S. counterparts and by allowing them to make an import application the same as a farmer does would level the playing field.

I hope that answers your question.

The Vice-Chair (Mr. Paul Steckle (Huron—Bruce, Lib.)): Your time has expired, Mr. Fjordbotten, and we'll have to wait for another round or another day.

We must move on to Mr. Atamanenko for five minutes.

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

One of the issues that came up a lot yesterday, but not so much today, is the issue of our food security and being able to sustain ourselves, being able to buy locally, making sure our institutions purchase local food, and so on. I think people are concerned about that.

The other thing I think we're in agreement on is that the commodities we export are quality. We're known for our wheat and durum and for our malting barley, for example. Taking it from the point of view of the primary producer at the grassroots level, we then look at the need for research and whether it's the private or public sector.

We touched on biotechnology. We have this quality. We know we have to look after our food security. We have commodities that are respected and sought after around the world. There's actually the whole area of biotechnology and the fact that we want to develop new strains, new brands, new varieties.

What actual benefit do you as a farmer at the grassroots level see from this? What role, if there is a benefit, should the government be playing? I guess the underlying question is this. Is it maybe the biotech companies that might benefit more from assistance and research than the actual farmer?

That's a general question, but I'd like your comments.

Maybe, Lynn, you could start with that.

• (1420)

Mr. Lynn Jacobson: Yes, it's a topic that is very relevant within the agriculture community itself. We've all heard about the 100-mile eating habit, or whatever they call it—trying to source all your products within 100 miles.

When I look at that and I look at some of the things closer to our larger cities in western Canada, say Calgary or Edmonton, there is an area surrounding those cities that could supply that local vegetable market during the summer, and that should probably be encouraged through farmers' markets. But the problem is that not only does our climate limit us as to what we can actually supply and the time we can supply the food that people want in the fresh vegetable end of the market, but our consumers in Canada have been educated to go to the grocery store and buy enough groceries for one week—that type of thing. So a farmers' market has to operate more on a day-to-day basis, as in the European model, where people go each day and buy fresh stuff, which to a certain extent I don't think really applies in this country. We can't do that.

As for the food quality and the research and the biotech, that is where we look at it. I think all of us in the agriculture industry recognize that there are some opportunities within biotech research and some of the products that are coming, especially when we consider the diversity of pharmaceuticals and some of those things.

There's a controversial issue about taking the fish gene and putting it into a plant and things like that. That has to be decided by society as a whole. We can't decide that as agriculture producers. I don't think the biotech companies should have the right to decide that. When you look at the Percy Schmeiser case, basically, to a certain degree, it wasn't that he used the product and he saved the seed that

blew on his land. What it really comes down to is who owns the gene in that plant, and that's what's going to be a problem.

When we got a court ruling in Canada.... I had this in my brief and took it out, because we can't patent a living organism anymore; the court has ruled that. They can't own a mouse—they tried to own a mouse—but they can own every gene that makes up that mouse. So we have to distinguish what's actually going to happen in this area, and it's a bit of a controversial thing.

Biotech offers us an opportunity in certain things, but I don't think we need to leave it wide open to everybody. I think there have to be some rules and guidelines. You can't have a free-for-all out there. And society itself, through the government, has to set some restrictions on what the parameters are going to be and what is going to be the benefit of it.

As producers, we want a say in what actually comes out and what we grow on our fields, the opportunities, and how it's going to affect us.

Mr. Alex Atamanenko: Would anybody else care to comment on that?

The Chair: Brenda, and then Stephen.

Ms. Brenda Schoepp: I guess one of the terms that struck me was commodity selling. I think there is merit in the discussion of having enabling policy on the federal level to access high-population markets that are beyond the North American standard and get more into a demand pull rather a supply push. What we do is produce a lot of commodities here and then we go out there and say, "We've produced this. Why don't you buy it?", instead of establishing that demand pull.

On the biotech, as my learned friend to the left has said, one of the things that we lack.... Where's the advantage to the farmer, I believe, Alex, was one of your questions. We have to help the farmer understand the benefit of commercializing the product beyond the commodity, as an example, or giving him some tools or some access to that technology transfer, because until we do, we just don't have an appreciation of the benefit to me as the producer.

• (1425)

The Chair: Stephen.

Mr. Stephen Vandervalk: The benefit to the farmer, really quickly, with research.... We have good examples. We have winter wheat varieties sitting on the shelf in Lethbridge that will produce over 100 bushels an acre. They are not allowed, through KVD, because once out of three years it looks like a hard red spring wheat kernel. So it's scrapped. The winter wheat researchers have just thrown their hands up and essentially quit.

Regarding the ethanol industry, we cannot really sustain an ethanol industry, because we can't grow the bushels for it economically. We're growing a 70- or 80-bushel winter wheat crop when we need to be growing 100 to 120 bushels. If we talk about 40 bushels an acre at \$4 a bushel, using today's prices, that's \$160 an acre. You know, when the government spends billions of dollars, maybe you could give us back \$8 or \$10 an acre. That's where we talk about getting our returns from the marketplace.

Mr. Alex Atamanenko: Thank you.

The Chair: Thank you, Mr. Atamanenko.

Next we have Mr. Easter.

Hon. Wayne Easter (Malpeque, Lib.): Thanks, Mr. Chair.

Stephen mentioned the CN strike. That should be dealt with by tonight, Stephen. I know it should pass all stages tonight, and both the Liberals and the Conservatives are supporting that legislation, so it'll carry.

Thanks to all presenters.

Brenda, it's really good to hear your thoughts on the future potential opportunities that are out there. I think the key, though, is that we've seen lots of opportunities in the past, so how do we ensure that those opportunities and financial returns get back to at least rural Canada, and preferably to the primary producer or the farm family, rather than just letting us be the provider of cheap labour or cheap raw materials so somebody else can profit from it? My worry in the ethanol and biodiesel industry is that the way we're structuring that industry right now in Canada, we're going to create another profit centre for the oil companies rather than a profit centre for the rural communities, and that's a huge problem.

But our purpose here is to deal with safety nets. One key point was raised this morning. It's only a simple one, but it's a controversial one, and I didn't think it was. We actually changed the deposit requirement for CAIS to be a deposit instead of a fee. The Alberta Barley Commission was here this morning, and it wants to go back to the fee and away from the deposit.

So when we get a new program, do any of you have any proposals for how the farmers' share of it should be paid?

There's one other thing I want to mention off the top as well, and it really relates to what several of you have said. I think Leroy said we need to get our money out of the marketplace and get the returns. Stephen said much the same thing. Well, you know, I'm saying give your head a shake. These are the figures: in the last 21 years, realized net farm income in Canada was \$51.51 billion; payments from federal and provincial governments were \$58.4 billion; net income from the market in the last 21 years was negative \$7 billion. So let's think about that.

The other thing is that I've heard a lot about the U.S., and I'm one who says that Canada should match the U.S. dollar for dollar in terms of programming into the agriculture sector. George Brinkman had this to say, and I want you to think about it, because I think we've really got to think about this. George Brinkman is a retired economist out of Guelph. He talks about the debt load in Canada, and our debt load is extreme, way higher than the U.S. primary producers'. He says that "the higher per capita farm debt in Ontario

and in Canada has muddied the whole farm subsidy picture. As a percentage of income"—and that's the important point—Canadian government subsidies represent 116% of farm incomes, but U.S. government subsidies represent only 37% of their farm income."

Now, if those figures are accurate, we've really got a bigger problem than I thought we had. I just wanted your comment on that as well.

But key to the specifics, how do we handle the farmers' share of any safety net program? Should it be a fee? Should it be a deposit? Should it be 30%?

I'd like to hear any thoughts.

• (1430)

The Chair: Who wants to go first? Stephen.

Mr. Stephen Vandervalk: I'll speak personally about my farm.

You want to talk about a deposit or a fee. I sent a deposit in for CAIS. That has cost our farm thousands. Our accounting bill in the last three years is approaching over \$10,000, and I've not seen one cent from the program. That's how this program is working. It penalizes the proactive farmer who is trying to offset his risks with irrigation, different crops, trying to grow some specialty or even something value-added, and trying to keep his income stable. That really penalizes that farmer. If he just goes for the gusto and he makes lots of money, and the next year he loses lots of money, CAIS will really help you.

So it's something that's all over the board. If you talk to one farmer, they'll say it's the greatest thing, because they've seen big cheques. For the next farmer, it has cost a fortune.

So that's why, if we go to a NISA-style—and I'm not saying NISA—account, so there's not the paperwork, there's not the cost, the sales, the inventory, beginning, ending, and all the complication.... They take net eligible sales and you get a percentage of that, and the farmer can do with that as he chooses.

The Chair: Mr. Jacobson.

Mr. Lynn Jacobson: That's a very good question.

We view it like this. We've looked at the top-tier CAIS type of thing, with the top 30% right now in terms of how it's paid out and the rules under which it is actually paid out. If you had a NISA-style program on top of the CAIS program, it would be better than just going to a straight NISA-type program.

NISA itself was limiting. It did not do what the CAIS program was supposed to do when we had just the straight NISA, because NISA would run out of money on you right away. If you have a couple of bad years, you're gone, because you don't have any more NISA. If you had a top tier of the CAIS program that would pay out, and had maybe some set rules around pay-out....

One of the things the government said was that there was too much money in the old NISA program. That was only a certain percentage of the population, and it was the older farmers who had that extra money. It was not the young farmers who had the money in the NISA program; it was the older established farmers, who were 60, 70, or 80 years old at the time. They had the \$100,000 deposit. The guy who was 30 or 40 years old didn't have any NISA account left. We need to establish that.

NISA on the top end of a CAIS program would allow some more flexibility for farmers to actually bring it out in timely payments. That's what we need. We don't need your accountant to say we should get \$10,000 out of this program this year and then we wait a year to get it. That doesn't work.

Hon. Wayne Easter: It needs to be timely.

Mr. Lynn Jacobson: There has to be a time limit. We need a NISA-style program in which we can draw that money right away.

Mr. LeRoy Fjordbotten: The only comment I would make is that governments are always notorious, at every level, for coming out with a stabilization program when the industry is in the tank. The industry gets stabilized at the lowest possible level at which it can be stabilized, and this never works, of course. If you're going to do something like that, I don't think the fee is an issue. If you have the right program, you'll figure out a way to do the fee.

I don't like stabilization programs. I was involved in designing some of them, and you always design stuff when it's in the tank. That's wrong.

The Chair: Mr. Thompson.

Mr. Myron Thompson (Wild Rose, CPC): Thank you.

I appreciate your input today, ladies and gentlemen. It's interesting to me, because fifty years ago I was in the middle of farming, and forty years ago I quit it. I'm thinking back on some of the things we used to think about in terms of how to maintain it in a manner that would allow us to get some good returns, some market-driven types of returns. The idea of getting subsidies or anything like them was just a thing of the future. They hadn't happened at that point.

I'm interested in what's going on with the industry. I'm quite enthused to see young farmers' organizations cropping up and trying to prepare for the future. They want to get into it. They want to become farmers. I'm just curious about what some of you think the future farm is going to look like, let's say, ten or fifteen years from now, with the young people who are gathering together, organizing, wanting to move into the industry, and figuring out ways to be able to accomplish that, because it's not easy during this particular time. I'd like to know what that future is.

The second thing I'd like to know—and I think Steve alluded to it quite often—is in regard to value-added. This is something I've heard over and over again for years and years: we want value-added. I agree that it's what we want, but I don't understand why it isn't happening. What has been preventing it? Why do we send logs, not furniture? Why do we send grain all the time, not cereal or flour or whatever, particularly in the west? I know they have more value-added in the eastern part of the country. But it just doesn't seem to happen.

Can anybody tell us what we can do? What do we need to do to make it happen? We all agree that it needs to happen, so why isn't it happening? That's all I have to ask, and I'll take any answer I can get.

• (1435)

The Chair: Ladies first, Brenda.

Ms. Brenda Schoepp: That's a fair question, because farmers often ask why they should have to do it too.

I'm involved with a lot of people in the processing industry, value-adding everything, from those who add value on their farms to those whose bakeries export worldwide. Some of the handicaps, in their own words, would be some of the regulatory problems around the Canadian Food Inspection Agency, the lack of enabling policy on some of the exports, and perhaps a lack of a continuous presence in the designated export markets.

Most certainly in the west right now, two of the key problems are the appreciation of the Canadian dollar and the very severe lack of labour. We are seeing a lot of relocation just because they can access labour in the United States.

I'll give you an example that a friend gave me the other day, and that was a roller mill for his bakery. Some 40,000 loaves a day come out of that bakery. The roller mill in Canada was \$40,000 and they said it would take nine months to come in. The roller mill in the U.S. was \$9,000 and it was there the next day.

So that's a little bit of the why, Myron.

You also asked about how we get farmers engaged when 61% of them or more are sole proprietorships. We see a lot of this new-gen co-op type of discussion and so on. The reality is that partnerships will form, but farmers will form those partnerships with other farmers, move their independent agendas ahead, and try to seek some of the technical expertise to move product into the value-added arena.

The Chair: Mr. Jacobson.

Mr. Lynn Jacobson: Part of the problem is comparing eastern Canada to western Canada, Myron, and you also compared the U.S. to Canada. We also compare Europe to Canada, and then look at the value-adding that's done. Part of the thing I have noticed over the years is that value-added comes as your population grows more and more. If we had three times or four times the number of people in western Canada, we would have more value-added to service that industry.

For a lot of the value-added, especially on the products we produce, like flour and things like that, it's cheaper to move the bulk product than it is to move the flour.

People also want the jobs where they, the people, are located. If we're shipping grain to Japan, we say, why can't we sell them our canola oil? Why can't we sell them our flour? The Japanese don't want those things to begin with, because they provide jobs in their own fields. If you talk to the pulp industry or the lumber industry, it's the same thing.

If you talk about the garment industry, which we've basically lost in Canada, it was a value-added industry at one point in eastern Canada. It has gone to where the labour charges are cheaper too.

So labour, population, and what it costs to transport the value-added good when compared to the raw product sometimes have a great bearing on where value-added is going to take place.

I know we went through the debate when they said they were going to take the Crow benefit away. We all went through that and we lost all that. It didn't add very much value-added in our country, but that was a big promise of the day.

• (1440)

The Chair: Anybody else?

Mr. Tanis.

Mr. Everett Tanis: Quality control may also have something to do with it. In fact, west of Fort Macleod, they feed horses for Japan and they send them live to Japan. The Japanese want to do their own butchering and they want to know what they're getting. They don't want frozen beef or anything else, so that's another thing. And they have it fresh when it gets there.

Thank you.

The Chair: Leroy.

Mr. LeRoy Fjordbotten: Myron, you make some excellent comments, and you basically asked about farming and the future.

Farming is not really a way of life anymore, it's a business. A farm had better be run like a business or you won't be around tomorrow.

Things are tough out there, and the changes are taking place quickly right now. People don't resist change; they resist being changed—you can change something as long as it doesn't change me. But right now, change is happening, and it's changing me and it's going to change you too. The future is going to be different, and we have to adjust to it.

Part of the problem in coming out with a program like the one you're talking about and trying to assist is that governments are always late. It takes ninety minutes for government to watch sixty minutes of television, so by the time you design a program and get it in place, the market has moved away from you. It has to be a living thing. It can't be a thing for which you say, okay, I think I've done it.

The Chair: Thank you.

Mr. Steckle.

Mr. Paul Steckle: I guess I wrap it up today.

We're concluding the day. As I have summarized it, the reason we're here is basically that agriculture isn't profitable, and we're trying to find a way to make it profitable, going forward. How are we going to introduce a new generation of people into agriculture? That's the question that has come up time and time again today.

Is the million-dollar capital gain a sufficient number? The capital gains exemption has been moved to a million dollars.

Mr. Stephen Vandervalk: It's \$750,000.

Mr. Paul Steckle: It's \$750,000? Okay. Should it be a million dollars, or is \$750,000 sufficient? I was thinking it went to a million.

Please answer very quickly, because I have a number of questions that I want to ask.

Mr. LeRoy Fjordbotten: I'll make a quick comment. I think it has to be a fluid thing. Things are changing. A dollar doesn't buy today what it bought yesterday, and it'll buy less tomorrow.

Mr. Paul Steckle: But today? We're talking about today.

Mr. LeRoy Fjordbotten: I think it should be \$1 million.

Mr. Paul Steckle: A million? Okay.

It was suggested this morning that it seems every time a program comes in, when there's an environmental issue, there are costs added in terms of our meeting those particular standards that are set for us for that particular time. What about a 1% eco-tax on food?

The Chair: Are there any comments?

Mr. Paul Steckle: Are there any comments? Quickly—yes, no, indifferent? That money...again assuming it would go directly back into a program that would help farmers do some of those things, whether it's fencing, a waterway, or whether it's doing a farm plan, whatever. Quickly, yes, no?

Mr. Lynn Jacobson: Well, you're going to get diverse—

Mr. Paul Steckle: I know, but let's hear it quickly.

Mr. Lynn Jacobson: My opinion is, if we're providing a good whereby people actually come out and enjoy the countryside and they demand it of us, then we could get paid for it.

Mr. Paul Steckle: Yes. How?

Mr. Stephen Vandervalk: I'd say no.

Mr. Paul Steckle: No?

Mr. Leroy Fjordbotten: No, because it's a tax and if you—

Mr. Paul Steckle: That's enough.

Mr. Lorne Darlington (Executive Director, Alberta Grain and Oil Seeds Crisis Advocacy Trust): No.

Mr. Paul Steckle: What about you?

Ms. Brenda Schoepp: I don't have enough information.

Mr. Paul Steckle: Okay. That's a political answer.

Voices: Oh, oh!

Mr. Paul Steckle: We talked about where farmers would get the money, whether it's a fee or whether it's a deposit on the CAIS program. For any program that is bankable, you can borrow the money from the bank.

Now, if you take the model that has been put forward by Ontario and Quebec in terms of business risk management, you would find yourself making choices. It would be a self-directed program whereby you would make a decision regarding at what level you want to benefit from that program. You could go to the bank and borrow the money to do your portion.

Again, with the NISA program, where's the farmer's portion going to come from out of that 15%? I don't believe this is all going to come from the two levels of government, and that's another contentious issue for me because I think we have too much government involved.

The Chair: Mr. Vandervalk.

Mr. Stephen Vandervalk: What I would suggest is that we need two programs: a good crop insurance program and a NISA-style program, and that's it. An example is, in 2002 I could get \$116 of coverage for \$6. In 2005 I got \$87 of coverage for \$8.30. So the premiums are increasing substantially and the coverage is decreasing.

If we can get good coverage where we can get production insurance that will cover our costs, and with a NISA-style system on disasters, we can cut most of the paperwork out. Crop insurance is health costs shared by the farmer—your're talking about your fees—and your NISA is either matched or however you want to do it.

• (1445)

Mr. Paul Steckle: Okay. Anyone else?

Yes, quickly.

Ms. Brenda Schoepp: With respect to the grains industry, though, we need something that's a little broader, because the livestock industry—all livestock—and feathers are so different.

I wanted to say that the real problem in agriculture is the cost of production. The input costs exceed...and that's one thing we haven't really talked about.

Mr. Paul Steckle: So that type of program would apply?

Ms. Brenda Schoepp: That's where the problem is.

Mr. Paul Steckle: You would see that program working, but it should be much more broadly based, even for the livestock industry?

Ms. Brenda Schoepp: That's correct.

Mr. Paul Steckle: I agree.

Anyone else?

Mr. Lynn Jacobson: Crop insurance, as Stephen said, works on crop production and that, but it does not cover low returns from the marketplace. We could produce 300 bushels an acre, and if we only got \$1 a bushel out of it, we'd still be in—

Mr. Paul Steckle: But crop insurance was never designed for that.

Mr. Lynn Jacobson: No. Crop insurance is for the production end. We need something over and beyond that, and there's going to be a broader discussion on that. And you need somewhere in that area...and we need to really talk about this and actually come up with different programs on that.

Mr. Paul Steckle: To the former minister, what do you have to say about that?

Mr. LeRoy Fjordbotten: I really don't know. I think I'll pass.

Mr. Paul Steckle: You're going to pass? That's a political answer.

What about the gentleman at the end?

Mr. Lorne Darlington: I'm going to pass too.

Mr. Paul Steckle: I pass too.

The Chair: I have three questions myself. Throughout the discussion, I believe we're talking about the APF and looking at the future—not just at the problems we're facing today and the business risk management design, but looking at the future. There were some comments made during the presentations and through questions and answers that I want to throw back at you.

You talked about more value-added. A number of you mentioned that we have to have that. I think one term was “distinct value to the buyer” in making the nutraceuticals and some of the new product lines out there that are going to be grain-based or livestock-based products. What about distinct value to the producer, making sure the trickle-down is there?

The second question I had was on the next generation of farmers. We talk about trying to maintain the family farm operation. I'm a farmer, my dad was, and my granddad was, and it goes on and on, back even into Europe. The question becomes this: it's easy for our kids to leave and to enter into new professions, but what about urban kids? It seems to be extremely difficult for them to come out and join the agricultural culture and society that we have. How do we make this work, so that you may not necessarily have had to grow up on a farm to actually own it and operate it in the future?

The final comment I had, which actually goes back to a comment Mr. Jacobson made, is that during the first round of talks on APF, five or six years ago, SAF felt that the whole process had been predetermined, that you were just a participant listening to what was going to happen and did not necessarily have any input.

I ask this of all of you who participated in the first and second rounds of talks on APF 2: do you feel this is the case today, or do you think, based upon the comments that have been coming back from provincial and federal ministers, that they are listening?

I ask for comment back on those three areas.

Mr. Jacobson.

Mr. Lynn Jacobson: Since I raised the topic, I guess I get the first kick at the cat here.

On farmers' participation and the feeling about what the process is, I don't know how many people I've talked to about when we went through the APF 2 process. Everybody was wondering, is this really going to help? Is it really going to help; are they listening?

Then the provincial Government of Alberta called a group of us all together, and we went through this process again. It was basically a mini-APF thing too. We got a report back from the government.

When you have the provincial government and the federal government doing the negotiating on that, and you have the federal bureaucrats designing the program, and you leave the other segment that's really affected out of that process.... We don't even have any idea of any input into the programs. Basically the whole process over the years has been, "Come to us, say what you need, and go back." The provincial governments decide exactly what to do.

Yes, I think a lot of producers feel the same thing might happen in this process again. Then when you do such things as cancel a national safety net group that was actually an adviser to the government and say you want to come out to talk to each of the individual groups, well, to us.... I've talked to enough people who say, "If I have ten different groups, I'm going to get ten different opinions, so I can do what I want." If you can get those ten groups together and come to a consensus on a lot of things, that will help and will increase the producers' confidence that maybe the government is listening.

• (1450)

The Chair: Essentially what we're trying to do here is reconcile this between what's been happening through the consultations and the discussions we're hearing about from the government standpoint, and trying to collect our own information now to see whether or not everything reconciles at the end of the day.

Mr. Lynn Jacobson: Basically I think we have a "wait and see" attitude. But we are skeptical—that would be a good word—and we'll see what comes out of it.

The Chair: Brenda.

Ms. Brenda Schoepp: I was part of some of the initial discussions and research, and definitely what was discussed by industry and what came out were two entirely different things. I've expressed this before and I think it's a fair statement. But it doesn't mean we can't start again under your chairmanship and carry forward.

You asked a question about value-added and distinct value to producers. That's a very good question, because in the beef industry, primary producers used to have 25% of the beef dollar about 15 years ago; they now have under 8%, and a fed cattle producer only has 16.8% of the whole beef dollar. What we've seen is a fundamental shift away from the primary producer, from the processor—which is even tighter, which is even a smaller margin—and have seen the majority of the value of the food dollar end up in retail. If we really did want to talk about this seriously, James, we would have to look at how we're handling—we don't have a real wholesale industry anymore—the retail end of things.

As to the next generation of farmers and urban participants, again I go back to some of my key points, where I talked about education—I can't drive this home enough—the sharing of information, this getting engaged. I like to see urban kids involved in agriculture: they don't come with any baggage. They look at it in a new way and from a consumer's perspective, and at the end of the day, they're who we're here to serve.

Those are just some brief comments.

The Chair: Mr. Tanis.

Mr. Everett Tanis: Thank you, Mr. Chairman.

We definitely need the farmers to be at the decision-making level, as Lynn talks about, because we've been left out too long.

I can't give you an answer to the question, but I want to give you an example. There are two men standing in a field in a sparsely populated area in southern Alberta. One is an agriculture producer. The other one is a heavy-duty mechanic in the oil industry. The heavy-duty mechanic gets a raise of \$8 an hour on January 1. The farmer gets a raise if fertilizer goes up \$120 per tonne from last fall. There is a disastrous imbalance.

Thank you.

The Chair: Stephen.

Mr. Stephen Vandervalk: The capital costs are just too high to get the rural population involved in agriculture, and the returns are too low. No bank would ever look at anybody trying to start from scratch in agriculture. The returns would have to increase before that could ever happen.

I guess the whole thing with all the safety net programs...and we just saw it here today. I talk about production insurance and NISA, and then the cattlemen say, well, that's not good for cattle, and the hog guys say it's not good for hogs. I just don't know. There isn't going to be a one-size-fits-all program to make everybody happy. So do you go that way or do you go to a percentage of revenue so it's equal cost to everybody, or do you have separate programs? It's a tough one.

Mr. LeRoy Fjordbotten: Mr. Chairman, I always make a habit of not commenting on something I don't fully understand. I wasn't involved in the initial part of APF, but I have been involved and understand what went on. I can't answer your question honestly, from my judgment, on whether or not it's been done right or wrong.

With respect to rural population, I don't know about anybody else's farm, but we have a large operating line of credit, and we don't get it unless it's well secured and they can get twice as much back out of it as they ever gave us. So if you're going to get young people involved in agriculture today without someone with deep pockets behind them, it just plainly isn't going to happen.

By the way, I might make a comment to you that Farm Credit Corporation does a wonderful job. They communicate well and they could probably communicate even better and make it easier for young farmers. But to get people from an urban setting, unless they have deep pockets, I just don't think it will happen.

The Chair: Essentially we've become big business. If you look at big businesses that are proprietorships, those will stay in the family, but you don't enter. You always have to enter on a small scale and work your way up, right?

• (1455)

Mr. LeRoy Fjordbotten: We look at my farm as a business. My son-in-law is Dean Hubbard, and he's a very smart guy and we work well together. It's a good solid name, right?

It's not a way of life. You can't have a bunch of sentiments about it. It's a business. If it's not going to succeed, we're going to make widgets or do something different. But we love agriculture and would like to stay there. We've lost our shirt the last couple of years and we're hoping to recover some, but it's a business and it's tough out there.

The Chair: I'll give the last word to you, Stephen.

Mr. Stephen Vandervalk: Just speaking as a young farmer, what I've noticed from my age group is that it is a family farm, because the only way you can farm is if your dad gave it to you. I listen to conference calls over the web and video, and if I can't make it, I take my iPod and download it and listen to it on the combine or the tractor. It is big business, and that's the way our generation is looking at it. Unless we can look at it that way and make a good return, you are going to see fewer and fewer of us around, for sure.

The Chair: I want to thank all of you for your presentations today. It was a very good meeting here in Alberta, as we had yesterday in B.C. We are getting a lot of work done in a short period of time, and it will help us develop our own report to the House of Commons on the APF and the future of our programs.

Hon. Wayne Easter: There is one thing.

To Lynn, this committee should hear from the safety nets advisory committee, but who should we hear from as a couple of people to represent it?

Mr. Lynn Jacobson: Bob Friesen of the CFA would be a good representative to speak to that. Grain Growers of Canada were on it. How about the Canadian Cattlemen's Association, CCA? All those groups work together, and they have to work by consensus. Those of us in the farm community say those people have the time to do it, and our organization does not have time to look at that type of thing. We don't have the expertise or the money to do it.

Hon. Wayne Easter: We should hear from them.

The Chair: My suggestion is that we can do it when we get back to Ottawa, since most of those organizations have offices in Ottawa. We've already heard from most of the national commodity organizations in Ottawa specifically on business risk management. We'll invite them to the broader discussion on APF at a later date. At that time, we can also tie it into the farm safety net advisory board.

With that, we'll say goodbye to Olds.

We're adjourned.

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