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Chair

Mr. James Bezan

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•(0835)

[English]

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

Welcome to the table this morning. We have Roger Holland and Richard Mardell, with the Western Cervid Ranchers Association; Wayne Goerzen, who is with the Saskatchewan Alfalfa Seed Producers Association; and Kenton Possberg, with Possberg Grain Farms. We're expecting John Treleven to join us from Farm Pure Inc.

We're going to continue with our cross-Canada tour and study of the agriculture policy framework. We are looking forward to your comments this morning.

With that, I'll turn it over to the Western Cervid Ranchers Association. Roger, can you keep your opening comments to ten minutes or less?

Mr. Roger Holland (President, Western Cervid Ranchers Association): Okay. I'll try my best.

I'll give you a little background on our association and what it's about. Our purpose in forming this association was to get the cervid industry under Agriculture Canada as animals of domestic livestock. This would place them on equal ground, rules, and regulations with the beef cattle, bison, sheep, etc. The health issues that have been raised would also be handled by the federal department, CFIA.

The Western Cervid Ranchers Association is asking the federal government and its agriculture committee for a review of CFIA. In the past, trade in this industry was under the jurisdiction of the federal government and CFIA. This is the jurisdiction that all other agricultural livestock and production are under in Canada. There has been a shift into the jurisdiction of provincial control. The decision to make the change seemed to be made at a lower level of government administration, such as the CFIA field officers and provincial bureaucrats below the ministers.

Game farm industries in other countries around the world are enjoying growth and prosperity. With respect to game farm markets and trophy animals, we used to use export documents provided by the Government of Canada, CFIA. If an export document is required for a U.S. hunter now, a provincial document is to be used, if you can get one. Yet if an export document is needed in any other country in the world, it is issued by the federal department, CFIA.

We want to know why there are two systems and standards. What policies or legal changes were implemented in Parliament to justify

this? If fish and wildlife departments are allowed to continue controlling game farm trade, this industry will not recover. There was no cry from government bureaucrats to eliminate the cattle or sheep industry when there were disease outbreaks. The chicken and turkey industries were not under any pressure to be eliminated due to the bird flu, yet the decision of a disease on a game farm results in the fish and wildlife department demanding that game farming be eliminated.

All diseases can be managed and controlled in the environment of the game farms. Every domestic country in the world recognizes there is a risk of disease transfer from wildlife and the environment to a domestic stock by way of wind, dust, water, and unrestricted migratory movement of wildlife, birds, and insects. When a disease is discovered on a farm, it is an indication of what is in the immediate environment and wildlife.

The mess is a product of the past Liberal government, and it's time for some accountability. The producers in the cervid industry can and will assist in the process by way of an inquiry or an investigation to bring out the truth. This will help the federal ministers in charge make the proper decisions so that the cervid industry can move forward to a successful future. We can move forward into a successful industry because the markets are still there. We just need the right authorities to step up and be there for it.

The federal government must provide a policy across Canada for the cervid industry that will secure the right to provincial trade, international trade, and put disease under CFIA without any provincial interference. Declare the cervid industry a part of agriculture, with the right to enjoy the same rules of trade as the cattle industry enjoys with government support.

Thank you.

Richard will speak a little too.

Mr. Richard Mardell (Director, Western Cervid Ranchers Association): The antler market was one of the main driving forces of the elk industry. With the onslaught of CWD that hit our market—just like the BSE that hit the cattle industry, or bird flu—we eradicated 8,000 animals in Saskatchewan. To this date we haven't made any further progress. Basically, if we find a disease they come in and slaughter our animals, but there is no end result.

Korea has closed its borders to our horn market. China, now with world trade, has stopped all imports of food products and antler products into its market. Right now we're strapped. In the last five years we've gone from getting between \$80 and \$100 a pound for antlers to \$15. Some of it is being processed here. Some of it is being smuggled into China. That's what's left of our market. Nobody has ever stepped forward to help us regain the confidence of Korea or China—to say that our products are safe and clean.

So that is where we are right now. The market is still strong in those countries, but we can't get our product there because we haven't had any government backing to help us open those doors again. That is the big problem with our market right now.

I don't know what else to say. Those are the big factors that have really hurt our industry—disease, and no backing from the government to open the doors again.

• (0840)

The Chair: Thank you, gentlemen.

Mr. Goerzen.

Mr. Wayne Goerzen (Executive Director, Saskatchewan Alfalfa Seed Producers Association): Thank you, Mr. Chairman. I'd like to express my appreciation for the opportunity to address this committee.

The producers I represent are involved in the western Canadian forage seed industry. Forage and grass seed production in Canada is concentrated primarily in Alberta, Saskatchewan, and Manitoba. Over 500,000 acres are devoted to the production of forage, legume, and grass seed crops in the prairie provinces. These crops include alfalfa, clover, timothy, fescues, bird's-foot trefoil, and numerous other species, with alfalfa seed representing the largest forage seed crop acreage.

Over 2,400 western Canadian producers are involved in the production of forage and grass seed crops, which are a critical link in the agricultural production chain since they provide the seed required to grow the high-quality hay that the Canadian beef and dairy cattle industries depend upon for forage.

In addition to substantial domestic forage and grass seed sales, the value of western Canadian forage and grass seed exports, primarily to the U.S., exceeded \$100 million in 2006. A driving force behind increased production within the forage and seed grass sector is the expanding turf seed market, particularly with respect to perennial ryegrass and creeping red fescue production.

Forage, legume, and grass seed crops have traditionally been considered special crops on the Canadian prairies, although they have generally received very little in the way of government attention and support. Government resources have often been devoted to forage hay issues rather than to forage seed issues.

As is the case with the production of all pedigreed seed crops, there are high input costs associated with the production of forage seed crops. Producers of pedigreed forage seed must pay careful attention to stand establishment, weed control, and disease control. In the case of alfalfa seed production, producers must also manage an alfalfa leaf-cutting bee population in order to pollinate their alfalfa and thus produce a seed crop.

Forage seed crop production, like conventional field crop production, is subject to wide variability due to weather-related risk. In addition to production risk factors, producers of forage seed crops must contend with price risk due to market-based fluctuations. These risk factors are not under the control of producers and must be managed through the utilization of business risk management tools.

Farm safety net programs currently available to most forage seed producers include crop insurance and CAIS, while ad hoc agricultural support program, which are developed on an ongoing basis, may or may not include forage seed production acres. In the current crop insurance system, not all forage seed crops are covered under all provincial programs.

When crop insurance is available, it often does not cover the cost of production. A case in point is alfalfa seed production in Saskatchewan, where the current crop insurance program does not offer a pedigreed alfalfa seed option. As well, alfalfa seed is the only forage seed crop included in the Saskatchewan crop insurance program.

While existing crop insurance programs are of value to western Canadian forage seed producers, these programs must be reviewed and adjusted on an annual basis in order to provide the maximum benefit to forage seed producers.

The CAIS program is complicated, expensive to administer, unpredictable, and unbankable for the forage seed producer. CAIS is designed to stabilize farm income, which works well in times of normal production and price fluctuation, but does not work well within the current long-term trend to lower net farm income. The CAIS program, along with the CFIP and AIDA programs that preceded it, has represented a problem rather than a solution for many producers. Future farm income stabilization programs that are developed to replace CAIS must be more user-friendly and responsive to the needs of producers.

National ad hoc agriculture support programs continue to be a source of great frustration for western Canadian forage seed producers. While the most recent concern on the part of the forage seed industry has centred on the exclusion of forage, legume, and grass seed crops from the commodity list eligible for payment under the grains and oilseeds payment program, or GOPP, the unfair treatment of forage seed crops under national agricultural support programs extends back to the exclusion of all forage, legume, and grass seed crops from the WGTA payout that accompanied the loss of the Crow benefit in 1995.

Since these forage seed crops have been included more recently on a list of special crops eligible for payment under FIPP and TISP, forage seed producers were dismayed to learn that forage, legume, and grass seed crops were not considered as special crops under the GOPP. Western Canadian forage seed producers are continuing to press the federal government for inclusion of forage, legume, and grass seed crops in the GOPP.

Federal government policy states that the GOPP was designed to address the impact of long-term declines in grain and oilseeds prices; and therefore, producers must have sold product into markets that have experienced this long-term decline over the last 10 years. This statement precisely fits the profile of western Canadian forage seed crop production, since virtually all forage seed produced in Canada is sold into domestic and export markets.

• (0845)

Forage seed crop production has been subject to the same increasing input costs—i.e., land rental, taxes, fuel costs, fertilizer, machinery costs, herbicides, insecticides, fungicides, desiccants, farm labour—as other grains, oilseeds, and special crops.

Forage seed crops are produced in the same geographic areas of Canada where GOPP-eligible commodities are produced. Forage seed crops are harvested once per year, and forage seed production is subject to the same weather-related production loss factors, such as frost and drought, as is the production of other grains, oilseeds, and special crops.

According to the agriculture policy framework that governs the GOPP program, agricultural support programs must be designed in such a way that they are fair to all producers, minimize distortion in production or marketing decisions made by producers, and encourage the use of risk management practices.

The GOPP program has not followed these principles and is penalizing western Canadian forage seed producers who have diversified their farm operations. Western Canadian forage seed producers, like all Canadian producers, want to be in a position to utilize their energy and enterprise to run profitable agri-businesses.

A recent initiative involving the possible implementation of a new NISA-style program is a development that will be welcomed by many producers. Forage seed producers require that the government set a forward-looking policy that is fair to all producers and that allows each agricultural sector to be competitive in domestic and export markets.

Thank you once again for the opportunity to address this committee.

The Chair: Thank you, Mr. Goerzen.

Mr. Possberg, please.

Mr. Kenton Possberg (President, Possberg Grain Farms Inc.): Good morning.

I thank you for the opportunity to make my presentation. Did everybody get the things I provided?

The Chair: If it wasn't in both official languages—

Mr. Kenton Possberg: It was.

The Chair: It was?

Mr. Kenton Possberg: Yes, you bet.

The Chair: Yes. Okay, go ahead.

Mr. Kenton Possberg: My name is Kenton Possberg. My wife and I operate a grain farm in Humboldt, Saskatchewan, which consists of 13,000 acres. We are a grain-only operation.

This presentation is in regard to production insurance and the lack of coverage, especially in Saskatchewan.

I realize that production insurance is a provincial-based program, but the variance in programming between provinces is alarming, and I have come to the conclusion that we need a federal-based program that will level out the differences between provinces and allow for more flexibility from a federal standpoint.

In the past five years in particular, our operation has had weather events play a huge role in our production. In 2001 we had drought; in 2002 we had severe drought; in 2003 there was drought again; in 2004 we had frost in August; and in 2005 we had 15 inches of rain at the beginning of harvest. As such, we have been reliant on production insurance coverage to try to make up the shortfall in income. We have always insured at the highest coverage levels.

I did an analysis between Alberta and Saskatchewan crop insurance programs. The period I examined was from 2003 to 2006. I used our actual numbers for production, and also for coverage and payments. I spent a fair bit of time working on the Alberta numbers and consulted their agriculture department. There may be some minor mistakes made, but the point was not for 100% accuracy, but rather the relative differences between the two.

Also, note that I did not include the year 2002, as too much time had passed for me to be able to be confident in my analysis. But this was the year that would have shown an even larger discrepancy due to a severe drought that cut our production by over 60%.

The main differences between the two provinces' programs are the way that a producer's yield is calculated for coverage, the effect that a production loss has on a producer's future coverage levels, and premium calculations based upon production history and claim history.

I found, based solely upon production loss, that between 2003 and 2006 an Alberta producer would have received an extra \$454,000 in insurance payments. In addition, Alberta producers also have the ability to participate in a revenue insurance program, which will pay out based upon a drop in grain prices. This is not available in Saskatchewan or most other provinces. From 2003 to 2006, I found the same Alberta producer would have received an additional \$288,000 through the revenue insurance program, had they participated.

In conclusion, I feel that too much time is spent debating the CAIS program and disaster aid, but not enough time is spent on looking to improve our current programming. A huge reason for the drop in our CAIS reference margin is due to the lack of a proper crop insurance program. CAIS was not designed to make up for crop insurance deficiencies, but to work in conjunction with a properly working program.

I have worked with the provincial department to design a more relevant program, but have gotten nowhere. The only way to get a proper production insurance program is to have a federally developed program that can be designed to fit each production area.

I would like the committee to undertake a provincial comparison of the net benefits from crop insurance for the typical farmer, assuming a wheat yield or canola yield with various levels in drops of production—let's say 50%—over a five-year period, and take into account what the impact of the CAIS program would be, and other programs, so that policy-makers have a better understanding of how farmers in various parts of the country are treated under the programs.

I'm not a proponent of handouts or ad hoc programs, and with a proper risk management program in place there would be no need.

• (0850)

The Chair: Thank you, Mr. Possberg.

Just as a point of interest, I used to work for crop insurance in Manitoba. I agree with you, there is a big difference from province to province in the way the program is delivered.

Welcome, Mr. Treleaven. We're talking about APF. The presentations or opening comments are to be ten minutes or less. The floor is yours.

[Translation]

Mr. John Treleaven (Farm Pure Inc.): Thank you, Mr. Chairman. As I only have 10 minutes, I'll have to speak in English.

[English]

I will not be able to make a presentation in ten minutes in French; I'm very sorry.

I wish to thank you for the invitation to appear here today on behalf of a remarkable organization, the Farm Pure family of companies, headquartered in Regina. Farm Pure began as a pedigreed seed company and has grown into much more. The company is farmer-owned, with 196 shareholders from across western Canada. These men and women share a common dream of self-sufficient agriculture, and are motivated to achieve a vision of creating a most rewarding and sustainable value chain for their stakeholders and customers.

We represent the best seed from 30 of the world's finest breeding institutions to create wholesome and energized consumer-ready products. Linked to and owned by a select group of farmers with extraordinary skills, Farm Pure capitalizes on capturing the best nature has to offer.

Our core product is pedigreed seed. However, our business is knowledge-based value creation. It is our mandate to produce food, beverages, and intermediate products, beginning with pure grain

grown in an extraordinarily friendly environment for discerning buyers. Based in western Canada, we have global interests and are active in five continents. We are open to partnerships or joint ventures where we create innovative agriculture value-chain relationships.

Earlier this year, the Conference Board of Canada issued its Canada Project, which called for the resolution of issues that have been bothering this country for some time if we are to achieve our maximum potential. The authors of that report included a chapter devoted entirely to the agrifood sector.

This chapter highlights the success of the sector in growing exports. Canada's growth in this sector outpaced growth in global food exports. We took an increasing share of global food exports from 1995 until the BSE crisis in 2004. Our trade in this sector is being driven by value-added agrifood exports, from 52% of the total in 1990 to 80% in the year 2004.

Against this background, the report notes a number of issues that, if resolved, would carry the industry to the next level of achievement—namely, market- rather than production-focused innovation; the need to strengthen value chains; regulatory regimes facing industry; and a variety of human resource issues.

My company agrees with the analysis and recommendations of this report on these broad areas of public policy affecting the future of this industry and, clearly, the work of this committee. Today Farm Pure produces a range of products aimed at enhancing the lives of millions of North Americans stricken with celiac disease. From an array of pure oat consumer-ready products, a revolutionary new grain-milling technology, and recently patented all-natural beverage manufacturing process for ingredients in beer, the focus of the company and its shareholders is totally consistent with what we have identified as the only sustainable future for agriculture—high value-added, niche-focused, and value-creation reflected.

Focusing on creating food products for celiac sufferers has brought us into yet another key area of innovation for agriculture. The numbers are staggering: perhaps 3% of the Canadian population carries this sensitivity. Of those who do, only 3% have been diagnosed. This leaves the health care system coping with the need to treat symptoms without ever getting to the root cause.

The costs are enormous. There is an urgent need to link the health care budgets in this country with agriculture research opportunities and human nutrition. It is in this direction that we are taking the company, and it is in this direction that I think the government wants to see industry move.

In the short time available to me, I would like to highlight one area that is a constraint on my company and on the whole innovation effort in the agrifood companies across Canada, consistent with agriculture policy frameworks I and II. At the very least, entrepreneurs from all sizes of companies have to be able to drive their dreams if they are to succeed. Let me highlight the area of capital formation.

As I've mentioned, at Farm Pure our core product is pedigreed seed. However, our business is knowledge value creation. Across the country today, as our export numbers demonstrate, entrepreneurs are taking a fresh look at this sector and putting their investment capital where their ideas are. On a grand scale, the current battle in the grain industry among Agricore, the Saskatchewan Wheat Pool, and Richardson is evidence of a new look being given to these industries. In this case, even major pension funds are getting involved. And that's a very good thing.

Missing from the picture, however, is a vibrant juniors market of the kind that characterizes both oil and gas and mining industries. It is here that most new ideas are brought to market to the benefit of shareholders and customers. It is from this pool of smaller players that larger companies emerge, or from which acquisition targets draw the attention of larger buyers. The impact of new initiatives in this area is quite predictable and immediately beneficial to all in the sector.

• (0855)

Increasingly high value-added agrifood businesses will survive and thrive only when they are combined with high-value product and with capital-intensive manufacturing to produce high-value jobs—as one person I talked to recently said, “adding value without necessarily adding people”. Put another way, the success of the industry will depend on its ability to pay high wages to highly skilled workers. The equation requires access to capital for the same reason that energy and mining industries do.

In this country we have supported primary industries, such as the resource industry, with tools to assist capital formation. The introduction of flow-through shares in 1984 for individual investors has resulted in substantial capital being raised for exploration and development. It is estimated that in 2006 alone, \$1.25 billion was raised through flow-throughs. These funds ensure the evolution of technologies for finding, developing, and producing resources that are fundamental to our national income. We now have a world-class resource sector.

Many, if not all, new resource projects originate out of the junior corporate sector. Small companies are much more accustomed to innovation and the risk profile that are essential for development. However, this junior sector is not profitable from production, but has the expectation of profit from growth of the company. This means that many of the exploration and development expenses either must flow through to investors who are prepared to invest in the company, or are lost in the process.

Flow-through shares are simply a method of flowing the eligible expenditures that are attached to a common equity share. These junior companies can now expand their capital base as risk-reward metrics have been improved.

In closing, on this subject we simply have to find ways to become more efficient at raising capital if we are to strengthen our position in the global marketplace. Access to capital is the catalyst for innovation and development, a key element in the agriculture policy framework I and undoubtedly agriculture policy framework II.

Thank you very much.

The Chair: Thank you, gentlemen, and thanks for respecting our time limits.

Mr. Easter, you have the floor for the first five minutes.

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

Welcome, folks, and thank you for coming out this morning.

To the groups who presented, for one reason or another, as I understand it, the federal programs don't fit. Regarding the cervid presentation, there is federal government responsibility for exports. I find it strange that the federal government is not involved, through a number of agencies, regarding antlers, as that relates to the cervid industry in general.

Can you explain to me, Richard or Roger, what the situation was ten years ago versus now? Was it different? Was it CFIA at that time?

• (0900)

Mr. Roger Holland: What's happened here is that for all countries, the export of antlers was taken care of by CFIA. In 1998 there was a shift in stuff in Saskatchewan, and the wildlife department kind of stepped in.

Here's what's happening today. For an export permit for horns and capes, you go to the provincial government and get a permit, if you can get one. They won't give one to everybody, because they're using it as a policing tool. If you're not in compliance with all their little regulations under their environment department and all of that, you won't get a permit. If you can get a permit, and you can go across, the Americans can take the horns and capes back. That I found out just yesterday. I've been working on this thing since July.

The federal government is not involved in it any more. For the provincial government, it's the Saskatchewan Environment Department that made the agreement with the U.S. Fish and Wildlife Service. There was a personal agreement with them. The agriculture department wasn't even involved in it in Saskatchewan, but they designated a person in Saskatchewan Agriculture and Food to have signing authority to sign the permit for you, and that's how it's done today.

That could be reversed overnight if there were a disease in the cervid industry. If the USDA were involved, that would automatically be thrown back to CFIA instantly.

When you talk about the legal things, just imagine if you were an American citizen who came to Canada, and you went back to the United States—and this applies anywhere in the world. If you haven't got the proper documentation—it's called a document of origin—from the country you shot that animal in, and you're taking those products back to the United States, you can be charged in the United States under the treaty act, and the sentence for that is a jail term.

Hon. Wayne Easter: I certainly believe that CFIA or some federal agency has to be involved somewhere, even if it looks on the surface that Saskatchewan's doing it. We'll have a look into that, because that really seems strange to me.

The second question—and I'm going to run out of time here—is you said 800 animals that you had to slaughter?

Mr. Richard Mardell: Eight thousand animals.

Hon. Wayne Easter: Okay, 8,000. I wasn't sure on that number. Did you get compensation for those animals through CFIA or through the federal government by any means?

Mr. Richard Mardell: There was compensation paid to the farmers at that time, but out of those 8,000 animals there were about 120 animals that were infected with CWD. We approached them to slaughter the animals, test the animals, and sell the meat or start a meat market for us so that we could have a place where we could get rid of our animals if this disease happened again on another farm. But that was never undertaken.

To this date, basically their means of testing is to slaughter all the animals, and nothing else is done. It's just eradicate, and then you go ahead and keep feeding and try to survive without any means of promoting the market. They won't give you a clean bill of health. Actually I've been in the elk industry since 1989. We've had no disease on our farm. I approached CFIA to give us a clean bill of health. They will give you a letter stating that yes, this farm is clean of disease at this time, but never anything more to endorse that you've been a clean farm for 12 to 15 years and no disease on your farm.

● (0905)

Hon. Wayne Easter: Okay.

Mr. Richard Mardell: That's as far as they will go.

Hon. Wayne Easter: On the Alfalfa Seed Producers Association, this is an area we worked on, and the same with the dehydrate industry. I think you make the point well that for whatever reason, the federal programming doesn't seem to fit. I worked on this when I was the parliamentary secretary as well. I think it should. It just doesn't seem right to me. Each seed production, whether it's in the Peace River area or whether it's this area, is an agriculture crop, and yet regular programming doesn't seem to fit.

Basically, just so we're clear, you're making the recommendation that alfalfa seeds and basically forage seeds of any type should fit under federal programming? We have some problems, there's no question about that, but the same as other agriculture commodities, grains and oil seeds?

The Chair: I wonder if you could hurry up and answer, because Mr. Easter's time has expired.

Mr. Wayne Goerzen: Yes, I guess the take-home points here would be, one, there is a forage seed industry as opposed to a forage hay industry. And the other is that, yes, the forage and grass seed industry should be treated as the other grains and oil seeds, special crops in these national programs, yes.

[Translation]

The Chair: Mr. Gaudet.

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

I'm very happy to be here today. Monday we were in British Columbia, yesterday, we were in Alberta, and here we are with you today.

The federal government allocates billions of dollars to agriculture. Farmers don't appear to be happy, but from our perspective, you aren't suggesting any ways that we could help you. Many people

argue that Ottawa is far removed from the situation and that public servants only go through the motions. Do you have any solutions to propose to us? I'd like to hear what each person has to suggest by way of a solution. Each sector of the agricultural industry is very interesting and important, but each one has a negative side to it as well, whether it be drought or some other problems. What solutions do you have to propose to us, because we only hear about the problems, never really about possible solutions. I'd like each of you to suggest two ways of improving the situation so that everyone is happy. Anyone can go first. The floor is all yours.

[English]

The Chair: Mr. Possberg.

Mr. Kenton Possberg: I've done everything I can. I make my point as clearly as I can and I make it heard whenever I can. I think this production insurance is a huge issue. It's a simple fix, and it's something that will eliminate the need for these ad hoc programs. Nobody wants to survive on these ad hoc programs. These ad hoc programs, even when they're unveiled, never go where they need to go. This production insurance, if it is properly fixed and managed.... That is a huge problem, especially in Saskatchewan.

Second, instead of taking statistics and doing a statistical analysis, take real farms, do an analysis based on real farms. That's why in my presentation I used my farm's numbers. If anybody wants, I'd be glad to help in any way and provide my numbers. You have to take specific farms and do a specific analysis rather than a big broad statistical analysis, because that doesn't get you anywhere.

● (0910)

The Chair: Go ahead, Mr. Treleven.

Mr. John Treleven: Thank you very much for the opportunity.

Eighty percent of Canada's agricultural products are exported. We have to continue our drive to open markets and make whatever changes are necessary in the way we handle the entire spectrum of agricultural issues with that focus in mind.

Second, the reality is that the growth in the last 15 years has all been on the value-added side. The second largest manufacturing industry in the city of Toronto is the agrifood industry. Agriculture in this country is far more important than most Canadians give it credit for, because the image is the vastness of the land, which is, of course, extremely important; that is the essence of the resource.

Colloquially, I would say that since Saskatchewan has 43% of Canada's arable land, if you're looking at creating agricultural policy for Canada and it doesn't work in Saskatchewan, then it doesn't work in Canada. In the same way, I would argue that if you're looking at automotive policy for Canada, if it doesn't work in Ontario and Quebec, it doesn't work in Canada.

I think the needs of the international marketplace are what is going to drive agriculture, because that's what's doing it now. Anything that stands in the way of the producer and the global consumer has to be looked at very carefully.

I've already dealt with the issue of capital formation in a substantial way.

The Chair: Does anybody else want to comment on that?

Mr. Gaudet, you have one minute left.

[Translation]

Mr. Roger Gaudet: Let me just say one thing. The automotive industry is based in Ontario, not Quebec.

M. John Treleaven: Yes, but before that, the industry operated in both provinces.

Mr. Roger Gaudet: Yes, to some degree.

I simply wanted to clarify the situation.

Mr. John Treleaven: As far as I'm concerned, it's a question of common courtesy.

Mr. Roger Gaudet: I understand.

Do you have any suggestions to make to help us resolve the problems in the agricultural sector? I put the question to everyone. Do you have any solutions to offer?

[English]

Mr. Wayne Goerzen: First of all, I look at the problem within our sector of just having recognition, at the federal level, that we exist. That tends to supercede other considerations. We're asking to be included in programs. We're asking for fair and equitable treatment, but we also believe that government policy should not be based on ad hoc handouts. It should be based on giving every farmer the policy platform with an ability to compete in domestic and export markets. We just want to be able to use our energy to succeed and not have problems with these programs standing in our way.

That's about all I have to say.

The Chair: Richard, Roger, do you have anything to add?

Mr. Richard Mardell: Our elk industry is being linked with the cattle industry. When there was a payout with compensation for BSE, the cattle industry got a payout and the elk were linked in with them. The program started in August. It started at 45¢ a pound for the cervid industry to a maximum of \$125 a carcass when you butchered it. For me, with farming, I'm busy through the summer. You had to have your animals slaughtered before December 15, so we butchered about 150 mature animals and we put in our forms and sent them in, and they said the prices in the cattle industry had risen a little bit, so compensation had dropped. We ended up with 9¢ a pound for our elk. It was 45¢ in August, and when we slaughtered and got into the program, we ended up with 9¢ a pound, which was about \$24 an animal. We had to have an abattoir do it, to register the weights and everything. It cost us \$35 an animal to butcher them, \$12 to verify the weight, and we got \$29 an animal, because they averaged out around 325 pounds. They're not like beef cattle, which are heavier.

This is what I'm saying. We just want recognition. If we're going to be linked under agriculture with the cattle industry, we want to play with the same fairness as the cattle industry. We don't want handouts; we just want a little help to get our markets back. Once we get our markets back, we can survive. It was a good industry.

• (0915)

[Translation]

The Chair: Thank you very much.

[English]

Mr. Miller, the floor is yours.

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

Thank you, gentlemen, for coming today. There are a number of questions I'm going to throw out and then let each individual answer them.

Roger, going back to the permit process between the Province of Saskatchewan and the U.S. that you talked about, I'd like to know if the same type of process applies in other provinces—for example, Alberta.

To Richard and Wayne, you both touch on the issue of recognition of your industries, and I'm sure there's innovation and change in agriculture all the time where new products come up. I'd like to hear your comments on what kind of process should be in place to recognize that. Should it be some kind of grassroots advisory board that reviews and passes on to government new crops that are out there that we should be taking a look at?

To Kenton, when you were talking about crop insurance, I think you were implying... And you can verify this. Do you think that there should be some kind of national crop insurance program? I know there are inequities in Ontario, where I farm, as well. Crop insurance doesn't work. There's obviously a large difference between Saskatchewan and Alberta. Another question is do you think crop insurance should be mandatory in order to collect on government programs?

To John, I'd like to hear just a little bit more, if we have time, on what you talked about. I'm very interested in your tying research to health. I'm intrigued by that.

I'll turn it over to you, gentlemen, if you could answer them.

Mr. Roger Holland: I'll answer you.

These permits don't refer to many provinces, because the only hunt farms that operate in Canada are in Quebec and Saskatchewan. I'm not sure what Quebec is doing, but we know what's going on here in Saskatchewan. If it's under provincial jurisdiction in Quebec, it would be nice to know how their system is operating. I believe there are a lot more hunt farms in Saskatchewan than in Quebec, though. I don't think there are too many down there.

Mr. Richard Mardell: I guess when we talk about recognition with our industry, it's basically that before we ended up having the CWD, we didn't need any help from CFIA or anybody. Our industry was growing, and growing fast, and it was promoted by the federal government as a way to diversify. Now that we've run into the disease problem, what we need is CFIA or federal policies to endorse our industry back again, to give us confidence, to give Korea confidence that we've managed the disease problem well, that we have it under control, just like BSE, so that the borders can be opened back into the markets, into Korea, into China.

New Zealand has a very healthy market, into the meat market and the antler market. They deal strictly with Korea or China. Today, the product is selling for \$140 to \$150 a kilogram, which relates to about \$70 a pound. We were at that price six years ago, and higher, because our Canadian product is superior to New Zealand's because of our growing season here—"northern vigour" is what they call it—the same as Siberia, in Russia.

This is what we need. We need the federal government to open those doors again that were closed on us. If they're opened again, we will survive on our own.

Mr. Wayne Goerzen: As far as the issue of recognition of an industry like ours, the forage seed industry, is concerned, we have a couple of ways to look at that. One of them is that 35 or 40 years ago, farmers were being urged to diversify in western Canada. Our growers, particularly the alfalfa seed growers in Saskatchewan, who've been involved in this industry for over 35 years, have often joked that we were encouraged to diversity, we did, and we've been paying for it ever since, through exclusion from various programs. The one that still bothers a lot of guys, believe it or not, is the WGTA payout. Farmers have a long memory, and we've worked through the different programs, such as AIDA, CFIP, and CAIS, to let government departments know about our industry and about the special parts of our industry.

For instance, in alfalfa seed production, we have an entire alfalfa leaf-cutting bee side that has to be considered under CAIS in reference margins. What we find is that it's very hard. There doesn't seem to be a system in place federally to recognize and gather information on an industry like ours. There's no continuity among the officials involved with these programs. These are some of the problems we've been having.

I don't like to talk only about our industry, because I know every farm sector is under problems due to long-term price fluctuation and that type of thing, but for us, the recognition is key. We're not asking for programs as much as asking for equitable treatment with other crop groups.

• (0920)

The Chair: Mr. Possberg.

Mr. Kenton Possberg: On your first question, as to whether I'm suggesting a national program, yes, I am. I think it gives a lot more flexibility when there's one person, one office, that's making the policy and the programming throughout Canada, rather than each different province laying out theirs and whoever has more money to throw into the pot, their program becomes that much better.

I think it would also create some cost savings, based on some overlap that's done from province to province, and even through reinsurance. If you can throw all those acres into the pot, there'd probably be some savings.

There would be a way to do it. The CAIS program is done that way. I don't see why crop insurance couldn't be done that way. You could have regional differences based upon specialities or whatever. I don't know specifically how it would be designed, but yes, I would like to see that.

On your second question, as to whether it should be mandatory, I do think it should be mandatory in order to participate in programs

such as CAIS and any other programs that are coming out, but I have a hard time justifying that, especially with the program that we have in place this year and in past years in Saskatchewan. We've always insured at the highest levels, and this year we're only ensuring at the 50% level, because the coverage just isn't there. Yes, we have had big payouts in the past, insurance payouts, but it's declining and the risk protection just isn't there.

The Chair: Thank you, Mr. Miller; your time has expired.

Mr. Atamanenko.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): Thank you very much, gentlemen, for coming here this morning.

My first question is for Mr. Holland and Mr. Mardell. I'd like a very quick crash course in the cervid industry, so I'll just ask some questions to get a better idea.

Why is CFIA no longer involved in this? You mentioned they used to be up until 1998.

Mr. Roger Holland: It's been a shift here. I don't know how to explain it. The environment department in Saskatchewan pretty well stayed out of the picture. It had a process in the early 1990s, which was the perfect process. It had all the stakeholders in Saskatchewan at a table. They were, short and briefly, what they called the round-table talks, and they were to educate the government on this industry because it was expanding really fast.

Those talks lasted a year and a half. The environment department called them off. The reason it called them off was because it never won an argument. The cattle association was there. You just name it, every association was there. The cattle guys wanted it to be agriculture with us, because they recognized ownership, and you can't run a livestock sector under the SERM department. Anyway, they called those talks off because they never won one argument.

Everything stayed a little calm until 1998, and then by order in council they threw us in the Wildlife Act. They've been reaching out for controls ever since. At the present time they have 100% of the control of this industry, and that includes your export permits.

I'll give you a little more background of where this industry went really wrong. In 1995 there was a sick animal in Saskatchewan and they didn't exactly know what to do about that. Anyway, in January of 1996 they put that animal down, and that was Agriculture Canada, which is now CFIA. That animal was traced out to the source herd in the province with CWD, and that was in the Hillmond area. That animal was imported from the United States, and Agriculture Canada made a mistake.

I have no problem with anybody making a mistake, but don't shuffle the dirt underneath the carpet and hope it goes away. They should have taken that diseased animal, which they did. It wasn't a designated disease at that time. They can do that within hours, get it done and clean it up. But they left that animal, that trace-out herd, doing business in this province for five and a half years.

In the meantime, there was another outbreak at Cabri, down in that country down there, and it traced back to that same herd. They didn't do anything. They went to the relatives of that animal, and they grabbed 13 animals and they put them down. Virtually, they were all negative.

A few years later, it wasn't that long, and the same farm at Cabri broke out again with CWD, and it was traced back to this Hillmond herd for the third time. Then they quarantined the herd and put it down. That single mistake destroyed this industry, that alone.

The sad part about it is it's a diversification that governments promoted, both federally and provincially. It's an industry that didn't need one dollar from government, never did. The markets are strong and they always have been. In Canada we destroyed this industry ourselves; nobody else did it to us.

● (0925)

Mr. Alex Atamanenko: So how many producers are there now in Saskatchewan, and does that include hunt farms also?

Mr. Roger Holland: I don't know how to answer that. If you get the statistics out of Saskatchewan Agriculture and Food, it's close to 572 farms. In the records that I have—because I do a lot of talking to producers—there are 100 farms gone, and that includes everybody, deer, fallow deer, hunt farms, everything. We've lost that many in the process so far.

There's a tremendous number of farms that just have a handful of animals left. I know lots of farms that would give you their animals just to get rid of them.

Mr. Alex Atamanenko: So this is not only elk, it's deer then, deer and elk.

Mr. Roger Holland: Deer and elk are involved in this, but there are different markets. Deer are only raised for the hunt market and elk are raised for all markets.

Mr. Alex Atamanenko: When you talk about antlers, that's kind of a reusable resource, right?

Mr. Roger Holland: Yes, it is.

Mr. Alex Atamanenko: Cut the antlers off and—So how long would you keep that animal, assuming things were going well?

Mr. Roger Holland: Those animals will peak at about eight to ten years; they'll peak in those years, and then they go up and they go down. When they peak you grow them out and put them to the hunt farm.

It's equivalent to a dairy cow, a Holstein cow: when her milk production starts to go down, you market her. When you sell her to the slaughtering plant, whatever dollar she brings is 100% profit, because she doesn't owe you anything. A hunt operates the same way.

Mr. Alex Atamanenko: Okay. There is a market for antlers right now, but you can't export them. Is that right? Are you able to export them?

Mr. Roger Holland: No.

Mr. Richard Mardell: You can export them, but we're held hostage by the price. Everybody knows that we can't go into Korea. China has come over here, and they're offering us \$15 a pound for it.

They export it to Hong Kong, and it then probably goes by boat to China or Korea. They get \$100 a pound for it.

Mr. Alex Atamanenko: We need the same process that CFIA has in governing exports of other meats.

For example, an inspector could come from China, accompanied by CFIA, make the inspection, and fill out the forms. It would then guarantee us a market. Is that what you're saying?

Mr. Richard Mardell: Right now we have Chinese buyers who come right to the farm. I have a Chinese buyer who comes out to our farm.

Different producers will bring their antlers to our place. We weigh them, grade them, and store them in freezer units until we get enough to ship the product out. We have to go through CFIA and an exporting company out of Calgary to get all the documentation and all the documentation from the farms to load this container to ship out. Once it's on the ship, they don't care.

When China gets it back there, the tags are taken off. We're told to package it into smaller boxes so that it's easier for them to carry, and to probably hide it on bicycles, and away they go. They move it to wherever they want.

To get our product out of Canada with the regulations of our own CFIA, even though the products are coming off clean farms, we are still scrutinized with paperwork. That is the biggest problem. No farm can get a clean bill of health from CFIA, because if you want to export antlers, they have to give you an export of antlers declaration. If you somehow don't fill out an inventory form, they'll say you can't ship it. It's a producer's problem, and these things can be looked after.

CFIA is after us more for rules and regulations right now, instead of saying let's go to Korea, we want to open up the borders again, and our animals are clean.

It's what we want CFIA to do, because it's going to be like the bird flu. It's going to be like BSE. CWD is no different. We're going to have a case come up someplace. We have to work with it, and we understand that. We're not saying we want them to tell us we're all disease-free, but we want them to work with us and we will work with them, because it's going to pop up someplace again, just like any other disease.

● (0930)

The Chair: Mr. Atamanenko, your time has expired. Thank you very much.

I need a clarification. You're talking about the Asian market still being fairly viable. Is that for both antlers and meat?

Mr. Richard Mardell: It's mainly the antlers.

The Chair: The antlers are selling for \$70 a pound.

Mr. Richard Mardell: We've tried to set up a European meat market, but we've run into too many CFIA and government regulations in Canada. We'd like to get an EU inspector to come over here, because their regulations are not as tough as ours are, but they won't agree to that.

The Chair: Oh, really. Maybe it's the other way around.

Mr. Richard Mardell: They want the CFIA in there first, and then the EU. Our markets have been hampered by that too.

The Chair: Okay. Thanks.

Mr. Steckle.

Mr. Paul Steckle (Huron—Bruce, Lib.): It's a very interesting topic that both Richard and Roger have addressed this morning.

This committee addressed the CWD issue when we travelled to Manitoba a year or two ago.

Would you not agree there is a lot of outside pressure on your industry both from wildlife and management branches in the provinces and from the beef industry or this industry? There are people within those industries and government agencies who want your industry shut down. I know that. I think you would probably not want to admit it this morning, but I would suggest that you recognize it. There's a lot of pressure from those agencies. They would prefer you weren't in the business.

Having said that, I think it's important to recognize there may be a way, because the product is accessible and the product is allowed outside this country. Can you briefly explain to this committee how we can address this to allow the product to go from \$15 a pound to \$100 or whatever it was worth before? What can we do to address it?

Given that we allow the product to go out, the problem is getting the right price for it and bypassing agencies that make up the difference. Can you quickly explain to us how we can do it?

Mr. Roger Holland: I'll tell you a little bit of what I know about it.

In the five and a half years when that farm was allowed to operate, we actually exported a diseased animal right to South Korea, and that's what slammed the door, right there.

Another thing that has been explained to me is when you go to the world trade talks and all countries are there—Well, let's talk about the BSE issue. There is a platform that all countries agreed upon and a policy that is on paper. I think it is something like if your country has fewer than 15 cases of BSE a year, you can still export into markets. Now, when you talk about CWD, there is absolutely nothing on paper. They have no guidelines to follow at all, and that's what the federal government has told us. That is somewhat of a problem.

I know there are people who don't like our industry here. There are people who don't like us raising cattle too. That is the way of life in this world. It's always going to be there. You're never going to eliminate that. But this industry is based on sound markets, and it always has been. In North America, we have New Zealand selling venison in our backyard, and they are experts over there and their government is behind it. If there is a problem anywhere in their industry, their government is in an airplane and they're over in that country. In our country, we have had CFIA in South Korea over there, but CFIA shouldn't be heading that commission. It should be our trade minister. CFIA should also be there, but let's do it properly.

Those are the kinds of things I know we have to get done to do that. It's not going to be the easiest step, but I have also been told that this summer, in August, our Canadian government is close to signing

a free trade agreement with South Korea. I haven't heard anything on that since, on whether it's getting close or not.

• (0935)

Mr. Paul Steckle: Okay. I want to go to Kenton, and perhaps to Wayne.

There is this discrepancy in terms of how provinces deal with programming, particularly on the crop insurance side. My argument, as we've travelled across the country for a long time, has been that we perhaps need to start looking at a directed program from one level of government. I believe that is the federal government, but maybe we need one department of agriculture for Canada. Manitoba shouldn't have to compete with the treasury of Alberta, or Ontario with Quebec. We're not enemies of one another; we're part of the same confederate family. But we need to work and harmonize our programs so that we don't find interprovincial barriers. We have enough barriers in the business of agriculture today without having to compete against provinces. A farmer shouldn't have to compete against another farmer.

If we had that kind of directive, at least we would know where we would go to get it changed. While you may change a federal program, you might not be able to convince provincial governments to necessarily accept those mandated programs in the same way.

I'm just wondering how you would feel about having one department of agriculture for Canada.

Mr. Kenton Possberg: That is the way we need to go, 100%, because when there is a localized problem, like the drought in 2002—that really impacted Saskatchewan, and basically it bankrupted crop insurance. If you could spread that risk out—Some 40% or 50% of the arable crop land is in Saskatchewan, and that really hurt things. There wasn't a good program to begin with, and it's been pared down ever since.

My contention is always that I don't feel there is a price problem in agriculture because I can control price. I can do futures, I can do whatever I need. I can always try to extract a higher, better price, but the weather? There is nothing I can do to control weather.

Let's say General Motors is making cars and all of a sudden it hailed and 50% of their cars got destroyed. That just doesn't happen.

Mr. Paul Steckle: Yes.

Mr. Treleaven.

Mr. John Treleaven: The issue of interprovincial trade barriers is enormous in this country. Whether the answer is 12 government departments—I'm not sure that is the answer. You'll know better than I the estimate of what it costs every Canadian family in their standard of living to maintain all these jurisdictions. And one of the industries that is most compromised by this is agriculture, dealing from a national base, where you have to stack a load of hay differently in Manitoba than you do in Saskatchewan. The hidden cost is phenomenal, and it goes straight to the bottom line of the producer, who has to pay all of that.

I'm not saying that one department of agriculture is the answer, but I'll tell you this. What B.C. and Alberta did on April 1—I live for the day when other provinces take the logical decision to say let's join them, because nationally it's a really big issue for all the farm producers in this country and anybody else doing business. We are the only major trading nation in the world that expects our companies to compete globally but routinely denies them elements of the domestic market. No one else does that. We do it as a matter of course, and in agriculture it's particularly serious.

Mr. Paul Steckle: This industry can move forward. I believe there are solutions, if we're ready to accept them. I just can't understand why we can't quickly move in those directions.

I think this morning you have laid out for us some very interesting issues. For instance, in Ontario, and I have made this argument many times—this goes to the cervid industry particularly—we harvest 8,000 bears in a year legally. A particular gall bladder is owned by the hunter who bags that particular bear. We do not allow that gall bladder into the marketplace, but we allow poachers—we don't allow, but it happens—into the marketplace, and they supply that market at very high prices.

We could reduce the need for poaching if we allowed those marketable items into the marketplace. They were legally harvested. They're just as legal, just as clean as anything else we do, and yet we don't allow it. We could see real value returned back to the sport—not necessarily to the harvester, but to the sport. I can't get anywhere on that, either.

There are some very commonsense solutions to some of our problems, just as there are to your issue, I believe. I totally support it and am pleased to hear that there's at least some feeling of direction in where we go on this provincial-federal thing. I think we need as quickly as possible to move towards one department of agriculture in Canada.

● (0940)

The Chair: Thank you, Mr. Steckle.

I want to ask a question to Mr. Possberg. You were talking about crop insurance and the problems. What do you think the participation level is right now in Saskatchewan in the crop insurance program?

Mr. Kenton Possberg: Honestly, I have no idea. I know it has declined.

The main reason producers are in crop insurance right now, probably—anecdotal—would be for the cash advance program. Beyond that—?

It may be at the 50% level. I don't think it is a very high participation level.

The Chair: And as we're moving towards broadening the base of crop insurance, or calling it “production insurance” now, there's been a push from the federal government, because the federal government is a partner in all the provincial crop insurance programs. They're paying part of the premiums, and under the agreed-upon formula, they're sharing the cost of the program with the provinces as well.

Has there been any consultation in the province of Saskatchewan on how they move forward with production insurance? I look at

forage seed. Has there been any consultation with the province on that? Can you insure weed-cutter bees now?

Mr. Wayne Goerzen: As far as production insurance goes, forage seed is an interesting example. If you look at the three prairie provinces—at alfalfa seed production, for instance—in Alberta there is pedigreed alfalfa seed production; in Saskatchewan only common alfalfa seed production is insurable. In Alberta all forage seeds are under crop insurance programs; in Manitoba all forage seeds are under crop insurance programs; in Saskatchewan only alfalfa seed is under the crop insurance program.

When you get within those programs—we've been looking at this as an organization—the Alberta and Manitoba programs are quite lucrative compared with the Saskatchewan program. When our producers in Saskatchewan find out about the structure of the programs in Alberta and Manitoba, without fail their mouths drop open at how rich those programs are. Ours does not cover the cost of production.

In some ways, it's a question of the Saskatchewan treasury competing with the Alberta and Manitoba treasuries. It goes back to what the other member was discussing, that some provinces can afford better programs than others. This is something we're looking at, but I don't have any real answers, other than trying to get more standardization.

It's ironic that producers producing the same crop on either side of the Alberta-Saskatchewan border have radically different programs to deal with in terms of risk management.

The Chair: You mentioned that on the GOPP payment, forage seeds are—and I heard from my forage-seed producers that they were—excluded from the program. When you discussed this with department officials, or when you had correspondence with the minister, what was the response you received?

Mr. Wayne Goerzen: We're in ongoing consultation with crop insurance, but in our particular case, probably only 50% to 60% of our alfalfa seed acres are within crop insurance. In our particular sector, our producers don't necessarily subscribe to crop insurance, because it costs a lot and doesn't pay out a whole lot. In some ways crop insurance is reluctant, then, to work with us on expanding programs.

One thing we pushed for for about six years is a pedigreed seed option, which is common within any other crop types. That's something we haven't been able to get, to this point.

● (0945)

The Chair: Mr. Holland, one comment has been made that was fairly strong, that the cattle industry is against the elk industry. I'm a cattle producer, and that strikes me as being a fairly strong statement, because I've never heard any cattle producer actually ever say that. I remember when I was involved with the provincial association fighting for recognition in Manitoba of the game farming industry and moving that into a commercial basis. So I just wonder, have you had any recent conversations with the cattlemen's association, provincially or nationally, and trying to work together, since you guys are facing a lot of the same issues?

The Korean market is shut down to both beef and elk. We're talking about a free trade agreement with Korea, and I've heard from cattlemen that they want to make sure this is an opportunity to resolve the Korean market access issue.

You both are facing disease problems, BSE and CWD. Actually, I just read in the paper this morning, *The Western Producer*, that they're looking at using elk as the basis of a study right now, infecting them with CWD to try to figure out how this disease is working and how that will relate to other prion diseases such as BSE. So I'm wondering what your conversations have been like.

Mr. Roger Holland: There haven't been a lot of conversations with the cattlemen's association, just at the round-table talks where they supported our industry.

The main thing was that they looked at their situation. They run cattle herds. They own cattle herds, and they provide for them. They came out and said our situation was exactly the same as theirs. They're a different animal, but the ownership is there. You run them the same way. And that's what they recognized, that we should be under agriculture.

I think it was Paul who stated that he's heard that these people don't like it, and he wondered about that. They're everywhere. There are probably some people in the cattle industry who do not like our industry, and there are probably some people in government. We know they're all over. But my point of view is that it's just like anything else: if you don't like somebody else's profession, you don't go into it. It's a pretty broad statement, but you're going to find those activist people everywhere.

There are people who don't like them, guys raising cattle too. That's what I refer to. We have that in every sector—the hog industry, you name it—that we shouldn't be raising the animals for human consumption.

That's my say.

The Chair: Okay, I appreciate that clarification.

Richard.

Mr. Richard Mardell: I think the cattle industry was scared, right off the bat. When CWD struck one of our elk farms, they eradicated the farm, and the fellow went in and put cattle on his pasture. Right away, the cattle industry said, "Get them off there. We don't want any disease to transfer into the cattle industry that would hamper our industry." So CFIA went in there and eradicated all those cattle that were put on that land. He wanted to put in buffalo, and they said no. So this farm sat for I don't know how many years—Roger might know more—without anything on it.

Now we have CWD in the wild, in the deer population. They're testing herds all over, which are on cattle ranches and all over the place, but it's an accepted thing now. The cattlemen aren't going to say, "Well, we have a deer in this area, so we're going to take all our cattle out of this pasture, because it has CWD."

It has been proven by science—and it's one thing that's good—that it doesn't transfer to cattle and it doesn't transfer to humans. It's just that they don't have a live test for it, but if they come up with one—

I don't want to talk too long here.

My herd was due for testing, and they assured me.... They were taking blood tests. We had a person from the States come up to one of our meetings and say that they were doing DNA testing on the animals and that it was one bloodline or DNA marker in our elk that was very susceptible to CWD.

So I asked the CFIA, when they did the blood test here just a week ago at my place, to run the DNA on it and see if I had any of these bloodlines. I haven't had CWD. But they were eradicating another herd, so I said to go in and see if the ones they've tested or killed have that bloodline. Maybe all we have to do is come out to the elk farms and do a simple blood test, eradicate that one bloodline or DNA marker, and it will get cleaned up. But they haven't even done that process.

Now, until you say they're looking at doing some more live tests and trying to help our industry.... We are probably ruffling a lot of feathers in the federal government, asking what they are going to do to help our industry. That is, I think, the big reason that CFIA is out there, because we've been probably ruffling a lot of feathers on the higher guys, on their bosses, to get them to do something for us.

Hopefully, we can get a live test. That would be great for us.

● (0950)

The Chair: Are we close to a live test?

Mr. Richard Mardell: The Americans say that this marker carries CWD, and if you eradicate it from your herd, you're not going to get it.

We approached CFIA about six years ago, and they said there hasn't been any research on this in Canada. When they did all the killings and eradicated the herds, they never followed up on the DNA side. Now they're starting to do that.

The Chair: Mr. Hubbard.

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

It seems that the more places we go, the more complicated this whole business becomes. When I listen to the CWD—and I know we have talked about this in committee before—we are a country. I know that in Saskatchewan, you're saying that your herds are in good health. But we have game herds all across the country, whether in B.C., eastern Canada, or Nova Scotia.

With BSE, we all suffered as agriculturalists because of problems in Alberta. When you export beef from this country, it is Canadian beef. It's not Quebec or Ontario beef, it's Canadian. To a farmer in Nova Scotia or New Brunswick, there's probably a great amount of frustration about paying the price for what happened in Alberta. This is a problem.

Regarding the second business, on crop insurance, I hear your arguments and know that we can probably make some suggestions. But in my province of New Brunswick, for example, in the vegetable areas, we have certain crops that are insured and other crops that cannot be insured. If you're growing broccoli, cauliflower, or whatever, you can't be on an equal playing field with somebody who's growing potatoes, for example. So it's quite a significant problem there.

When I look at our federal government programs—and the provinces are involved in these—it's very difficult. I've asked this question before: should there be certain areas that only the federal Department of Agriculture is involved with, and other areas that should provincial?

We've heard about disaster relief regarding major problems in certain sectors or regions. We've talked about crop insurance, research, or as John said, the relationship with infrastructure, perhaps as national programs. But is our federal money spread too thin? Are we involved in too complicated a business federally, where there are too many people in the agricultural sector sending you letters and asking you to respond to so many different ventures?

Also, Ken, I have to ask about crop insurance, because when you think of insurance, you think of a program that should be fairly neutral. In other words, when you put money into the program, somebody somewhere else is going to take money out. It would balance out over a period of time. With our present program on insurance, three different groups participate.

You gave us an example of a farm in Saskatchewan that has drawn out for four successive years. If you had a house that burned for four years in a row, would it be insurance? Or are we looking at a program to help farmers who have trouble producing what somebody thinks they could or should produce? How would an insurance program work with a car, if you had an accident every month or at least once a year? How do governments continue to participate in programs that would want a payout? How far back would we have to go with this farm to get a level playing field? Over a long period of time, insurance should be insurance.

I don't mean to put you on the spot; maybe it's your own farm. But do you ever expect to be able to meet the levels you want to insure for? Could you do that three years in a row? Maybe after you answer, others could do so.

John, I'm really interested in your programs, and I know that's where we have to go.

I have only a few minutes left, Mr. Chair, but perhaps an answer from Kenton, and maybe John, and from others would want to reply.

• (0955)

Mr. Kenton Possberg: As far as my farm, where we're situated, it's unprecedented—these events just bang, bang, bang. It's not only us; it's all the farms in our area. There isn't anything we can do; it's completely uncontrollable. The crops that are grown are the norms for the area. We are hampered because we can't diversify into new crops, because we don't have the risk management in place for coverage.

I grew sunflowers here, but the protection coverage was so low that when something happened, there was no protection in place. When you get into a new crop—if you haven't grown canola and get into it now—there is no protection in place, because you haven't built your history.

Our farm is 25% above area average yield, so we are at a higher productivity level than area averages.

Hon. Charles Hubbard: So the government program more or less would be forever. Or do you expect sometime that you're going to meet what you think it should be in terms of your insurable limits?

Mr. Kenton Possberg: I never want to collect on my house insurance. I buy it so that I have the protection. I never want to collect on crop insurance, and I never want to collect on CAIS. But I want it to be in place for when I do collect.

It has been unprecedented these last number of years. Before 2002 we never had a claim in crop insurance for our farm, dating back to its infancy. It just never happened. It just happened when it did happen...and it's not in place.

You'll find other operations where, if they haven't had uncontrollable weather-related events, if they haven't had a claim on crop insurance, even their CAIS, their whole financial outlook is a lot different because of what's happened.

Hon. Charles Hubbard: Does anyone want to reply to the idea that we have too much government involvement in too many places? Would it be better to have some differentiation in terms of what each government should do, or could do, to assist agriculture?

The Chair: Anybody?

Hon. Charles Hubbard: Is CAIS too complicated, the whole negotiations? Are you satisfied with what's happening now with the program?

The Chair: Mr. Treleaven.

Mr. John Treleaven: I would suggest that you read the Conference Board's report. It talks about the regulatory environment faced by agriculture in Canada, about the silos, about the complexity of it all.

The reason we the public hire politicians, of course, is to resolve these issues for us. They are intractable issues.

Hon. Charles Hubbard: Brad is the only one from Saskatchewan today. He has a big job.

Mr. John Treleaven: The key is this: where is this industry going and how is it going to get there?

If you start with the desirable outcome that we will be—and are, in many cases—the agriculture powerhouse in the world, and go back through the policies, figure out which ones in this country are at variance with that outcome, and have that struggle, then one of the issues that would come up would be what I gather is true, that if you want to take a load of hay across the border from Saskatchewan to Manitoba, it has to be repacked at the border. I mean, I don't know that, but that's—

So it's a problem. And that's why there are politicians at the provincial level and at the federal level, to work it out so that this system works.

The Chair: We have time for a quick response from Richard.

Mr. Richard Mardell: If you had five or ten good years and you built up a wonderful margin on your farm, and then you had a bad year, you would qualify for CAIS. But as Kenton says, when you have four or five bad years in a row and your margin has gone down to nothing, it doesn't help you. There's a lot of paperwork, and a lot of accountants working for you trying to figure it out. You end up with accounting bills and no payment out of it.

Elk is what I'm here to speak on, but my son and I do farm 15,000 acres, and we know what the agriculture industry is. We have to have a cost of production in the bad years. It's just not insurance if we need it but a cost of production. Some farms don't put as much into trying to grow a crop as other farms, and maybe their cost isn't as high. But when you're striving as a business and you want to make money, you have to put money into your production.

If you have a weather-based problem, you have no control over it. We can go into the futures, and peg our crops on into the futures. Some places have an act of God. If you don't produce that crop, you can get out of the contract. But with a lot of them you can't.

So you have to assure yourself that you can grow that crop. If you have a weather-based problem—hail, drought, frost, whatever it is—you can't even help yourself. You've locked in a good price for your product, but if you can't get it off the field, it's twice as bad. You have a crop insurance payment that you can't make and you're not getting much out of crop insurance.

So that's our problem—the cost of production.

• (1000)

The Chair: Mr. Hubbard, your time is up.

For the government side, Mr. Trost.

Mr. Bradley Trost (Saskatoon—Humboldt, CPC): My understanding is that Mr. Miller has a few questions. He can finish those up, and when he's done, he'll again split the time with me.

Mr. Larry Miller: If I could follow up, Wayne, you've identified a problem and you didn't really answer my question. You've identified that we need recognition, and I recognize that, but how? What process?

We need solutions, as Mr. Gaudet said earlier. We need to hear solutions here today from you. What process should be in place, ongoing, so that these kinds of things, your industry and others over history, get recognized? That's the answer that I need to know. Is it some kind of tribunal or something, based in the grassroots among farm members?

I need some suggestions there, and I think the rest of the members do.

Mr. Wayne Goerzen: You mentioned before that something could come from the grassroots.

Federal departments do have people looking at different sectors. I don't know what to say. A group like ours represents 2,400 producers, 500,000 acres in western Canada. What we're trying to do is let federal departments know that we're there, not only so that we can be part of programs but so that we can be considered as national policy is developed.

As for the best method for that, I guess it's on us to try to make the national government aware of our industry.

Mr. Larry Miller: So is the problem, then, in between, in the department, in your opinion? I'm asking, not saying.

Mr. Wayne Goerzen: Possibly. When a program like the grains and oilseeds payment program is developed, consultation with the departmental agencies is used to establish a list of commodities that are included in that program.

Now, if a certain sector is not in the consciousness of those bureaucrats, if they're not aware of that critical sector—and for us it is a critical sector because we produce every forage and grass seed that goes into the ground to produce all the forage that's required by the Canadian beef and dairy industries—if there's just not enough recognition of our sector, then we may be either not included in the program or, as happened in the GOPP, part of the paring down of that process. It's just easy to discard us.

Mr. Larry Miller: Okay.

Bradley, I'll turn it over to you.

Mr. Bradley Trost: Thank you.

When I introduce myself, people frequently ask who I am as an MP, etc., and what I've done. I tell them I was so successful as a farmer that after two years I retired. Now, most people in this province understand precisely what I'm saying, which brings me to a question that I don't know if any of you have particularly thought of, and that's starting out the next generation. Kenton, you look very young compared to most of the guys out there.

My general question is this: Do any of you have any thoughts or have you given any thought to young producers coming in, special challenges, any comments particularly? Guys my age are very, very few out there. As I said, Kenton, even your age, there's not a whole lot. Our age group is just not there. So are there any particular comments on the new generation?

• (1005)

Mr. Kenton Possberg: I'd just like to say that the reason there are not many people coming back is because there's no risk management in place. You can actually come out with nothing at the end of the year, so all the money that you invest—You need a lot of capital in order to produce a return. If you're going to put \$2 million into the ground and you could feasibly come out with zero dollars at the end if everything went wrong, who would go into an industry like that?

I have my degree in agriculture, and my wife has a degree in marketing. We could go and do something else and it's risk-free, and that's what most people are doing. It's the risk. People just don't want to risk their livelihood, their family, everything. It's very challenging.

Most other businesses you can at least control; you don't have the risks. You do have a risk that a tornado's going to come and take it, you do have the risk that a flood's going to come and take it, but you can insure that. You can't get a decent level of insurance on this, it's just too—There's a lot of risk.

The Chair: Mr. Treleaven.

Mr. John Treleaven: I would suggest to you that for young people in this country, the essence of the argument is the language of farming. Yes, farmers are custodians of the land—that's true—but farmers are business people. The land is an asset. The market is huge. When I deal with farmers in Australia, they never talk about family farms. Every farm in Australia is a farm business that's owned by a family, and if you look at it from that perspective, it's also a family farm; but it's the outcome and the output and the ability to create value for consumers and differentiate and link food safety, link food and health, get into functional foods. It's very high value added.

I talked about the celiac issue. Farm Pure produces oat pasta. Celiacs, only 3% of whom have been identified, have a terrible life. They can't eat. In Regina, there's a plant that produces pure oat pasta. Okay. Now the issue becomes whether the regulatory regime is set up to reward differentiation or to reward harmony. Farmers are, of course, entrepreneurs. The land in Canada represents an enormous asset for entrepreneurs to dream and work on. Some of the mechanisms in place don't reward that the way they do in other businesses, and I made the case about energy and mining and what not. There are ways the Government of Canada could see investors mobilize capital, as the 196 shareholders in Farm Pure do. Go to an annual meeting of this company. These are people from all across western Canada. They're dreaming about the future, and they're betting on it. I'm not saying it's an easy business at all, but it is a business, and business and entrepreneurship are about people being able to live their dreams.

That's the language that has to be associated with this industry. Saskatchewan Agrivision in this province has a competition to identify the 500 best farmers in Saskatchewan. I think there are some people in Saskatchewan who don't think there are 500 good farmers. That's BS. They're great farmers, and the competition is all about the 501st, because if you come 501st, then next year you want to be in the 500.

When we change the language of agriculture so that the 500 are now 600 are now 10,000, we won't have to worry. Look what's happened to the value of land in this province with the ethanol announcements. It's amazing what's going on across western Canada now on the farm. But are the public structures set up in a way to handle what an entrepreneur needs? Is there a responsive regulatory regime that recognizes differentiation, that cuts the distance between the producer and the end user?

It's that kind of environment that I think has to be worked on.

The Chair: Thank you, Mr. Trost. Your time has expired.

We still have about ten minutes left if any of you want to ask quick follow-ups.

Mr. Easter.

Hon. Wayne Easter: I want to get to the specifics of crop insurance, Kenton. You made a point on the lack of risk management. The fact of the matter is there have been absolutely huge expenditures. I know they say the money arriving in farmers' pockets is not enough, but there have been huge expenditures of money from the federal government in the last five years, the highest in history.

But when we compare ourselves to the United States, George Brinkman, who's an economist out of Guelph, compared as a percentage of income Canadian government subsidies with American, and this is where it gets rather scary. I'll quote what he said:

As a percentage of income, Canadian government subsidies represent 116% of farm incomes, but U.S. government subsidies represent only 37% of U.S. farm income.

The fact of the matter is, if you read *The Western Producer* of a couple of weeks ago, Barry Wilson indicated that over a 21-year period the realized net income on the farm was \$51 billion over that period of time. Payments from federal and provincial governments were \$58.4 billion. In other words, it was negative \$7 billion from the market. So we have to really look at the whole structure of agriculture itself, I think.

So my question really from that is what the hell are we doing wrong? We've got money going out. It's not getting to where it ought to be getting.

You raised the point, John, of land prices. Land prices are going up like hell in some areas, there's no question about it. But our farm debt is astronomical compared to that of the Americans. And why are we capitalizing that money into land when we can't afford to do so?

Anyway, on the crop insurance meeting in November of the ministers, this is what they're proposing, and I want to ask you, Kenton, if you think these levels are correct. On crop insurance, Canada will on average cover 36% of the premiums, the provinces will cover 24% of the premiums, and the remaining 40% will be the responsibility of the participants. On catastrophic losses, Canada will cover 60%. And Canada will cover 60% of the compensation paid for losses caused by wildlife. Are those figures correct?

From my own point of view, I'll be honest with you, I think the feds should be paying about 90% of catastrophic losses that are infrequent, but on the other ones I think I'm relatively in agreement. What levels do you think?

• (1010)

Mr. Kenton Possberg: For crop insurance at the 50% level, that is actually what it is. As soon as you start paying, if you want to insure at the 80% level, then the producer bears a significant premium of that. And I think the ratio should remain the same the more that's insured, because it's less costly to the CAIS program then, because these other programs are filling in the gaps where they should and doing what they're supposed to do.

As far as the breakdowns go, I wouldn't be able to—I agree on the disaster, once in 20 years, once in 30 years, yes, the feds should bear the brunt of that. But I think if you had a federal program—and I don't know how it would be funded, but it should be a federal program so that you can have the level playing field throughout—and if it's clawed back through—Instead of the province paying for some, if it's through the transfer payments, I don't know how they could ever make that work. But I don't want to hear how it can't happen; I want to hear solutions, how it can happen.

The Chair: Thank you.

Mr. Atamanenko had a follow-up.

Mr. Alex Atamanenko: How much time do I have, a couple of minutes?

The Chair: Well, do you have any further questions, Mr. Gaudet? No?

Okay, you get the last four minutes.

Mr. Alex Atamanenko: Okay, thank you very much.

The question is for Mr. Goerzen in regard to the biofuel industry and your organization. What do you see in the future? What's happening now? And specifically, do you see maybe getting involved in the cultivation of switchgrass, which is a very efficient form of energy, 14 to one or something like that? I thought I'd get your ideas on this.

Mr. Wayne Goerzen: I appreciate that question, because promotion and development are the kinds of things we want to be talking about. Unfortunately, we can get caught up in problems with recognition and risk management. What we're interested in is development, and the development of cellulosic ethanol technology holds great promise for the fibre portion of the alfalfa plant.

The big talking point right now in the U.S. is switchgrass, but that's because alfalfa, as a forage crop, although it has a large acreage in the U.S. and in Canada, is not as much on the radar in the U.S. because it competes with corn.

One of the big developmental initiatives we're working on now is an interprovincial initiative. Saskatchewan, Alberta, and Manitoba alfalfa seed grower groups have begun what we're calling the Canadian alfalfa insight committee. Our mandate there is to get as much alfalfa going into the ground to feed as much of the Canadian and U.S. forage industry as possible. But we do see further things down the road, not only the development of cellulosic ethanol, but also the use of alfalfa as a platform for the production of pharmaceutical and nutraceutical ingredients and those types of things.

The thing is that right now, we have to go through a cycle. Cellulosic ethanol is a procedure that's being developed in the laboratory. It's very successful in the laboratory. It has yet to be commercialized, and that is happening right now, but we definitely see value added to our crop in that area.

•(1015)

Mr. Alex Atamanenko: I guess one reason I'm asking the question is because the big push is for corn in the States, and obviously it's not that efficient as far energy input and output goes. It is going to put and is already putting tremendous pressure on our cattle industry and others.

So I'm just wondering if this is somehow not the time to really start pushing this. As you said, it's in the laboratory, but evidently, if it's successful, maybe we should be pushing the cellulose more, and maybe your organization could play more of a role in this.

Do you have any comments on that?

Mr. Wayne Goerzen: That is something we're working towards, and I think the other thing we have to work towards is the environmental value of our crops, particularly perennial forage crops like alfalfa. These crops are fixing nitrogen at an enormous rate and can be used in cropping rotation, reducing, then, dependence on

nitrogen produced through natural gas. I don't have to tell you how expensive that's becoming.

So we see a role for alfalfa on the whole green side of things, not only in ethanol production, but also in land stewardship, in building up the quality of the land. And that benefit then extends to other crops in rotation.

The Chair: Mr. Treleven wanted in on this as well.

Mr. John Treleven: This is just a thought. When you're next in Ottawa, go to a very big laboratory called Iogen. Iogen in Ottawa is working on ethanol from waste products. It's in production.

Mr. Alex Atamanenko: Thank you.

The Chair: I want to thank all of you for your input today in helping us out with our study on APF.

We are going to suspend for about fifteen minutes to allow witnesses to clear away and so our next group of witnesses can come to the table.

There is coffee and juice for members. With that, we'll suspend until 10:30.

• _____ (Pause) _____

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•(1030)

The Chair: I call this meeting back to order.

We'll continue with our APF study.

We welcome to the table now, from the Canadian Bison Association, Terry Kremeniuk and Mark Silzer; from the Canadian Canola Growers Association, Wayne Bacon, who is the president; and from Saskatchewan Pork Development Board we have Neil Ketilson, who is the general manager, and Shirley Volden, who is the vice-chair.

Welcome, all of you.

We'll start off with opening comments of ten minutes or less per organization.

Who is going to kick us off from the Canadian Bison Association? You will, Mark? Okay.

•(1035)

Mr. Mark Silzer (President, Canadian Bison Association): Thank you, Mr. Chairman.

It's certainly a pleasure to be able to attend this session. For a small industry with not a lot of financial resources, the ability to make this presentation in our own backyard is very welcome.

Just as a little bit of background on the bison industry, although bison are certainly not new to North America, the commercial industry is less than 20 years old. The first census, in 1996, estimated there were around 45,000 head on approximately 750 farms in Canada. Right now, our estimates peg us at around 275,000 bison on fewer than 1,900 farms. That represents a 20% growth rate over the past 10 years. We have provided additional information for you on that.

Of the bison in Canada, 90% are raised in the four western provinces. To represent the interests of the bison industry in Canada, the Canadian Bison Association was established in 1983. We currently have six active regional associations, representing Quebec, Ontario, Manitoba, Saskatchewan, Alberta, and British Columbia, with around 800 members, and we feel we represent about 80% of the actual herd numbers in Canada.

When it comes to business risk management, we feel risk management is important to the bison industry. Being a start-up animal industry sector, it has an income volatility that tends to be more dramatic than that in more mature agriculture sectors. The issues faced by the industry are not unlike those faced by a start-up business, where the supporting infrastructure and risk management tools must be adequate to attract capital if the industry is to grow.

Risk management tools should provide a measure of assistance when cash flow disruptions occur outside normal market cycles.

Programs must facilitate commerce. They should assist producers in achieving their business goals, while allowing them to respond to market signals.

Producers should have access to a suite of private- and public-sector risk management programs to manage their businesses. Knowing the program impacts on individual businesses and the consequences of participating or not participating, producers can more effectively plan their business strategies.

This also means timely program payments. Programs should be structured so that they support producer cashflows in a manner that closely matches business cash flow needs. Having a mechanism that offers program advances that, on final filing, are clawed back reflects a fundamental flaw in the program design and should be prevented. I think you've heard that already this morning.

Administrative simplicity is important to ensure maximum program participation as well as program cost effectiveness. The regulatory infrastructure contributes to managing risk and creating opportunities. An example often cited is the need for regulations that facilitate interprovincial trade in meat from provincially inspected plants. This is important for developing industries such as ours, where producers are creatively developing products and niche markets for bison that require interprovincial movement of their products.

While it is important to have an effective regulatory framework, care must be taken to ensure that regulations do not create excessive costs that make Canadian industries and products less competitive in the world marketplace. If such regulations are required, it may be necessary to provide assistance to protect the industry and infrastructure until such time as the industry has been able to make the required adjustments, in order for it to be competitive.

Timeliness of regulatory changes is also very important. In some circumstances, regulations were established many years ago, when the bison industry was not considered in the process.

Certain regulatory changes are straightforward and are supported by all stakeholders, and such changes should be fast-tracked, rather than take two years to complete. If fast-tracked, very likely the

regulatory change would allow producers to obtain greater returns from the marketplace.

We feel that programs must also be flexible to address commodity needs. In the bison industry in 2006, an estimated 40,000 animals were marketed. Of these, approximately one-third were shipped to the U.S. for slaughter, with the remaining being slaughtered in Canada, and the meat is marketed both domestically and internationally.

Since this is a small industry, the marketing and price discovery systems do not have the breadth and depth of sectors that have developed over the past 100 years, where millions of animals are marketed annually. Programs tend to be developed for major commodity sectors.

The major commodities have a history of data and information and are able to develop program scenarios under different industry conditions. A new industry such as bison does not have the comfort of such information infrastructure. Resources to invest in data collection and analysis are limited, and consequently, it appears to be easier to include smaller commodities within programs for larger commodities.

• (1040)

Although this strategy may work in some circumstances, in others it does not. A more effective strategy may be to provide small developing industry sectors with core funding so that they can develop the infrastructure to collect data and contribute to policy development and process.

We believe that programs must diversify markets and re-establish markets lost. The bison is indigenous to North America, making it a unique product for international markets, and based on its nutritional profile and growing consumer awareness of the product and consumer demands, we think it has a tremendous fit for international markets. But the loss of international markets creates significant risks for the bison industry, and trade interruptions not only have an impact on the international marketplace but also on the domestic marketplace. We certainly saw that during BSE.

As a result, the "other ruminant" market development program was established where \$550,000 was given to the bison industry to deal with the consequences of BSE. We believe that program was very beneficial in helping some of our local farm-direct marketers as well as increasing some of the domestic markets within Canada and helping us to try to recapture our share of the U.S. market that was lost. Working with industry, this program, which is near completion, has shown beneficial results and should be considered as a long-term program to support growth in domestic market development until such time that the industry can bear such costs on its own.

The bison industry is also participating in the Canadian agriculture and food international program, and we feel that this is a very beneficial program in helping us to establish international markets.

For developing industries, trade regulations are continually evolving, and in some circumstances access is not as well developed for bison as it is for mature agriculture sectors. In these circumstances, government support is critical to obtain market access where barriers exist. Improved market access contributes to business risk management.

Government support through the Canadian food safety and quality program has assisted the industry in responding to trends by continuing with the development of an on-farm food safety program and developing a traceability strategy and policies that are beneficial to society. However, in such programs there are significant in-kind contributions by producers that go unrecognized and an inability to recapture these contributions in the marketplace. Partnerships with government on such programs are important. Recognizing the public good created through in-kind contributions by producers, producers should not be asked to share program costs beyond their significant in-kind contribution.

The disaster assistance program option—I think disasters normally do not fit into program structures. Because events such as natural disasters, disease, and government-imposed trade restrictions are unpredictable, it is important to have a program flexibility to respond and ensure that producers can return to business as soon as possible. Such a program should have an established framework that defines funding parameters, response times, and other details to the extent that this is possible. Because these are unusual events, they should be funded by government resources incremental to those committed to business risk management programs.

With that, I would like to thank you once again, Mr. Chairman, for allowing us to make that presentation.

The Chair: Thank you.

Mr. Bacon.

Mr. Wayne Bacon (President, Canadian Canola Growers Association): Thanks, Mr. Chairman. Good morning, and good morning to the members.

It is a privilege to be here today to discuss business risk management. That is an important topic to the canola growers—not only to the growers in the province, but across Canada as well.

I am here to represent the Saskatchewan canola growers; I farm at Kinistino. But I would like to also point out that our organization is represented at a national level by the Canadian Canola Growers Association. Our position on the BRM provincially is consistent with the position nationally.

At the national level, the Canadian Canola Growers Association represents approximately 60,000 growers, or about 95% of the growers across Canada. The Canadian Canola Growers Association is governed by a board of directors of elected representatives from our provincial grower organizations. Our mission is to influence national issues and policies and enhance the profitability of canola growers.

The Canadian Canola Growers Association member organizations include the Ontario Canola Growers, Manitoba Canola Growers, the Saskatchewan Canola Growers Association, the Saskatchewan

Canola Development Commission, the Alberta Canola Producers Commission, and the B.C. Grain Producers.

Canola is a big business in Canada. Our 60,000 farmers who grow canola on their farms produce about six to seven million tonnes of canola production, and it continues to rise.

For example, in 2005, Canadian farmers produced 9.6 million tonnes of canola. The farm gate value of that canola, depending on price, was about \$2 billion to \$2.5 billion. This can represent anywhere from one-third to one-half of an individual farm's gross receipts in any given year.

The canola industry as a whole generates about \$11 billion in economic activity annually. This is just one of the crops and one part of the agriculture industry. When you consider all farmers across all commodities, the latest statistics for 2005 show total farm cash receipts in Canada were just over \$37 billion. Operating expenses and depreciation amounted to \$35 billion that same year. Today's farming is big business, and it involves significant investments. It involves significant sink funds and variable costs. The bottom line is that financial risks are very high. This is why getting effective policies on BRM is critically important to our farmers.

The major sources of risk in my business as a canola grower are crop production risks, price risk, and the price-distorting and production-distorting practices of foreign government policies.

On the topic of production risks, I would like to point out that as the first line of defence, growers actually manage their production risks with good, sound economic practices. We rotate our crops, we fertilize, we rotate the chemicals, scout our fields for insects and disease, and do everything we can do to ensure that the maximum potential for yield and quality is there. However, we are still susceptible to weather, frost, drought, excess moisture. They can all take a toll on our production, and we've seen that a number of times in Saskatchewan over the last five years. This is where our production insurance plays a very important role, and it needs to continue to play an important role.

Production insurance has served us well in the past. However, to ensure that it continues to effectively meet the needs of farmers going forward, it needs to keep current on price and on production levels. There is a disturbing trend in production insurance. Premiums continue to rise and coverage levels continue to fall. This needs to be addressed to ensure that our insurance program remains a viable risk management tool for farmers.

One part of the solution that could be examined is that adjustment be made to the base program to account for the significant impact new seed technology is having on yield. This is very prevalent in canola. With the new hybrid varieties delivering substantially higher yield potentials, the current ten-year average for determining suitable yields does not respond quickly enough to the new realities. Therefore, yield coverage levels through production insurance will continue to lag, unless something is done.

•(1045)

We need some innovative factors built into the base production insurance model so that it responds to and offsets the risks of today, not of days gone by.

The same issues arise on the price side. Specialty oil canola is an example, where farmers grow higher-value speciality oil crops but are not able to insure these crops at high enough values to fully offset the risks and potential loss of opportunities.

A concept we are working on as canola growers is that of revenue insurance. This concept will build on the existing production insurance program and would create a combined price and production insurance model that would essentially offset farmers at market base for any insurance products. We have studied the performance of this concept, and our research to date has shown that it would be an effective risk management tool for farmers.

We believe the national market-based insurance program should be used as a foundation for the federal BRM strategy. We should be looking more closely at price insurance, revenue insurance, maybe even weather insurance. Insurance models, if designed appropriately, will reflect true market signals. They allow farmers the flexibility to select premiums and coverage level options that fit their individual farming businesses.

The downside risks in bottom-line coverage are known and are bankable, the payouts are quick, and payouts are in the year of need. These features of insurance are major shortcomings of our current CAIS program, as I am sure you have heard on numerous occasions.

Also related to management risks on the price side is the cash advance program. This has been a very effective program, and I would like to thank the Government of Canada for the recent expansion of the dollar limits of this program and see it extended to other commodities as well.

We use this program to cash-flow our business while we market our grains. Without it, we would be driven to market grains for cash flow purposes, rather than focus on maximizing returns from the marketplace. This program is a very useful program for us. Part of the success of the program is that it is effectively administered and delivered by grower groups. I would encourage governments to consider other programs that grower groups could administer on their behalf.

Another point I would like to make is that we really appreciate the government's recent announcement on renewable fuels, and biodiesel in particular. Thank you for that. It is always important to diversify your customer base as a way of lowering business risk. Once the biodiesel industry is up and running, canola growers will have a new domestic market to serve.

Now I'd like to touch briefly on the third area of business risk that I mentioned earlier, the trade-distorting policies of foreign countries. That is a risk I cannot manage on my own, and I feel it negatively impacts upon my farm.

There have been studies conducted showing that the international marketplace is distorted by subsidies and tariffs, and these are costing growers real dollars every single day. Estimates are that the trade-distorting subsidies cost Canada's grain and oilseeds sectors

\$1.3 billion, and tariffs and quotas are costing us another \$1.2 billion, every single year. When you look at canola specifically, these distortions are costing us \$800 million each year. We need you to fix this for us; we cannot do it.

We need real and meaningful trade liberalization, and also the three pillars of the WTO negotiations: domestic support, export competition, and market access. Bilateral trade agreements have their place, but they do not address the trade distortions and domestic subsidies issues.

We need Canada to be active on all fronts, WTO and bilateral, to aggressively pursue trade liberalization for us as exporters.

•(1050)

The current WTO rules are not acceptable. Countries such as the U.S. and the EU still have substantial room within their existing WTO agreements to increase trade-distortion programs and policies at ongoing risk to the viability and competition of Canadian growers until such time as a new and improved agreement is reached.

In closing, I would like to point out a very important linkage between federal programs for risk management and international trade. Any program that is developed must be designed to minimize the risk of countervail actions by other countries. To do that, the federal programs must be national scope, they must be generally available and generally used by all, and they should not advantage one region or one commodity over another. This is a fundamental principle that the Government of Canada has followed in the past, and we fully support the principle now and going forward into the future.

The concept of regional flexibility in a federally funded program quickly takes you down a path of countervail programs. As a major exported commodity, canola could easily be targeted for retaliation measures such as trade disputes arising from these actions. We do not want to get into a situation where we pay the price for countervail action against a government's program.

We are here to discuss business risk management and we ask that the government be diligent in program design so that we do not get caught up in creating new business risks that we do not need. Ongoing consultation with producer organizations is a key to ensuring programs are designed properly.

With that, thank you for the opportunity to present our views on the BRM. I look forward to your questions and will now turn it back to the chair.

•(1055)

The Chair: Thank you, Mr. Bacon.

Mr. Ketilson, ten minutes or less.

Mr. Neil Ketilson (General Manager, Saskatchewan Pork Development Board): Thank you very much, Mr. Chair and committee members. Welcome to Saskatchewan.

It's our privilege to appear before you today to outline some of the issues that are specifically relevant to the hog producers in this province. Indeed these issues have implications to those right across the country.

I want to begin by giving you a bit of an idea of what the industry looks like. We produce about 2.4 million hogs in the province. That's up double from the last ten years. As a result of the Crow rate change in the mid-1990s, livestock production, specifically hog production, has increased significantly in this province.

At the same time that our livestock numbers are going up, the number of producers involved in that business is going down, and going down quite significantly: we had about 18,000 farmers producing hogs in the mid-1980s and we have fewer than 400 today. That is quite significant. The farms of today are quite appreciably different from what they were before.

Even though the industry is very cyclical, both on an annual basis as well as over a four-year period of time, we're presently under a squeeze in terms of high feed-grain prices.

We believe there's tremendous opportunity in this province to expand the hog industry. We are blessed with about 40 million acres of cultivated land. We think hog production adds to the grain farming business. It's very sustainable in terms of the application of manure with the grain farms; you get a continuous loop and add value, and it's good for those who want to be involved in that business.

I want to touch on four or five key issues and speak to them. Hopefully they'll provoke a question or two.

The first one is with respect to packer consolidation and the lack of competitive pricing for hogs. As most of you will understand, in Canada we have two major packing organizations: Olymel out of Quebec, and Maple Leaf Foods out of Toronto and across Canada.

Maple Leaf Foods recently announced that they were closing the Saskatoon plant, the only significant federally inspected slaughter plant in this province, on May 31. While we respect the right of that company to reorganize and rejig their business so that they are more profitable, it really impacts the producers in the province in a negative way.

For your information, during their restructuring Maple Leaf Foods is planning to close plants right across Canada. They sold the one in the Maritimes; they're selling the one in Ontario, selling the one in Saskatoon, and divesting of the one in Lethbridge. They're reducing their slaughter capacity from about 7.4 million a year to about 4.5 million. When you think about that in terms of the implications to this country and our business, it's huge.

It's especially huge to the people in this province. We have about one million hogs within 200 kilometres of Saskatoon. That is roughly the size of the plant that's here. It will force those producers to ship to the Brandon plant that Maple Leaf Foods owns and/or to the Olymel plant in Red Deer. You can appreciate that it will be very expensive: it's a marginal increase of about \$4 to \$6 a head, as well as the inconvenience that goes along with it. Not everybody has an exact 205 hogs per week that they can load in a semi, so we're back

to the old system of assembly yards and all kinds of stuff as a result of this action.

We believe Maple Leaf has an oligopolistic power or a near monopoly power, depending on where you are in this country, given the transportation costs and things like that. Many would suggest and argue that we're the Wal-Mart of North America in terms of hog prices—the lowest there is—and as a result we are seeing a shift in production from market-weight hogs to weanling hogs that are shipped down into the United States to be fed. We're really exporting the value-added part of this business, and we think that's very much a negative thing.

● (1100)

Second, the mood of producers in this province has shifted significantly, given the closure of this plant. Guys are very frustrated. They're really not sure where they're going to go with this thing, and many have made the decision that they're going to exit the business, so we would see a further reduction in numbers as well as in the number of producers who are out there.

Consequently, we believe we need a packing plant in this province. If you consider the hog business and compare it to the grain business, it would be equivalent to shutting down all the elevators and having to transport grain to the neighbouring provinces. We find this to be unpleasant and we'd like to do something about it.

Saskatchewan people are very innovative and creative, as you know, and tend to take things into their own hands, so we have put a partnership together that we believe is unique. We've partnered with a first nation community—with a large-scale hog producer, Big Sky Farms—and we have signed up enough investment dollars from producers to build a million-head plant. We are presently going through a feasibility study to determine the viability of that option and trying to find a marketing partner who will partner with us. My point to all this is to suggest that it would be very useful if the federal government had a program to assist producers in gaining a greater share of the value-added markets. That would be very useful.

Next come profitability and competitiveness—if I'm getting too long-winded, speed me up. Farm support is very near and dear to an awful lot of our producers, and it's a very useful program. The CAIS program has worked for many of those people, although payments in a more timely fashion would be extremely useful.

Animal health and the threat of foreign animal disease has huge implications to our industry. We have three days, after which, in the case of a foreign animal disease, we would have to start killing animals out of the barns, so that is very significant. We need a policy, a federal government policy, that is very clearly articulated and put in place prior to a disaster like this so that people know where they are. It has to compensate not only those people who are directly affected by the disease, but also those who are indirectly affected. That's very important, and I'm sure you understand that.

A lot of people are very keen on ethanol production and biofuels. The agricultural industry is very supportive. The hog industry views it a little bit differently, in that it might increase the price of feed grains, and if you look at \$4 corn in the U.S., that's exactly what it's done.

We would argue that we have to have a win-win situation in this. Therefore, if we are going to support ethanol, we also need to make sure we have the varieties of grain that are going to increase the amount of feed grains across this country so that we can remain competitive as well.

Next is a very important point, and I don't think we can underscore it enough: we need a very level playing field on the regulatory side, and we need that regulatory piece right across the globe. About 80% of our product out of this province goes international. Our trade is very important to us. Let me give you three examples that come to mind.

Paylean is a product used in the barns that increases efficiency and gains us about \$4 to \$6 a head. The United States had the product licensed and in use in their market for six years prior to us; we just received accreditation and licensing last year. We find that totally unacceptable. We need a system that moves ahead and gets things done.

The second thing is circovirus. I think you've all heard about the devastating impact that's had on the hog industry right across eastern Canada, and it's becoming more prevalent in the west now. The vaccine for that is made by a company in France. There is a little side note to this: the withdrawal time on registration within Canada, if you vaccinate sows, is 60 days prior to their being able to be slaughtered; in France, it's zero. Why the difference? How can we remain competitive if you get those kinds of inconsistencies?

• (1105)

One of the other things was noted by Dr. Harold Fast, who was just in China, who exports breeding stock over there and just came back. He is partnering with a fellow, a business associate, who built a million-head slaughter plant in China in less than a year for less cost than the consortium in all the west paid in Winnipeg just for the regulatory issues, for a plant that failed in Winnipeg. They built the plant—complete, the whole deal—and didn't spend as much money as we did in Winnipeg just to try to get through the regulatory issues. How do we compete with that?

On the trade issue, the WTO needs to work for us. We need liberalization on trade.

Thank you very much.

The Chair: Thank you.

With that, we'll turn it over to you, Mr. Hubbard. We'll kick it off with the first round.

Hon. Charles Hubbard: Thanks, Mr. Chair.

Maybe we'll start it off with hogs, then.

You present the figures here on the number of hogs being produced each year in Maple Leaf Foods. How are you going to address this in the immediate future? Where are those hogs going to go if Maple Leaf closes their plant—for example, the one here. Has that been looked after, or is it going to be a crisis for a lot of farmers keeping hogs that'll be overweight and won't meet the real market requirements?

Mr. Neil Ketilson: I'll need more than ten minutes to answer that. No, I'm kidding.

Actually, it's a very significant issue for us. Maple Leaf Foods in Brandon are killing about 45,000 a week right now. They want to double-shift that plant up to 90,000. We're killing about 15,000 to 18,000 in Saskatoon right now. They would like us to take all those hogs to Brandon to be killed there.

Incidentally, I told you that we had producers who were very supportive of doing our own thing here. Maple Leaf came out with a five-year exclusive contract to go to Brandon, and that's the only option they'll go with.

So where are the hogs going? They're going to Brandon, or they're going to the United States, with about a \$20 ticket on the back of every one for transportation.

Hon. Charles Hubbard: So with the margins that there are in hogs—you talk about a six-dollar or better transportation increase in cost—does this completely destroy your margin, or do you have another little bit of money to play around with in terms of making a profit?

Mr. Neil Ketilson: The cost of production is about \$135 usually, depending on feed grain prices and those kinds of things. Guys are at near break-even right now. It's very difficult to add another four to six bucks on to it and make it work. Typically, on an annual basis, if the guys are making six to ten bucks a hog they're happy.

It certainly takes the edge off the business, and consequently a lot of people are exiting.

Hon. Charles Hubbard: This virus you speak of is a significant problem in some provinces. You haven't encountered much of it here, but you're saying to our committee that there is a major concern that maybe there is medicine that would be available that would assist and that there's a problem getting it, in terms of what you speak of.

• (1110)

Mr. Neil Ketilson: That's right. There is a vaccine for circovirus now that just came out recently, and it's in very short supply. Consequently, everybody who wants it can't get it.

My point was that the regulatory licensing and withdrawal time of that product in Canada is quite different from that in the country where it originated. If you're going to vaccinate a sow, for example, and cull that animal at some point in time—or you may—you have to hold it for 60 days prior to being able to sell it for slaughter. That creates a very inconvenient situation. I guess the big question is, if there is a zero tolerance in terms of timing for slaughter in France, why are we different?

Hon. Charles Hubbard: With the canola, you give great thanks for the increase in your cash advance, which is going to help you out. You also look very optimistically at biodiesel in terms of increasing the price.

How much do you rely on government as canola growers? Do you need a lot of programs, or do you think, in terms of your future, that there are programs that maybe canola won't need anymore? You seem very optimistic.

Mr. Wayne Bacon: We are very optimistic in the canola industry. I think we need the programs there to get biodiesel up and running. I think that's very important. If we don't have the programs there from the federal government, all these companies are going to be setting up their businesses across the border, where they are basically getting \$1 a litre from the government to produce it. That's one of the areas in which the government really has to assist the industry in getting up and running. I think that as we move down the road, we—

Hon. Charles Hubbard: Now, the American practice in terms of ethanol and so on is that governments certainly are involved, but farmers are involved big time.

Mr. Wayne Bacon: That's right.

Hon. Charles Hubbard: Is there evidence that your group is becoming involved big time with this, or are you going to sit back and wait for somebody else, somebody from New York or Chicago representing the oil or other sectors, to come and start playing around with your future? Are you and your grower group out there actively involved and wanting to participate in investing in the industry to get some of the other profits from it? Is there some of that?

Mr. Wayne Bacon: I know that I certainly, and a number of producers around the province, want to invest in biodiesel. We want to get biodiesel up and running. The problem is, again, that if we don't have the policy there from the feds to invest in something and to make sure producers are going to invest in something they're either going to have a return on, or at least a break-even, then they're not going to—

Hon. Charles Hubbard: In Saskatchewan, your cooperatives—

The Chair: Please ask just a short question.

Hon. Charles Hubbard: Okay.

The cooperatives in Saskatchewan have been the home of the cooperative movement, except for what's come out of Nova Scotia and Atlantic Canada. Cooperatively, is there a program in Saskatchewan that would assist your farm groups to get out there and be major players?

Mr. Wayne Bacon: No, not right now. We're working with the provincial government in trying to set up something that would work, but again I think the problem with the biodiesel industry is... we are concerned about hydrocracking and where that's going to fall in. If hydrocracking comes in, and it can only be done by the petroleum industry, the producers won't have the opportunity to be part of that. Then it's going to be between the crushing industry, which will supply the oil too, and as producers we'll just be supplying a raw commodity. We'd not like to see that happen, of course, so it again comes to the policy that the government comes up with moving forward and whether we're going to use the word "biodiesel" or the word "biofuel", which is the big difference.

The Chair: Thank you, Mr. Hubbard.

[*Translation*]

Mr. Gaudet for five minutes.

Mr. Roger Gaudet: Thank you, Mr. Chairman.

My first question is directed to Mr. Silzer.

What do you expect the federal government to do to help you promote bison meat? I know that bison meat is very tasty. When you

last came to Ottawa, I met you for a meal at Le Parlementaire and found this dish to be quite delicious. What kind of assistance do you want from us to help you market your product?

• (1115)

[*English*]

Mr. Mark Silzer: As I mentioned earlier, I think the government has a role to play in assisting developing industries such as ours. Certainly they've done that through some of the programs that are currently available, like the CAFI program and the other ruminant development program, but I think they can be of major assistance to us when it comes to some of the regulatory changes that we need, not only within Canada but also with some of our trading partners. Back when we did make that trip to Ottawa, we also raised an issue about a trade irritant that we currently have with the U.S. that prevents bison trim from going from this country into the U.S. To date, nothing has been done on that. We raised that issue back in February 2003. With BSE and the further trade disruptions, we realized nothing could be done, but certainly in that regard, assisting us in getting market access would be a definite benefit. But a lot of times we realize that as a small and developing industry, maybe we're not as important and don't fit as high up on the schedule as some of the other ones.

[*Translation*]

Mr. Roger Gaudet: Thank you.

Mr. Bacon, I was listening to you earlier and you seemed to be a happy individual. It seems that you are asking a great deal of the federal government in terms of protection: production insurance, revenue insurance, income insurance, insurance for this and insurance for that, biofuel and biodiesel. Quite frankly, I think I'll take up your kind of farming because things seem to be going well. Your risk level is zero. You want the government to assume all of the risk for you.

Before I became a Member of Parliament, I carried wage-loss insurance. I didn't cancel my insurance because I was elected to Parliament. I continue to pay my premiums. After listening to you speak, I'm tempted to get into the same line of work as you after my political career is over. You seem to be happy with what you're doing.

Could you explain something to me in less than two minutes? What type of risk do you face? None that I can see. You benefit from production and crop insurance, from revenue insurance and from wage-loss insurance. What more do you have to be afraid of?

[*English*]

The Chair: Mr. Bacon.

Mr. Wayne Bacon: Well, I think the biggest risks on my farm are the weather concerns. I mentioned that in my presentation. To put in an acre of canola basically costs us somewhere between \$160 and \$200 an acre. We have to have about a 30-bushel crop just to break even, and that can be a major problem.

Right now, crop insurance on my particular farm covers me for \$105 an acre. If we have a disaster like the one in 2002, when basically in that year we didn't harvest our crop at all—we didn't even pull the combines out.... Under crop insurance that year, I was covered at \$125 an acre, so I had a loss on my farm of \$50 an acre.

Those kinds of losses nowadays, and especially when farms have grown and the cost of production is increasing, whether it's for power, or telephone, or communications—all those types of things that cost a lot more than in my father's and grandfather's.... Our farm is over 100 years old now, and farming is really getting tough.

To me, the risks are tremendous out there just to seed an acre, when you look at the seed costs. They're basically \$5 a pound. If you seed five pounds to the acre, there's \$25 guaranteed as cost there. For any kinds of weather problems at all out there, there's a huge cost and a huge risk to putting it in. The banks don't want to risk lending us money if we have no way of paying it back.

The CAIS program people are not interested in talking to us in those kinds of terms, because they don't know what we're going to get by way of crop production. I can take my crop insurance and say, "I'm covered for this many dollars", and they can take a look at what I potentially could lose on that farm, if I have something like a 2002 year, when we had no crop.

Again, if you go to 2004, we had frost and tremendous losses again in 2004. If you go into 2005, a number of acres did not get seeded. As well, a number of acres did not come off that year, because it was too wet. So in Saskatchewan we've had tremendous losses because of weather-related problems—not because of poor farming; it's strictly weather. I think that's where the governments can play a tremendous role in working with farmers.

The cost on my premium for crop insurance is 40%. Between the federal and provincial it's 60%, and the federal government has basically taken up 60% of that.

To me, one of the areas that you really have to take a serious look at is our production insurance, whether it's on crops or animals. It's very important to producers to have some kind of security out there. It's just like taking insurance on your house. You hope you never have to use it, but if it's there we would like to have it.

• (1120)

[Translation]

The Chair: Thank you very much. That's all.

[English]

Mr. Miller, you'll have five minutes, please.

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

Ladies and gentlemen, thanks for being here today.

Neil, my first question's going to be to you. You talked about packers and the need for them. It's a problem; I understand that. We need to hear solutions for how to address it.

There's one point I think I have to make here. I'm a beef farmer in Ontario. In the history of the BSE thing, as you know, when it came down to the crunch we were very short of packing facilities. Government invested money there, which I fully supported and still do, and we got it up there. But today, beef farmers can get another cent or two, or whatever, by sending it to the States. We have product moving there.

Basically, I said at the time to my co-producers that we have to stay loyal to the packers, but of course, it's human nature: if you can get another buck, you go after it.

What solution or suggestion do you have for the packing problem that you're going to have? I think I already know the answer to it, but is there going to be any loyalty from the industry if you do get it—especially if it's taxpayers' money that goes into it?

Mr. Neil Ketilson: Right, thanks.

It's a big issue. This is how we've dealt with it, and it has yet to play out, so we're not full score all the way there. We're thinking of doing our own packing plant. Actually when Maple Leaf bought Schneiders, which bought the old Mitchell's plant in Saskatoon three years ago, we anticipated that they may have bought it to close it down, so we did a feasibility study at that time. We went to producers to ask whether they would invest in a plant. The response was yes, carry forward. Now we're at a closure date. They have come back and we've actually signed agreements with them and they have chipped in some money already to go to the next step. With the commitment and the contract, we're anticipating that their input into the plant will be about \$28 a shackle space, so with the shackle space comes a commitment to supply the hogs here.

What they are doing is guaranteeing us a supply of hogs. They're putting up the money to do it, and that is how we're going to make sure that they remain loyal, because there will be penalties for those who decide to scurry off somewhere else for the next nickel.

Mr. Larry Miller: The key here is really farmer-owned or co-op-owned.

Mr. Neil Ketilson: You bet, so it's a partnership between producers, who are going to put up about 25% of the money. It's unique, because we have the first nations that are interested in participating as well. They're putting up a significant amount of money. The city is very supportive. The province is quite supportive. The province has a meat strategy here that basically gives a guaranteed certain percentage for every dollar of investment. That's where they're coming from. It would be very useful if the federal government had a similar program, because, as we all know, the meat business is a tough business. We're not going into this thing to lose money, so we want as much equity as we can to go in and we want as solid a business plan as we can get.

Mr. Larry Miller: Thanks, Neil.

Mark, you talked a little bit about bison trim. Just for my own information, does that include SRM products? What all is included in that bison trim? I'm just not familiar with that.

Mr. Mark Silzer: That would mostly be just trim for ground product. That's what it would be.

Mr. Larry Miller: Then it is basically edible product.

Mr. Mark Silzer: Yes, but it all has to do with the way the U.S. treats bison. It's a complicated file, and that's probably why it's taking so long to have any changes made. Basically, what it does is bison trim out of Canada cannot go into the U.S. for further reprocessing unless it's mixed with 3% beef, pork, or chicken, and then it's no longer a pure product. As a result, we have seen significant investment in Canada, and we realized that needed to be done when BSE hit, because we didn't have the infrastructure and slaughter and processing capacity. But as a result of that issue, which has now resurfaced, we're seeing a large number of live animals being exported to be slaughtered in the U.S. because then they get around the issue.

There are some reasons why the U.S. does not want to move forward with those changes within their own country. I had recently talked to Brad about this as well on whether there was something we could do to find a resolution on imported trim from Canada that would allow them to recognize our federal slaughter.

• (1125)

Mr. Larry Miller: Thank you.

Shirley, I think it's obvious you are the youngest farmer here today. What can government do in general to try not only to have young people who grow up in agriculture stay in the industry or decide to take it on, and even going further, to approach urban people to come into the industry? As far as succession planning, we have increased capital gains. We're hoping that will help. Are there other things that come to mind that we could be doing to help?

Ms. Shirley Volden (Vice-Chair, Saskatchewan Pork Development Board): That's a very good question.

As a young farmer, there are a lot of those issues out there. We find having positive attitudes about agriculture is important because it is not necessarily just the people who are inheriting these farms. There's opportunity for young people in many different areas. Changing the mindset of what agriculture is about is important. I don't know how government can go about doing that, but having support for programs that encourage young farmers—mentoring programs, outstanding young farmer programs, young farmer conferences, and things like that—to bring these people together and get the positive message out there that there are successes is important. Celebrating those successes is important too, because we are out there.

The Chair: Thank you, Mr. Miller.

Mr. Atamanenko.

Mr. Alex Atamanenko: Thank you very much for being here.

My first question is to Mr. Ketilson and also to Ms. Volden.

Just so I understand in my mind what you're saying, there's a roughly one million slaughter capacity here in this area. Maple Leaf is shutting down after May 31. They've said that they want a five-year exclusive contract. In other words, it sounds to me as if they want to hold you hostage. That's my immediate reaction.

At the same time, Big Sky and first nations want to build a plant and then you're talking about your own packing plant. Is that the same one you're talking about, or is that two different operations that we're planning on building here?

Mr. Neil Ketilson: No, it's exactly the same one. The first nations, the Big Sky Farms, and the producers at large are all participating in this plant cooperatively or collectively.

Mr. Alex Atamanenko: Assuming that it goes through, what's your timeline on that?

Mr. Neil Ketilson: We're full march on it right now. We've been working very diligently on this. There are a few pieces to the puzzle that need to be finished, but we would really like to move forward. What we're really looking for right now is the appropriate person to market the product for us, so we're pursuing some opportunities there. As soon as we have that nailed down, I think we're ready to move.

Mr. Alex Atamanenko: Would it be in operation within five years?

Mr. Neil Ketilson: Oh, yes. We anticipate that it will be 18 months to two years, once we get rolling.

Mr. Alex Atamanenko: What happens to the three years left in the exclusive contract?

Mr. Neil Ketilson: That is a very good question, and that is one that's top of mind with everybody who has had to sign one of these contracts.

Mr. Alex Atamanenko: So there's no way there's any flexibility on Maple Leaf's part to bring it down, given the fact that they're shutting down and that there's another plant.

Mr. Neil Ketilson: No. And coincidentally, the five-year contracts were only for people who had delivered to Saskatoon. If you previously delivered to Brandon from anywhere else in Saskatchewan, there are still one-year contracts available.

Mr. Alex Atamanenko: That's interesting.

My next topic—maybe, Mr. Bacon, you could talk about this also—is the WTO. Both of you mentioned that we need more liberalization. We need more opportunities to somehow combat what's happening in Europe and the United States as far as subsidies. I believe in the pork industry we would like to get our quota up to 5% in Europe. It's only 0.5% right now.

We want our government to move ahead on this. At the same time, our government has made a commitment to fix supply management and we're saying it's not on the table.

What are your thoughts? Do we have to sacrifice one area to move into another area? Could I have some comments on that, from either of you?

• (1130)

Mr. Wayne Bacon: That's a good question, and it's a tough one to answer. I know if I was in supply management I definitely wouldn't want to give away supply management, because they do take the dollars out of the marketplace, but I'm not sure how we address it. I just know that in the canola industry we have tremendous tariffs out there and subsidies coming out of the States and Europe, and if there were some way that could be addressed, it would sure help agriculture and relieve some of the subsidies that the Canadian government is paying to us.

So I don't know. I just can't answer that because I just don't know. It's a tough question. I know some great people on the supply management, and I don't want to see their industry sacrificed on behalf of ours. I know some of our board members would say so, but I wouldn't.

Mr. Alex Atamanenko: Mr. Ketilson.

Mr. Neil Ketilson: Yes, I'd like to respond to that.

For those not in supply management, trade is absolutely essential. We've actually been forced, because of the way our policy has developed in Canada, as a national organization to attend the Geneva meetings and stuff like that. We find it's really unfortunate that we can't settle this in Canada before we go to the world stage. We have so many people over there lobbying for the last minute that we're not sure if that's the way to do it.

Secondly, one of the points that I think most people should realize is that supply management is very important to their industry. We understand that. We respect it. But at the same time, if you think about the amount of money that has been capitalized into strictly quotas, are we really doing those people a favour?

I understand a dairy quota now is about \$3,000 a cow or greater. So when you capitalize that, and Mr. Easter had a comment with respect to the national agricultural debt, from our information, the debt in supply management is growing faster than any other sector.

Mr. Alex Atamanenko: My last question is to the bison industry. This is really a learning experience for me. I haven't had much contact with your industry or the cervid industry.

My question is, do you come under CFIA under agriculture, as opposed to wildlife? And secondly, if so, do you have to conform to the SRM deadline by July 12 that the cattle industry has to conform to? And if that's the case, are you seeing any stumbling blocks or problems, and how are you reacting to them?

Mr. Terry Kremeniuk (Executive Director, Canadian Bison Association): Maybe I can answer that question.

First of all, CFIA is certainly the organization that takes care of the bison industry with respect to animal health and what have you.

With respect to SRM policy, the SRM policy does not apply to bison in Canada. However, having said that, if you're moving into the export market, you have to remove SRMs.

Most of the slaughter facilities have geared up in a manner such that they deal with the SRMs, so they aren't going to make special provision for bison with respect to SRMs. Those costs are going to be ultimately borne by the bison producers as well.

Mr. Alex Atamanenko: Where do you send your animals from this area for slaughter?

Mr. Terry Kremeniuk: Most of the animals are slaughtered in Alberta and marketed in Europe and the United States.

The Chair: Thank you very much.

Mr. Easter.

Hon. Wayne Easter: Thanks, Mr. Chair.

Just concerning the point on supply management, I think it should be noted that one of our biggest obstacles, in terms of the WTO and

supply management and giving other countries ammunition to work against us, is coming from Canadian farm groups themselves.

The reality is that the view of the general public out there and of some organizations that don't give a damn about supply management is that we're protectionist.

The fact of the matter is, we allow more access into the Canadian market for dairy, poultry, and eggs than the Americans do into their market. We're not protectionist; they are. We provide access; we want to do it in a regulated way. We provide more access into our market than the U.S. does.

So why don't the groups that are opposed talk about that in terms of market access, rather than the kinds of things we're seeing in Geneva? I think the way we operate in Geneva is terrible, to be honest, especially with CAFTA going over there and talking against us.

On the pork situation here, we've had the same thing in both beef and pork in P.E.I., actually. Maple Leaf has closed down a plant. We worked out a deal where the plant has now been purchased by pork producers.

In Saskatchewan, where is WED—Western Economic Diversification? Why are they not involved in assisting you in terms of purchase of this plant or building a new one?

I'm just going to ask a series of questions and then go to answers.

Second to that, is there any indication—and the big thing you hit on, Neil, is the marketing of your product—that Maple Leaf is trying to sew up the supermarket shelves, in terms of shelf space or freezer space? These guys are brutal, to be honest with you. Are they trying to sew that up?

On the other issues, in terms of looking at business risk management we have to be much more strategic about it than we are. For instance, in the United States and many other countries around the world, they don't pay the inspection costs the way we do.

They're GATT green; why is the Government of Canada not paying those inspection costs? They're GATT green; they're not a trade impediment.

It's the same with on-farm food safety programs. I forget who mentioned it—I don't know whether it was Wayne or Mark—but it's the same thing there. The federal government could assist in terms of the non-food, under the guise of a green program. Should we be looking at some of those areas?

I really think we have to look completely differently at how we're doing this thing. The Americans are getting away with murder in terms of funding; we're not. We have to restructure how we look at the thing.

Those are the questions for the moment.

● (1135)

The Chair: Who wants to go first?

Mr. Ketilson.

Mr. Neil Ketilson: Mr. Easter, if I remember your questions, there are two of them, both with respect to Maple Leaf.

On the first one, in terms of the retail, I appreciate that during the restructuring that Mr. McCain has done, he's focusing really entirely on the domestic market, and I think the international one is really not where he wants to be. So he is very significant to that.

We think in western Canada here he has greater than 90% of the shelf space for product. Quite frankly, the retailers don't necessarily like that position and they're looking forward to others entering the market, so we get a very receptive ear from those folks.

With respect to WED, they may come to play with respect to this plant here. It's yet to be determined, but I want to bring to your attention that as producers move into the value chain, it's very important we get support from the federal level as well.

The Chair: On the rest of Mr. Easter's questions, who wants to go first?

Mr. Bacon.

Mr. Wayne Bacon: I just want to touch a little bit on food safety. I sit on the food safety for grains and oilseeds, and as we move down that road, it seems to me that it's trying to be pushed down instead of pulled along. I guess my concern is that if the people out there don't really want to pay for it, then we shouldn't be doing it.

Farmers can't bear any more costs for on-farm food safety. Our costs of running a farm right now and our margins are so low that any more costs coming on our farm are going to be putting us at great risk.

I really think that those people and companies that demand we keep records—and as you know in grains and oilseeds there's nothing out there that really affects us right now that we're not dealing with—should be paying for it.

The Chair: Did Canadian Bison want to comment at all?

Mr. Terry Kremeniuk: Maybe I can just make a comment with respect to on-farm food safety and traceability. We certainly agree with the comments that have been made. Very often we believe that producers do not get sufficient recognition for the in-kind contributions that they make in terms of many of these programs, and it's very significant. Maybe we as producers don't market that well enough, as well.

The Chair: Thank you.

Mr. Trost.

Mr. Bradley Trost: Thank you, Mr. Chair.

One of the things that was touched on, maybe not directly but incidentally in some of yours and in some of the questions, was input costs. The one thing I'm hearing more and more about from my grains and oilseeds producers this year is fertilizer bills. They walk out with sticker shock if they hadn't priced their fertilizer last fall. The guys who locked in last fall are all looking like financial geniuses, maybe by accident, but they are.

Some of the things have been mentioned—regulatory costs, etc.—but I'm looking for ideas in each of your industries on what could be done to lower your input costs. You've touched on some of them incidentally in going through, but could you organize all of them and add to any other ideas you have that could help to lower your input

costs, and any programming or any changes the government can do on various issues to help lower your input costs.

● (1140)

Mr. Wayne Bacon: Well, that's a good question, and you hit the nail right on the head when you talked about costs of production going up tremendously. Fertilizer, basically, has doubled in the last six months.

I think the one thing that governments can do is since the taxes are in the production of the products, if they could be removed, that's one of the ways I think you could deal with it. If you take anhydrous ammonia, it's basically made from natural gas. Of course, it has quite a few taxes within that product. If you could figure out some way of getting the taxes out of there.... I'm just not sure how it would be relate back to farmers or whether the different industries that are producing the commodity would take the profit and not pass it back to producers.

One of the concerns is, how do you get those dollars back to producers as we move forward? That's a tough road to go down. It seems like a lot of supply and demand works one way but doesn't work the other way.

Mr. Bradley Trost: Are there any other comments by anyone else?

The Chair: Mr. Ketilson.

Mr. Neil Ketilson: Mr. Trost, with respect to the regulatory issues, I think it's important to make a couple of points.

First of all, for our industry or for those industries that don't have a large critical mass, licensing a new product in Canada is extremely expensive, and therefore a lot of the suppliers of those products simply don't want to do it because it's not worth what they're going to get out of it after the fact. We need to have some sort of system whereby we can rely on USDA, or whoever it is that licenses them in the U.S., and get some harmony across the borders, so that we're competitive with our immediate neighbours at the very minimum.

Second, with respect to the regulatory agencies in Canada, we need to impart some responsibility to those people to be very timely in terms of when an application goes forward to when they get the results. I'd hate to say put some pressure on them, but let's put some pressure and some timelines on them, so that when they receive an application, they have to have a response out the door within a certain period of time.

The Chair: Go ahead, Mr. Bacon.

Mr. Wayne Bacon: With regard to the regulatory system, I'll go back Roundup canola. Patent was filed for that back in 1987, but it didn't get issued until 2005. The way they did it actually gave the company 34 years on that patent. I don't know where the patent office was when this was all taking place, but there definitely was a problem. We should never have a patent like that on something. On a regulatory basis it was supposed to be 17 years. The way it got filed and issued just took too long.

Some of things that have to be addressed in the regulatory system are how to get these through faster and how to make sure companies are accountable for getting these through quicker and without prolonging the system. That's one of the areas you have to really work on.

Again, if you go back to canola and the way some things are done, this year the same seeds you got last year are 50¢ a pound more just because the price of canola went up. Basically, companies are making \$205 per bushel of canola right now.

Mr. Mark Silzer: I'll go back to your question on what you could do to help in terms of input costs. The bison industry certainly doesn't face the same input costs that the grains and oilseed sector does, but where we could get the greatest benefit most certainly would be in regulatory changes. I think bison producers, like most agricultural producers, would prefer to get their returns from the marketplace whenever possible. If we all concentrated on that, there would be some great benefits there. In some cases we just don't move as quickly as we possibly can to allow that to happen.

For us that would certainly be the greatest assistance we could get, rather than trying to look at how we could get assistance on the input side to shore up our businesses.

• (1145)

The Chair: I've got a question to follow up on what Mr. Trost was talking about.

I tabled a private member's bill to remove the federal excise tax from our fuels. The cost to the treasury is about \$240 million a year. Would you rather see that happen and have that \$240 million taken out of the input equation, or would you rather see that \$240 million filtered through government programs?

Mr. Mark Silzer: Certainly diesel fuel is not a major component in our operations in the bison industry. When it comes to grains and oilseeds, I think they would have a different view on that. If I'm allowed to switch hats here, I'm also a grains and oilseeds producer, and I certainly think that on our farm it would be beneficial.

The Chair: Go ahead, Mr. Bacon.

Mr. Wayne Bacon: I agree with that statement. The cost to the grain and oilseed sector... It just doesn't matter on the farm. We talk about getting it out of the marketplace; it seems as soon as the marketplace moves up a little, our input moves up along with it, and usually faster than the marketplace moves up.

One of the problems, and I think Mr. Easter tried to address it a couple of years ago, is how to get this out of the marketplace without our prices moving up as we move along. That's a big challenge out there. I think the government can play a role in making sure the companies aren't out there gouging producers as they move up. You can take the big companies—I mentioned seed before, and it keeps moving up along with it.

We'd just like to see the support out there.

The Chair: Thank you, Mr. Bacon.

And from pork, a very simple response.

Mr. Neil Ketilson: Let's keep it simple—take it off the input side, avoid the administration and the long-term delay in terms of getting it back.

The Chair: Ms. Volden.

Ms. Shirley Volden: As a young business person, again, we treat our farm as a business, and I'd rather have the opportunity to show what I can do with the business and treat it that way. If I'm able to be profitable and you can help me on the input side, then the support

programs maybe don't need to be there. We should be supporting the farmers who are able to be successful as business people.

The Chair: Thank you.

Mr. Steckle.

Mr. Paul Steckle: I'm not going to address each one of you, but I'm going to do it collectively, because we're looking at APF and how we can move forward.

We're working in an environment where we're talking to the world community. There are impacts on our industries, whether it be the canola growers or the bison or it might be the pork industry, which I'm in. There are so many outside forces that impact and we're trying to work programs, to accommodate those programs, and the standards are set by someone else other than someone in this country. It could be the Americans. It could be the European Community.

We're talking about supply management, and there are those who don't like it within our own community and we fight each other at the world trade talks. These are not beneficial. Those kinds of ongoing discussions are negative to the cause that we've put forward.

I think as a country we have to start addressing where we're at. We're in an agricultural community. We have to stress the importance, and if we really believe that food production is important, if food security is important to this country, then we ought to, because those outside forces.... We are the great boy scouts. We follow all the health standards. We follow all the rules that are set by world trading communities. We've never really gone short on that. We put out the best and the safest products in the world, but we don't have big returns.

As a recent manuscript that we put out from our party, "Rural Canada: Sharing the Wealth Beyond Tomorrow", says, there's lots of wealth in agriculture, but it's not going to the primary producer. We need to share that wealth, not just today, but beyond tomorrow. I think we're not really focusing on that.

I think we have too much government. I think we have provinces fighting provinces, the feds fighting provinces. I think if we had one federal department and said listen, we're going to find a way.... If we're going to have these encumbrances thrown in our way, then we're going to have to as a government, along with the producers, be able to find ways in which we develop programs to accommodate those circumstances, but do it at a national level. They don't have 50 farm plans in the U.S. They have one farm plan.

We are fighting each other. I've been at this table three times across this country. I'm hearing the same things, and in fact some of the same people; some have less hair than they had 14 years ago, but other than that the story's the same. I think we have to start looking at, as Dr. Phil would say, is it working? Probably not. Well, then, let's fix it. Let's do something different.

If you want to comment on that.... I know this is pretty broad, but we have to start looking outside the box. We still haven't crawled outside our little cubicle.

•(1150)

The Chair: Who wants to go first?

Mr. Ketilson.

Mr. Paul Steckle: That's the best to last.

Mr. Neil Ketilson: Well, from a 30,000-foot view, I think what we look at in Canada is a whole farm type of farm support that keeps spiralling down and gets less and less all the time, and quite frankly, it's not working. You're dead right.

We have a crisis in this country in terms of the agricultural primary producers. I don't know if that's very well recognized, but we do. If we look across the border and look at what they do, they subsidize primary production at a commodity level and provide that as a basis for feeding the rest of their economy. And quite frankly, maybe that's a good idea.

The Chair: Mr. Bacon.

Mr. Wayne Bacon: Those are interesting comments, and I agree with them. One of the problems coming from the province of Saskatchewan is that we're not the richest province out there, and a number of other provinces have the dollars to put into agriculture. We're not only competing within Canada; we're also competing with United States and European communities, which does create a problem.

It's an important role for the federal government to make sure the dollars that the feds put in there are equally funded across this province, and to make sure they don't discriminate against different regions or different commodities.

One of the things you have to look at is how to put those dollars out there in a way that makes it equal across this country. I suppose if it were under the federal department, it would work very well; all the taxpayers would pay equally out there.

I think it's very important that we have food security in Canada. You can look at the food industry, or the dog food industry, and what has happened with it; that would never have happened in Canada.

There are concerns out there. I have concerns about the producers out there when you talk about food safety. I have a number of relatives, and my kids are not on the farm. One boy is, but I have three other kids out there who are in a different part of the province. When I'm producing food, I'm producing it as safely as I can to make sure nothing is going to happen. On my farm—and I likely speak for 99% of the farms—I know we do the best we can to make sure food is safe for Canadians. I really have a concern when we talk about food safety. If we have to spend a lot of dollars just to present records—If somebody is not going to be safe, the records are not going to make any difference anyway. They're something like gun control, as far as I'm concerned.

The Chair: Go ahead, Mr. Kremeniuk.

Mr. Terry Kremeniuk: First of all, it is important to look at things, as you suggested, from a national perspective. We talk about thinking outside the box, and that's a good thing. Unfortunately, when we're done with thinking outside the box, we get back into our offices and our routines and hop back into the box. What we have to start is doing outside the box.

One of the areas that really has affected our particular industry is this whole issue of federal-provincial slaughter equivalency. The federal and provincial governments have been dealing with this particular issue for years, and there is no indication that there's a resolution on the table. If we can't even get the ten provinces to work together on these issues, how can we expect to go out into a world marketplace and deal with trade issues?

On the trade front, from our perspective dealing with world trade is important, because one of our marketplaces is the European Union, and we're faced with a 20% tariff on product that goes into that country. That has to be dealt with.

•(1155)

The Chair: Thank you.

I have a couple of questions I want to ask.

We've had the APF I, and there have been consultations on APF II across the country, first round and second round. Have you participated in those consultations? Do you feel that you have been listened to? What do you expect the outcome is going to be?

That's for everybody.

Go ahead, Mr. Bacon.

Mr. Wayne Bacon: I hope they're better than what we have today, that's for sure. I have some major concerns with the CAIS program.

One of the problems I see with the CAIS program is that because they deal with a margin-based program, there are a number of producers who.... You can take a good look here at Saskatchewan. When you look at what's happened in the last five years, in 2002 there was a major drought in Saskatchewan. In 2004 there was major frost. In 2005 again we didn't get the crop off, and a number of acres didn't get seeded. It was the same again in 2006; a number of acres didn't get seeded. Basically the margins in Saskatchewan for a number of producers have fallen dramatically, and when that happens the CAIS program doesn't work for those farmers. It just does not work. They have no margins to work with.

The Chair: When you have said this at the consultation meetings held this winter, did you feel they were listening to you, and if CAIS didn't work, then they'd need to do something different?

Mr. Wayne Bacon: Yes, I think that's one thing. I don't know how you address it to make it fair to all farmers out there. I know we shouldn't be subsidizing farmers out there who are poor managers; that is going nowhere. Nowadays if you're not a good manager, you're not there.

If you look at crop production insurance over the last number of years, it has really fallen. If you go back to 2002, my yield has dropped four bushels because of 2002. The year 2002 was an abnormal year. It just doesn't happen. At least we don't think it happens; it did in 2002, but, in general it doesn't happen. My crop average should never have dropped by four bushels. If you go into Ontario, in their program they can only drop down to 70% of their long-term average, but here in Saskatchewan I dropped to zero that year on wheat, and that goes into my average. Basically I'm using a ten-year average on nine years of crop.

Those are some of the things you have to address on the production insurance side of this whole program.

The Chair: Yes, we heard that this morning.

Is there anybody else on the APF consultations?

Go ahead, Mark.

Mr. Mark Silzer: I was able to attend the business risk management consultations held in Calgary and then in Regina. I think the consensus was that it hasn't been working up to date, or certainly not working as effectively as it could be.

As to whether our voice is being heard, a lot of the very same comments in Calgary surfaced again in Regina. When we see what the final product's going to look like, maybe then we can make the decision as to whether our voice was heard.

One of the things that came out of there is there's a need—To try to develop a program that is going to fit across such a diverse industry as agriculture, which has so many different commodities and different regions, is pretty difficult. I think the message that came out of there is the need for a suite of programs tailored somewhat for individual enterprises or individual commodity sectors so that they might work better for them. Then you let the producers decide whether that's going to fit within their own operations, rather than trying to design a one-size-fits-all program.

Mr. Neil Ketilson: I personally didn't go, but I know the industry was represented at them. We were told there was good consultation. Quite frankly, it's really important that we have days like today and consultations like that, because we'd like to have some input into various things.

What was the result of it? We'll wait and see.

The Chair: The other question I had coming out of today's discussion was on the biofuel strategy. I think, Neil, you said we want to have a win-win situation.

One thing there is going to be more of, especially on the prairies, is canola meal. Has there been work done on rations for ruminants and for the swine industry? I know it hasn't been usable yet to any degree in the swine business, but is there any research going into that? If we're going to have all this canola meal, it's going to be a natural resource that we're going to have.

Second, I think the comment was made that we also need higher-yielding feed wheats. We did a whole work on the Canadian Grain Commission on the KVD issue. Do you see that as being an impediment to having more of these high-yielding wheats that will help the ethanol industry and the feed industry? That's open to all of you as well.

Go ahead, Mr. Bacon.

• (1200)

Mr. Wayne Bacon: Basically, at the Saskatchewan Canola Development Commission we're putting literally thousands of dollars into looking at ways to make a better canola meal—and not only a better canola meal: we're looking at developing varieties that produce more oil, so we will have less canola meal on the market.

There are some opportunities out there. Just look at the meal side, and pulling some of the special proteins out of those products to make it work. I think that's one of the areas in which the government still has to play a role; as producers put more dollars into research, the government seems to be wanting to pull back some of the research dollars. I think that's the wrong move; as producers put more into research, the government also has to be putting more dollars into research to make sure we get the best value we can out of some of these varieties.

In the development of wheats, the other problem we run into as producers is the KVD. It is a major problem. As we move forward, that's something that has to be addressed. I sit on the Western Grains Research Foundation, and there are varieties out there that I know will yield 20% better; they do not qualify to be licensed in Canada, yet they can be licensed in the States. That's just because of the KVD. It's one of the areas we have to address somewhere along the line if we're going to move ahead in the ethanol industry. If we don't, it's going to really hold back the ethanol industry, and basically down in the States they'll keep forging ahead.

The Chair: Go ahead, Mr. Ketilson, please.

Mr. Neil Ketilson: Our industry values research to a very high degree, to the point that we put 30% of our gross income, or about \$500,000 a year, into research of one sort or another. A lot of it goes as core funding to the Prairie Swine Centre.

With respect to canola meal, there's been a lot of work done on that already; more needs to continue, but it's a known quantity, with a pea-canola meal that would offset soybean meal.

On the ethanol side, though, it's really quite different. When you get into the ethanol, an awful lot of work needs to be done there because the byproduct is probably more suitable to the cattle industry right now than it is to the hog sector. There are limitations in terms of what we can use, so we need some breakthroughs there to figure that one out.

The Chair: Mr. Silzer.

Mr. Mark Silzer: I think when it comes to feed stocks, it's a concern for our producers as well, and rising prices.

One of the problems that we do have, I think there are some opportunities in some of these byproducts from the bioenergy market that we could use. But we don't have the research money to put into it, and as a result we tend to rely a lot on research that has been done through the cattle industry, hoping that it's going to work for bison.

So I think it's important that if government is able to fund some of that research, those dollars are made available for small, growing sectors like ours, because we don't have the critical mass, and we don't necessarily have enough money on our own to do some of those research projects. That's one avenue, I think, the government could really assist in.

The Chair: I want to thank all of you for taking time out of your busy schedules to present to committee today and participate in the discussion. We'll use it in formulating our final report, and it will go back to the House of Commons.

With that, we will suspend for lunch.

We're adjourned.

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