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Mr. James Bezan

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● (1310)

[*English*]

The Chair (Mr. James Bezan (Selkirk—Interlake, CPC)): I'll call us back to order. We're going to try to get this wrapped up by 2:30 so we can catch our shuttle connections.

We have with us today, from Weber Commodities, Larry Weber, risk management specialist. From APAS, we have Ken McBride and Lynette Keyowski. Brad Wildeman is here from Pound-Maker, and Ian McCreary, from the Canadian Wheat Board, is the director for District 6.

Welcome to all of you. We're going to start with opening comments. Please keep your comments to under 10 minutes so we will have more time for questions and answers following that.

Mr. Weber.

Mr. Larry Weber (Risk Management, Weber Commodities): Good afternoon, Mr. Chair and committee members. Thank you for the opportunity to be here today.

On April 23 I am going to begin my 26th year in the grain industry. Over half of those years were spent in Winnipeg. I was fortunate to have the Honourable Otto Lang as a direct superior for four of those years, while I was at Pioneer Grain, and I worked with the Honourable Charlie Mayer during the last time barley was contemplated for the open market.

Today I own a commodities and communications business, with farmers and industry as clients. My daily newsletter is distributed to over 6,000 farmers, and I speak 40 to 50 times a year to ag-related audiences.

While parts of my Winnipeg years were spent shaping agriculture policy, today I get to witness the effects of policy in the agriculture industry. Adam Smith, in his book, *The Wealth of Nations*, first published in 1776, described free trade as the obvious and simple system of natural liberty in which individuals are free to pursue their own interests while governments provide the legal framework in which commerce takes place. I would challenge anyone to find an industry that is more regulated than agriculture.

I will utilize my time today on risk management. In the rush to regulate agriculture, managing the day-to-day risk involved in farming has been a forgotten entity. In previous APF discussions, business risk management was categorized as a suite of income stabilization production insurance, disaster assistance, and a cash advance program. The underlying theme has been the same for the past 20 years. Top-down management isn't the best route toward discovery and innovation. It's time that the bottom-up approach is considered.

We, in this room, fall into the trap that we know what is best for farmers. We don't. Farmers know what is best for their operation. Farms today have become so diverse that blanket policies and framework are ineffective. If you question that statement, I challenge you to look at the CAIS results. We have created a system whereby farmers are risk takers, and when the actual risk is realized, either through forces of weather or through vagaries of supply and demand, government is looked upon to supplement the shortfall. One of the most common statements I hear from the farm is that governments created this mess we operate within and they can bail us out.

The current system has a farmer who is more important to the industry of accountants and chemical and seed providers than he is to supplying a continuous base for value adding There is a lessening cultural base on which to build the principles of a healthy society. I would suggest that it is time to ask the question: how did we ever get here?

Agriculture has lost its way. We are here today because we have not fostered innovation. We have allowed farmers to become risk takers, with government as the risk manager. A farmer who is shelling out $135 to $200 an acre on inputs and hoping everything works out is the recipe for disaster. The educational component to managing farm risk has been a forgotten entity.

Uncertainty on prices, yields, government policy, and foreign markets means that risk management must play an important role in many farm business decisions. However, for the majority of farmers it doesn't. There are a number of risk management tools available, including crop insurance, futures and options, and forward contracting sales and purchases. Today you can even buy weather insurance to mitigate weather anomalies on farmland. Farmers must become better risk managers rather than risk takers.

Let's start with crop insurance. How can you manage input cost risks when you cannot buy insurance to offset what you have spent? Name me one other industry where it is not possible. Your house is insured for the appraised value or replacement cost. You can buy business interruption insurance. However, you cannot insure the full cost of grain production. Canada's new APF must take into account the rising cost of farm inputs and allow farmers to insure their costs—all of them, not 60% to 75%.

Price is one of the many risks that today's farmers face when developing an effective risk management strategy. Agriculture and Agri-Food Canada have developed *Managing Market Risk*, a self-study publication that examines the key fundamentals of price risk management tools. Futures, options, bases, hedging principles, exchange rate risk, and contracts are the main focus areas. It was a good first step.

The educational component to risk management for farmers has been a half-hearted attempt by government over the past 15 years. Allowing farmers to manage risk should be the cornerstone of a new APF.

I was once asked by a government employee how much money I thought farmers left on the table because of poor marketing habits. My answer was, “It is incalculable.”

Education can and will mitigate some risk. The Canadian Wheat Board's pricing options are an example of a risk management tool that is being underutilized by farmers. Many farmers don't understand the tools. Providing tools without the underlying education to understand them is akin to giving all of us a scalpel and asking us to perform surgery.

In the early 1990s, a concentrated effort was made to teach farmers the benefits of futures and options through a program initiated through the western diversification fund. It was a success; however, the educational component to risk management should not be a one-year, one-hit wonder. Empowering farmers can result in a system that satisfies nearly everyone and promotes cooperation instead of polarization. We have a polarized industry. We created it. Politicians nurture it to the benefit of their ideological values, and it doesn't matter which side of the House you sit on. I watch way too much CPAC to think otherwise.

There are two other areas I'd like to mention during my allotted time.

The emerging renewable fuels industry in Canada will change the face of farming and could radically change the face of industry as we move from being export-reliant to having 18% to 20% of the grain we normally export used here at home, domestically, for fuel. Farmer ownership within the biofuel industry is key to sustaining agriculture at the farm level in Canada. Without policy to enhance farmer ownership, farmers will again be providing raw product and exporting our wealth. If you need a blueprint for success, I suggest you look south.

The United States has proposed a 2007 farm bill that will help more young people break into the farming business. In North America, it has been extremely difficult for young people to enter into farming. The health of an industry can be measured by the average age of the participants in that industry. Today, if we were using only that measure, it would show that we have a very unhealthy industry. Let youth be your guiding principle when developing a new APF. It is our future, and for many farmers wishing to retire during the next five to 10 years, it is their future as well.

If the new APF addresses risk management in the sense that it all starts with the farm and ends with the farm, government will have made a major leap to future success. We have forgotten our agricultural roots and lost our way, but it is never too late to change direction, not only to the benefit of farmers but to the benefit of all Canadians.

Thank you for your attention, and I look forward to any questions.

● (1315)

The Chair: Thank you.

Mr. McBride.

Mr. Ken McBride (President, Agricultural Producers Association of Saskatchewan): Thank you.

And thanks for the opportunity to visit with you again. I always find these opportunities very beneficial.

APAS, the Agricultural Producers Association of Saskatchewan, serves as a voice for agriculture in Saskatchewan. APAS envisions a future in which agriculture is profitable, rural communities are viable, and the role of agriculture in society is recognized and appreciated.

Canada needs a new attitude towards agriculture. We have developed a very bad attitude towards an industry that provides so much value to this country and this economy. This new attitude is the essential ingredient in the entire agricultural policy framework. Every pillar must have success as an objective for this industry, for this country. Science and innovation are the keys to success.

We have several impediments to overcome in order for Canada to be able to use the key. Our regulatory systems must be enabling and must ensure that we are able to use products developed through our investment.

Kernel visual distinguishability, KVD, is an example of an impediment to extracting value from our investment. An important market for Canada is and has been that for high-quality milling wheat.

The quality characteristics for which Canadian wheat is famous and which have allowed us to develop high-value markets are available in only certain wheats. Canada has chosen to ensure our reputation in those markets. The method has not been to register varieties that are visually indistinguishable.

There are many other markets and many other opportunities available for wheats with different characteristics. However, if the wheats that are developed for those other markets are not visually different from the high-quality varieties, these newly developed varieties cannot be registered in Canada.

As a result of this, we have wasted much of our investment because we will not put the discipline mechanisms into the system to allow for these different products to coexist within the Canadian system.

Even worse than Canadian agriculture's not benefiting from this development, our competitors frequently commercialize the new variety in another country, because we have no mechanism that gives us—the developer or the investor—a purpose for keeping it here to add value to our economy.

For some time, we have subjected our industry to the competitive pressures of the global market for its income. While many competitor countries have continued to supplement the incomes of their producers and shelter them from global pressures, we have handicapped our industry with many made-in-Canada costs: costs to our society through taxes, costs of inputs, global prices of inputs, costs of labour in Canada that agriculture producers must pay even though the money they get from a global market...these are all costs that are made in Canada and can be fixed in Canada.

The global market is not just in other countries. The global market for agricultural products includes the streets of every town and city in Canada. Agricultural production competes in the global marketplace everywhere.

Agricultural products move into Canada with little or no restriction. A huge amount of product coming into Canada is subsidized product, which reduces commodity values and creates a competitive disadvantage to producers in Canada. This situation has been unfair to the entire industry, and it has been unfair to the Canadian economy.

Our major competitors in other developed countries have implemented policies that treat their producers very differently from the way Canada treats its producers. They have provided money through subsidies to ensure their industry remains financially healthy. They have reduced competition from cheap foreign suppliers through various means, including trade actions, tariffs, and phytosanitary measures.

Canada has refused to implement policies to mitigate the damage from subsidies in other countries. Canada has allowed supplementary import permits from the agreed-to access limits. This allows low-cost imports from countries to continue to come into Canada. These imported products do not have Canadian costs of production, as mentioned above, nor do they go through all the processes Canadian production does to ensure safety and quality—another made-in-Canada cost to producers.

Canadian policy has a significant and prolonged negative impact on the competitiveness of this industry and the economy. We have required the industry to operate with insufficient revenue. We have continued to extract Canadian costs from it. We have forced the industry to compete in a competition without competitive tools.

As a result, we have allowed the industry to accumulate debt with a reduced ability to repay. Asset values have declined to the point where we have the worst debt-to-asset ratio ever. The U.S. has the best debt-to-asset ratio in their history, and they have had several years of record-high incomes as compared to Canada's having record lows.

● (1320)

Given that we compete in the global marketplace for our revenue, given that the U.S. revenues from the market come from government, and taking into consideration the ability that U.S. producers now have to purchase inputs, we must recognize that we have a significant policy deficit in Canada. We have tried in vain to operate an industry without sufficient money. We cannot expect an industry to operate in Canada, pay Canadian societal costs and Canadian labour costs, and work within Canadian regulation, while being required to use revenue from an international marketplace. It is not what our competitors in developed countries do. It is not what our government requires certain other industries within Canada to do. It is not sustainable and it is not logical. It is not what the industry needs, and it is certainly not what the Canadian economy needs.

As the value of the industry diminished, the political will to invest in research and development for the industry diminished as well. There was no strategy to look at what we had and to explore what it could be. There was no strategy to develop. Without sufficient money, the opportunity for improvement was limited, and profitability has been reduced because of policy failure. This has been further aggravated by our reaction to the perceived value decline. We cut back on publicly funded research when it should have been increased dramatically. This is no strategy to win.

If this were the normal business development of a corporation, the CEO of the corporation would ask the department management for very detailed information about how the policies were creating value for the corporation and how they were meeting shareholder needs. This is why we need a new attitude for Canadian agricultural policy and for the industry. This is an industry that has much ability to produce and much ability to provide solutions. There are several obvious areas for exploration, including nutrition, fuel, health, and the environment, where agriculture can provide solutions.

Opportunities for agriculture to provide a financial return must be continually explored and developed. This research and development needs the appropriate policy paradigm to perform in. It must foster an attitude of competing to win. In Canadian agriculture, we have spent many of our resources, both human and financial, to fix symptoms. The symptoms are mostly a result of the shortage of profitability. Fixing the symptom has relieved the symptom for a time in some cases, but it has left the overall problem unresolved. It is not productive to fix symptoms; we must fix problems.

As an example of the renewal program, what will attract and retain both people and investment? Both people and investment will follow money. This works in the U.S., and it is a principle that is always true. The program that attracts people to an industry without a strategy to retain them in that industry will be a chronic repaired symptom, without any lasting results other than to create the perception of a chronic problem and consume resources that would have produced a much more positive and beneficial result if they had been strategically employed to fix problems rather than symptoms. However, we're not talking about a subsidy that just makes agriculture profitable forever. This is no more realistic than believing the industry will be sustained without sufficient revenues.

We are talking about a strategy to build value in this industry and in this economy for the long term. We are talking about agriculture providing value and solutions for Canada and the planet. Agriculture and a new strategy can provide environmental and ecological solutions for Canada. There is much capacity to improve rural Canada through strategic investment and processing to meet domestic demand, while at the same time meeting concurrent objectives of growing the value of the economy, meeting international commitments relative to carbon, and creating an environment that Canadians want.

Science and innovation, combined with an attitude to win, are the keys to developing new strategies. Value from this industry, maintained and enjoyed within our economy, will build on the positives. Agriculture can provide solutions from a strategy. Agriculture is not a problem; our lack of strategy is the problem.

Attitude and strategy, combined with science and innovation, are the ingredients for success in this industry. APAS has been working through the CFA, along with farmers across Canada, to develop a Canadian farm bill. It is working toward success in our industry and for our country. It all starts with an attitude to win.

Thank you.

● (1325)

The Chair: Thank you.

Mr. Wildeman.

Mr. Brad Wildeman (President, Pound-Maker): Thank you, Mr. Chairman, for holding these meetings on APF and for inviting me to comment on the policies that will shape the future of agriculture. While I've had the opportunity to address this committee many times in Ottawa, as you know, it's great to see you in the heart of agriculture here in Saskatchewan, and we welcome you here.

Today I'm speaking on behalf of Pound-Maker Agventures Ltd., the company I'm employed with. Pound-Maker is a privately traded ag company owned by over 200 shareholders, most of whom are primarily grain producers. We were established in 1990, and our primary mission is to add value to primary agricultural production, to create jobs in rural communities, and to provide additional returns to our investors. Because of this vision, we have developed new and innovative programs for our shareholders and have allowed our shareholders to diversify their crop base and increase their returns.

We currently operate a 30,000-head capacity feedlot and a 13-million-litre ethanol facility, the first fully integrated ethanol feedlot facility ever constructed in North America. The complete integration of these two operations is unique worldwide. We currently utilize over 4 million bushels of feed grain annually and take the production of about 100,000 acres of grain and forage land.

Today we have purposely set aside our comments on business risk management and CAIS, because there are certainly others here and I'm certain you've heard lots about those subjects before. I'd like to target my comments to some other pillars.

It's important for me to begin by emphasizing that we recognize that Canadian agriculture is exposed to many risks, and the cattle industry is no exception. While many of these risks are difficult to mitigate, there are certainly tools available to manage these risks with some effectiveness. Options available to producers include production diversification, private insurance, commodity hedging and foreign contracting, stockpiling of feed, and employing robust animal health and vaccination programs, just to name a few. We see these and other private sector means as the preferred tools for business risk management in Canadian agriculture.

We do, however, acknowledge that government programs play an important role in agricultural risk management, and we believe this role is legitimate in exceptional circumstances. But during the development period of these programs, there are a number of principles that we believe government programs need to use to evaluate their design. Some of these include normal income fluctuation risk being left to the responsibility of producers. Programs must allow industry to be driven by clear market signals, and they shouldn't alter the competitive balance within industries, between regions, between sectors, and between operational structure types, including operational size. They must be structured to minimize risk of foreign trade action, and they should be transparent and predictable.

The cattle industry experienced several market-distorting programs in the past, such as the old national tripartite program that distorted market signals and ultimately led to trade friction and the threat of countervail actions. Recent announcements allocating millions of dollars to address high costs of production concern me for the same reason. My primary concern is the potential effect this type of program may have on foreign trade. The cattle industry in Canada exports 60% of its production in the form of live cattle and beef. This leaves the viability of the industry extremely vulnerable if trade actions are to occur.

Government support that is based on the cost of production can be vulnerable to countervail actions by our trading partners, including the most likely, the United States, which is overwhelmingly our largest customer. Support programs based on the cost of production can also alter the competitive marketplace and, in time, undermine productivity. When an industry receives ongoing government support, the support tends to be capitalized in the cost of land and land rent. Over time, ongoing government support will lead to reduced competitiveness for agriculture in Canada.

As a player in the cattle industry, our company believes the government's first priority in business risk management should be that we develop a natural disaster program. In May 2003, Canada experienced its first case of BSE. In the following weeks and months, the industry struggled to avoid complete shutdown, and it worked with governments attempting to address the crisis. We are all gratified with the response we had to assist our industry by all parties and all levels of government. Many of you who are sitting at this table were among this group, and we thank you for that. But the process takes time and is not consistent for all producers in all areas.

● (1330)

If a predictable disaster framework had been in place, solutions to the issues would have been more timely and the industry could have functioned with more certainty. A national disaster program will address natural disasters such as flood and drought and light natural disasters such as border closures. This framework would pre-emptively define a disaster, set out funding parameters, governance, and, to the extent possible, program details that are specific to the disaster. Producer groups and organizations could work with government to proactively develop plans that can fit within this framework. Predictability created by this would reduce industry uncertainty and encourage investment in Canadian agriculture.

Without a program in place, some disasters receive ad hoc support while others do not. Just last spring, an area of Saskatchewan and Manitoba farmland was flooded out. It was not seeded, and a disaster occurred that nobody could have planned. The government stepped in with a program to partially offset producer losses. This type of program is something that cattle producers in southwest Saskatchewan, the Peace River of B.C., Alberta, and northwest Ontario could have equally benefited from last year. They are frustrated that one disaster qualifies for aid while another does not. Without a framework in place, events are not treated consistently by government, and tensions and competitive imbalances occur.

With respect to animal agriculture, it's important to include these economic disasters that occur from disease outbreaks, not only from the losses that the disease itself can cause, but also from the effect of market losses due to border closure and market disruption. There are diseases in all of animal agriculture and within every species, whether it be avian influenza for poultry, foot-and-mouth disease, hog cholera, chronic wasting disease, BSE, or other unknown diseases yet to be encountered. The effect of the market reaction is damaging to producers, if not more damaging than the disease itself. Our experience with BSE is a clear demonstration of how devastating a disease outbreak can be to producers even though the disease losses themselves were inconsequential.

It is extremely difficult, if not impossible, to design an ongoing income support program that could deal with an economic occurrence like the one the cattle industry has experienced. While we're very pleased and appreciative of the support we received, one of the key lessons we learned is that a swift, decisive response is necessary to reassure producers and to prevent irresponsible actions by all stakeholders, not just producers.

The future of animal agriculture has depended, and always will, on our access to foreign markets. The successful outcome in WTO and our bilateral negotiations is critical to opening up a fair and level playing field for Canada in our export markets. As Canada is the fifth largest exporter of agricultural products worldwide, we need to take a leadership role in ensuring our interests are being addressed. Our negotiating tactics employed to date at WTO have damaged our reputation and have hurt our chance to have a deal that is best for the 90% of Canadian producers who produce export-dependent products. Only once we're successful in trade access negotiations can we fully realize the benefits that trade can bring.

During a recent trip I made to Asia to assess our Asian consumer markets, I learned that Canada is perceived as a very pristine environment, where wholesome, quality products are produced. The problem is that most consumers know very little or nothing about us at all. Our capacity to increase our promotion efforts in these key markets and to begin market promotion in the developing markets like India, China, and others will undoubtedly result in significant sales opportunities for all Canadian agricultural products. This is a key pillar, which should be strengthened in any new APF structure. This is where real, sustainable, and meaningful benefits can be achieved. They can be achieved from the marketplace, not taxpayer subsidies.

Finally, the need to invest in research to improve grain and forage varieties that can be used for feed and fuel will be key to maintaining our competitiveness in the future, for animal, agriculture, and biofuel production. While new technology continues to improve yields and returns on a per-acre basis in the U.S., our cereal grain varieties have not kept pace with that of corn. The new agricultural economy is changing the use of traditional crops from that of strictly food to one of feed and fuel sources. Unfortunately, most of our grain varieties to date, particularly our wheat varieties, have been bred and designed for human food characteristics, with emphasis on baking quality, protein content, and others.

• (1335)

Publicly funded research needs to be increased and targeted toward cereal and forage cultivars that address this changing market of maximizing yield and increasing starch composition. One only needs to look at the advances in canola production to see the opportunities for cereal and forage improvements in Canada. Not only will this improve returns to grain producers, but it will also improve our competitive position in cattle feed and ethanol with the U.S.

In closing, Canada has many unique advantages and stands at the threshold of an emerging world economy that will hold opportunities for export countries. I'm excited by the future potential we have for growing our industry, but we must recognize that our opportunity is dependent upon developing export opportunities, negotiating new and fairer market access agreements, and increasing our market promotion. We must develop and align our strategies and tactics nationally based on this reality.

It is unrealistic to think that governments can protect agriculture from normal economic cycles. We do need government to protect us from those events that are catastrophic and beyond our control. A national natural disaster program could provide that.

Thank you again.

The Chair: Thank you, Mr. Wildeman.

Mr. McCreary is next.

Mr. Ian McCreary (Director, District 6, Canadian Wheat Board): Thank you, Mr. Chairman, members of the committee, for this opportunity to present this afternoon.

My name is Ian McCreary, and I farm at Bladworth, which is just an hour's drive from here in Saskatoon. I'm here today on behalf of the board of directors of the Canadian Wheat Board. I have been a farmer-elected director of the Canadian Wheat Board since the board was turned over to farmers approximately eight years ago. I currently chair the board's farmer relations committee.

In appearing here today I'm mindful of the directive of the government, which does prevent us from speaking directly of the so-called monopoly powers of the Canadian Wheat Board. However, I'm mindful of the minister's view that directors can put their own points of view on the table, and accordingly I will be doing that this afternoon.

At the CWB we take a very broad view of business risk management. Farm income support is certainly a very important component of the business risk management file. As a member of the Canadian Federation of Agriculture, we mainly echo CFA's positions on this front. Grain producers need risk management programs that enable them to deal with the extraordinary production risks they face, as well as market risks related to price volatility and the international trade component that feeds non-economic signals back to our grain industry. These programs must provide a foundation for growth and stability in the grain sector. They need to be clear, sustainable, and predictable.

At the Canadian Wheat Board there's a view that there's a structural side to this issue that needs to be highlighted. Grain producers play a fundamental role in the stability and the prosperity of the agricultural sector as a whole, whether it is in the traditional sectors like grain exports, domestic milling, or production of livestock, or in the emerging sector such as the biofuel industry. Plentiful, consistent supplies of grains and oilseeds from western Canada are keys to the present health and future growth of agriculture in Canada.

Unfortunately, grain producers are also in an environment where they exercise relatively little control over the factors that affect the profitability and therefore the sustainability of our enterprises. On the variable input side, for example, a limited number of suppliers provide us with seed, chemical, fertilizer, and fuel that make up the bulk of our costs. Those suppliers have the power to set prices at whatever the market can bear. Grain marketing costs are no better. Where prairie grain producers once had access to two or three elevator companies in each small community, they now face huge distances to get to one terminal that serves their entire area. Grade, stockage, trucking premiums, and access to the grain handling system are correspondingly more difficult to negotiate.

Grain producers are more often than not captive to one provider of rail transportation. When that provider is unwilling or unable to supply them with the cars they require, they have little recourse as individuals. The existence of only three or four major grain merchants on the international stage means grain producers here can be played off against those in other nations and that commodities can be sourced wherever they are the cheapest.

In crops where only a handful of countries buy our export commodities, we can be suddenly left out in the cold by tariff and non-tariff barriers imposed on the whim of government authorities with political agendas. The economic or commercial environment in which grain producers find themselves is one that can be best characterized as a power struggle—a power struggle where you have a limited number of very large powerful entities on one hand and farmers on the other. This uneven power struggle has a direct bearing on farmers' ability to manage their business risk. When grain producers must bid down the value of their crops to get access to grain handling and transportation systems, it lowers returns. When they cannot deliver their crops because of the lack of grain movement, it shuts the tap on cashflow. When the cost of inputs follows the commodity prices in a never-ending upward file of narrower margins, we face increased risk. When a key customer decides to shut its borders, we face backlogs on the farm. Anything that can be done to return some measure of balance to this power struggle is a positive step and one that deserves to be supported in a renewed policy framework for agriculture in this country.

As a farmer-elected director of the Canadian Wheat Board, I would submit to the members of the House of Commons Standing Committee on Agriculture and Agri-Food that the CWB, with its current powers as a single-desk seller of wheat and barley, is just such a positive force. It gives prairie farmers a lever with which to exercise influence over our environment and manage business risk.

● (1340)

Let me point to a few examples of where this has been the case. Through the CWB, farmers stand united in their struggle to obtain good service at reasonable rates from the two mainline rail carriers. Whether it is through a level of service complaints, in direct negotiation, or in the work that has been done on the rail revenue cap, farmers have the CWB to fight on their behalf for lower costs and better access to the system.

The CWB has supported farmers' efforts in their bid to establish and maintain producer car loading facilities as an alternative to the existing grain handling system. Producer cars have enabled participating farmers to lower their costs and bring an element of competition to the environment, where otherwise that would not be the case. Also, producer-owned facilities have a major presence on the Saskatchewan market, and the Canadian Wheat Board as an international market creates a level playing field for rail services for those terminals.

The CWB has diversified markets where farmers can sell their wheat and barley. When a major customer closes its borders to our products, for example, when the U.S. slapped its duties on Canadian exports of red spring wheat in 2003, the prairie wheat industry does not collapse. In the case of the U.S. trade action, new markets were found while we fought the tariffs and eventually won their removal. Contrast this with the fallout from the BSE crisis and its enduring effect on the Canadian beef industry. Our farm operations are still suffering from that collapse.

The CWB's ongoing efforts to brand western Canadian wheat and barley as a consistent high-quality product, backed by a customer service package that is second to none, enables prairie farmers to tie into value chains and get a bigger share of the consumer dollar. When you have a branded product and customers associate value with that product, you can extract more for the product, even when the prevailing market prices drop and supplies of lower-valued commodities are ample.

Branding is ultimately a business risk management strategy. It seeks to develop customer loyalty, so that price is no longer the only determining factor when customers decide to make their purchases. At the end of the day, it really turns suppliers who are price takers into price makers. As a producer, that is our objective.

In addition to providing grain producers with the opportunity to exert greater control over their commercial environment, the CWB also provides western Canadian farmers with some unique pricing tools that also help them to manage their business risk.

The pooling option is the historical one, and it is reasonably well known and understood. The advantage of pooling, from a business risk management perspective, is that it ensures that farmers do not end up selling the entirety of their grain crop in low-price markets. By calculating average returns for the year, all farmers benefit equally from sales of high value as well as more price competitive markets.

It used to be that pooling was the only way to price grain through the CWB. That has changed dramatically since the farmer-elected directors have come to the board. We have added a series of producer payment options that provide farmers with a wide range of pricing alternatives. They can still pool, but they can also price their grain in advance through the fixed-price contract; follow the futures and price their grain at a later date through the basis payment contract; price it off American elevator prices through the daily price contract; or get their money up front through early payment options and still have the opportunity to benefit from future price rallies.

These options are significant from a business risk management perspective because they give farmers the ability to customize their wheat and barley pricing according to their individual needs as farmers. If they need to lock in a price for cashflow purposes or to obtain credit, they can. If they need the opportunity to follow the market and pick off market highs, the PPOs enable them to do just that.

That said, pooling remains the most popular pricing option. It is a simple, cost-effective solution for farmers who do not want to see their wheat and barley sold at the bottom of the market only to have prices rebound as the year wears on while they are left with no crops to sell.

So if the CWB is delivering these business risk management tools, what is the board of directors asking the standing committee today? I want to leave you with a number of messages.

● (1345)

First, we're asking the Standing Committee on Agriculture and Agri-Food to provide the legislative support necessary for farmer-run marketing agents to continue to work effectively on farmers' behalf in the area of business risk management. I'm not talking about more money here. I'm not asking for government programs. What is needed is a commitment from the committee that marketing agents like the CWB, agents that re-establish some balance in the marketplace and provide grain producers with solid price risk management options, must be enabled to continue exercising the powers that really make them effective.

Secondly, we are calling on the committee to clearly establish how, in the absence of the single-desk powers, the CWB could effectively provide farmers of western Canada with the same kinds of business risk management tools that exist today.

Thirdly, we'd like to know what the committee will do to ensure that the government provides risk management tools to farmers of western Canada if it does proceed with its current policy of making the CWB a voluntary marketing organization.

Lastly, we ask the committee to pause and take a look at what the CWB is proposing in its plan for the future and what we've called the “harvesting opportunity”. The board and senior management at the CWB have spent a lot of time developing this plan. It lays out in some detail how the CWB could do more for prairie grain producers than it does today.

So far there has been no willingness on the federal government's part to engage in meaningful discussions on this plan. It is my hope that in the context of trying to do something real to help the farmers of western Canada better manage risk, the government may revisit this position.

Thank you for this opportunity. I look forward to having some discussion and questions.

The Chair: Thank you.

Mr. Easter, you're going first for five minutes.

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

In the interest of time, I'll ask my questions off the top and go from there.

Mr. Weber, in the emerging renewable fuels proposal, you raised some concerns, and I do have the same concern. I'm a little worried that we may end up setting up a profit centre for the oil companies here rather than a profit centre for the rural communities and farmers. Basically what you're suggesting is that there be government intervention in the marketplace, as there is in the United States, in order to accomplish that. I wonder if you could expand on that further.

With regard to the other points that were raised, mainly by APAS, Ken mentioned the accumulated debt. What George Brinkman has written in terms of his numbers with regard to comparing Canada and U.S. debt is absolutely startling. He blames the per capita farm debt to a great extent for the problem we're having in income. He says this:

> 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.

Now, I would add that those at least are the subsidies we can see in the United States. There are a lot of subsidies down there we can't see in terms of health and safety and some of those you mentioned.

In your proposal, you basically said that Canada has refused to implement policies that challenge other governments' actions. Can you expand on that a little bit? Do we need basically quick-response war rooms in this country, as we have during elections?

Your 17,000-square-foot building is going to be available, I understand, James.

Do we need to have something like that in place, a quick-response war room to challenge the dumping of products, etc., in Canada?

Secondly, on quality and health, it baffles me how we allow products into this country that are growing from the herbicides or whatever that we're not allowed to use. How do you propose to deal with that? Ian's proposals, I think, were pretty self-explanatory.

Perhaps you could answer those couple of questions.

● (1350)

The Chair: Mr. Weber, the first question was to you.

Mr. Larry Weber: With regard to government intervention into ethanol, the 5% renewable fuels standard is only one step. There needs to be access for farmers to funds so they can invest in farmer-owned ethanol or biodiesel plants.

Our farmers are coming off three years of negative farm income. They don't have money to invest in anything right now, let alone some ethanol or biodiesel project for their own area. I believe it's incumbent upon government to give them access to capital. It can be repayable, but we need to give them access so they can invest in local rural communities to make them successful again.

The Chair: Mr. McBride.

Mr. Ken McBride: With regard to your first question, and the subsidies and the amount that we've been spending based on what the Americans are spending, I think it's a clear indication of what a strategy can do for you. What they basically put their money into, those five commodities, we probably spend per capita very close to, but we blast it out over a large number of commodities—200—and hope it sticks to somebody. We just continue to do that time after time, instead of doing it by a strategic method to ensure that money goes into the industry.

They've decided their producers will be profitable, and then they, in turn, will supply a commodity so that the infrastructure above them can take advantage of that product and become profitable, as the next level above them becomes profitable because they also have a cheap commodity to work from. It's indicative of what a planned concerted strategy can do for an industry.

Now, do we need to have a war room? My understanding is that's not the Canadian way. But we need to become more proactive in recognizing what is happening in other jurisdictions and how it's affecting our producers, and become more proactive in ensuring that our producers have the competitive tools to be able to compete in the marketplace. We, as producers, are very good at producing. We need the competitive tools to ensure that we have that competitive advantage with other jurisdictions.

Now, the second part of your question talked about how other types of product come into Canada based on a regulation that is probably totally different from our own. There are a number of them. We talk about the supplemental beef imports coming in. That beef is probably produced under totally different regulation from what we have in our own country, yet it is allowed to come into this country and compete with the beef we have here.

Mr. Wildeman talked about the fact that we export a tremendous amount of beef out of this country, yet we also bring a certain amount of beef into this country on an over-tariff. And simply, our producers here have our Canadian costs to work with to produce that beef, yet they have to compete against a product that doesn't have the same regulation they have. So I think there are things that we need to do to recognize regulation in other countries and harmonize.

● (1355)

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

[*Translation*]

Mr. Gaudet, for five minutes, please.

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

I would like to hear your opinion. At the conference on agricultural opportunities in 2007 organized by the USDA on March 1st and 2nd, the U.S. Secretary of Agriculture, Mike Johanns, stated that a federal investment in agriculture is very desirable and productive. He added that the form the investment takes is key. He also said that such an investment has to provide certainty and preclude any possibility of trade challenges.

In your view, what would be the best way for the federal government to invest in a new agriculture and agri-food policy without getting slapped by the WTO or somebody else? The Americans seem to know how to do it. I would like to know your opinion on this, Mr. Weber.

[*English*]

The Chair: Who wants to go first?

Mr. Larry Weber: I'll go first.

With regard to the WTO, let's start with risk management and carry on from Mr. Easter with ethanol. The great thing that the rest of the world has shown us first is that the development of ethanol and biodiesel is not countervailable, it's GATT-green, and everybody else is doing it. Even if we adopt their principles and their theories, it's going to be considered GATT-green or WTO compliant. So I view it as a great way to subsidize agriculture in the short term.

The Chair: Mr. McBride.

Mr. Ken McBride: I think what we need to do is develop the processes and the programs in our own country to ensure that a large part of what we produce in our country could be consumed in our country. Then we'd get away without having to worry about....

In regard to the biofuel industry, there are a number of things we could do for home-grown types of solutions that would take a lot of that product that we're trying to put out on the world market.... Let's put it into something we consume. The biofuel industry is a perfect example of where we can start to add that value in our own country and not get into the possibility of those types of trade distortions or trade challenges.

The Chair: Mr. Wildeman.

Mr. Brad Wildeman: We see WTO as a very important opportunity for us. Again, we're the fifth largest agricultural exporter in the world—remember that—for agricultural products. We're the number one exporter in several commodities. Anything we do we have to honour WTO, and we have to be more aggressive there to ask others to do that. I think this round that's going on now is critical to the future of agriculture, that we get these disciplines in place. Some of these issues that some of the other panellists have been talking about can be solved here if we get to the table and get some work done there. But absolutely for agriculture, for 90% of the producers in Canada, it's the most important thing.

We can do bilateral negotiations. Remember, we're a country of 31 million people that's competing for bilateral FTAs against places like the United States, with 300 million. We're always going to be a taker in that market. WTO gives us the opportunity to really do something for agriculture.

The Chair: Mr. McCreary.

Mr. Ian McCreary: Yes, I certainly think, as Brad indicated, we're in the export business, and ultimately we have to run the new programs through the lens as to whether or not they are WTO compliant. That's one of the key questions that has to be asked in the context of property.

● (1400)

The Chair: Ms. Keyowski.

Ms. Lynette Keyowski (Executive Director, Agricultural Producers Association of Saskatchewan): Thank you, Mr. Chair.

I wanted to come back to Ken's comments about adding more value at home. I believe that is accurate, but we will always play on the international stage as well to a certain degree. But if we come back to the notion of having an attitude to win if we're going to go to WTO and negotiate—and I agree with Mr. Wildeman's comments that we need to be there and there is absolute value in being there and negotiating hard for our positions—let's not come home and give those positions away. We have done that historically. We went to WTO and negotiated hard for a tariff line on beef and came home and gave just as much away in free supplementary import quotas to compete with our product at home. Let's marry those. Let's build the value with them. Let's agree to our agreements that we make on the international stage.

[*Translation*]

Mr. Roger Gaudet: Most farmers tell us that the Americans and Europeans heavily subsidize their agricultural sector. How come we cannot do the same? My question was really very simple, how come the United States and the European Union can subsidize their farmers without getting slapped and we cannot do so? This was my real question.

[*English*]

The Chair: Mr. Wildeman.

Mr. Brad Wildeman: First, a very brief history. As Mr. Easter would know, in the Uruguay Round we really took all sorts of different import restrictions, whether it was TRQs, duties, or non-tariff trade barriers, and we tried to lump them into these boxes, and we were successful in that. Unfortunately, that's as far as we got in that round. This round is about trying to put disciplines on these people. I think one of the key things from Canada's perspective is that first we need to know what those rules are. Once we know what the rules are, then we should be developing our programs around those rules. Unfortunately, I think we developed our programs before we knew what the rules were. So we need to be there. We need to get that thing settled. We need to figure out what the rules are and then design our programs to fit within those rules and bring maximum benefit to our producers. It's the chicken before the egg.

The Chair: Ms. Keyowski, very short.

Ms. Lynette Keyowski: It will be short. I will address that in line with the same comments I made earlier. As Mr. Wildeman said, at the Uruguay Round we did a lot of negotiation, and when we came home we got rid of everything we agreed to the day we came home. Other countries retained their ability to subsidize, and we are still fighting with that. We are still living with that every day, and now we're negotiating rules that are going to say we'll negotiate what we have now by the same level down. We came home and gave everything away, and they did a little bit, but now we're going to negotiate down by a proportionate amount. We're our own worst enemy when it comes to these negotiations, and we need to be our best friend.

The Chair: Thank you. *Merci beaucoup.*

Mr. Miller, five minutes, please.

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

Ladies and gentlemen, thanks for being here today.

Over the last few days we've heard lots of good suggestions. In some ways, maybe we've created more questions than answers. But one thing we did hear the other day, and I think it's worth noting here, is that there are many pieces to the puzzle for solving the problems in agriculture.

One that I know a young lady told us—I believe it was yesterday in Alberta—is that awareness and educating our urban cousins is part of the puzzle. I think that needs to be noted today.

I see more media here today than I've seen anywhere we've been in our travels. I think that says something for you producers and groups here in Saskatchewan, because the media does have a role and a responsibility in helping us as politicians and you as agriculture groups to educate.

Another thing we've heard here, and I think it's starting to be a fairly consistent thing—Mr. Wildeman, you commented on it—is about having a national disaster program. I agree with you 100%. One question we need to sort out is what, exactly, a disaster is. You mentioned some of them. Two of the most recent ones were BSE and the avian bird flu, and of course there was the flooding in Manitoba not too many years ago, and I'm sure there are a couple I've missed. How could we set up something so we could actually define what a disaster is, what qualifies, that doesn't start duplicating what another program is supposed to do, whether it be crop insurance or CAIS or something?

● (1405)

Mr. Brad Wildeman: I think if you look at current trade agreements internationally, and WTO particularly, it's defined quite clearly there. It says that if your production is less than 70% of your normal production, you would then qualify for disaster relief. The problem is that it's only designed right now for production, so in natural disasters, when you may have massive reductions in income, if your production doesn't go down, it doesn't qualify. So that needs to be clarified. Our understanding is that in this round of negotiations, that's going to be talked about. I think other countries have learned that lesson.

I think one of the things we found with BSE, because we never got to the stage of declaring it a disaster, was that you try to tie us to these other programs. So then we get into this problem of whether it is margin or isn't margin. So really, we just delay it. Lots of people got payments, and they were clawed back, and that caused a lot of animosity.

There are a few things that need to happen. Define what a disaster is. I think that's relatively easy. Define the cost sharing, which is a huge issue we fought with, and many of you in this room know that very well. What is going to be the federal-provincial cost sharing when those are declared? That's what stopped a lot of these declarations from being made.

Lastly, we need to have those payments independent of other income support programs, or else you give it away with one hand and claw it all back with the other.

Mr. Larry Miller: I have just one more thing. You mentioned the federal and provincial part of it. Should there be any producer part of that?

Mr. Brad Wildeman: Yes. I think what they're saying is that the first 30% is a producer problem. You should be able to live within those 30% losses. Now, these other income support mechanisms that we have within business risk management will compensate for those. I think it's when you trigger below that that you need to have intervention and prop up that thing, or else those other ones fall apart, because you don't have the margins to support it. That's what has given our industry problems.

Mr. Larry Miller: Thank you.

Do I have any time? A little.

I have just another general one, and one or more of you can answer this. What one-liner can you think of as a real good way to encourage and keep young people from getting out of agriculture?

The Chair: Go ahead, Mr. McBride.

Mr. Ken McBride: We need to have profitability. People need to start to recognize and realize some investment on their income.

I want to talk a little bit about the other question you had. How can we get the urban people that sort of information?

The one that really gets me is the Bombardier ad, where the guy is on a safari and he looks up and says, “That's my plane.” Now you can say that the guy is an employee of Bombardier and he's proud of that plane. You can say he's a taxpayer and he's proud of it because of his investment. It's always seen as anything going into that is an investment. Now, anything going into agriculture is always talked about as a handout, or whatever. It's not seen as an investment, and believe me, it is an investment. Any time that money goes in, it never sticks in my pocket; it always moves through into the economy. We need to recognize that. That guy in that particular picture looks to me like he's been pretty well fed.

Those are the types of things. How can we say suddenly that it's an investment for one part and it's a handout for another, and it's still doing the same for the economy?

The Chair: Mr. Weber.

Mr. Larry Weber: At the University of Saskatchewan, I guest lecture third- and fourth-year ag-economics students, and a big thing is attitude. It's hard for them in the third and fourth year. Just two weeks ago I asked the fourth-year students how many of them were going home to the farm, and out of the 70 there, two were going back to the farm. That's unnerving to me. I did ask why, and part of it is attitude. We foster the environment of handouts, and agriculture over the past five years has been really negative; look at your negative farm income.

So it's difficult for those kids to see a promising career back home on the farm. We need to change the attitude.

The Chair: Thank you, Mr. Weber.

We're out of time.

Mr. Atamanenko, you're on.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): Thank you very much for appearing here today.

Ian, you mentioned an "uneven power struggle" nationally. I'd like to take this one step further and talk about that internationally.

Maybe, Ms. Keyowski, I'll start with you because you were talking about us negotiating and agreeing to things and coming back here and they don't seem to work. I posed a question to different people yesterday and today about supply management and how it fits into the whole framework of negotiations at the WTO, but when you were talking, I just thought of another thing. In our supply management sector we allow something like 5% of the poultry industry to come in, or 7.5% from NAFTA countries. But internationally, the European Union has a quota of 0.5% for pork, for example. So as an example, before we do anything, before we even think or talk about supply management—and our government has said it will guarantee supply management—should we not just be saying to these guys, look, we've got this 5% for poultry and it's a managed sector, so let's start here, Europe. Why don't you allow 5% of your pork production to come in as imports from outside Europe?

That's the first question I had. Maybe I'll get you to answer that.

● (1410)

The Chair: Ms. Keyowski.

Ms. Lynette Keyowski: Thank you.

Just to be clear, your question is really more about, why aren't we looking for better access in other countries? Is that accurate?

Mr. Alex Atamanenko: Yes.

The tendency is that while we have a couple of state-trading mechanisms or enterprises—the Wheat Board and supply management—and people are saying we've maybe got to look at them, I'm saying that before we even do any of that stuff, we should be getting those other people down to the playing field we're at, getting Europe, for example, to allow in 5% of their pork production.

Would you agree with that?

Ms. Lynette Keyowski: I wouldn't disagree at all with that.

The way our supply managed system works is that it reduces our supply here, of course, but it also restricts the ability of suppliers to expand supply for export into other countries. So for us to be successful, we need to maintain those restrictions very, very carefully. So if you're looking specifically at those commodities, I think it would reduce the competitiveness that supply management brings to those suppliers—and it is a profitable sector of the industry. And there are all of the arguments about supply restriction and those kinds of things, but those suppliers are a competitive sector of the industry, and it is something our competitors look at on the international market and target, the same as the Canadian Wheat Board.

So in terms of asking other countries to reduce their quotas or what they're allowing into their countries, or to expand those, yes, perhaps we should do so with those commodities in which we are more free trading. But I wouldn't encourage it from a Canadian perspective, because we absolutely want to retain that small piece of profitability we do have in our industry.

Mr. Alex Atamanenko: Thank you.

Mr. Brad Wildeman: I think one of the issues is it sounds good. If everybody went to 5%, we'd all be happy. The reality is that for almost every one of our export markets that we deliver, whether it's beef, pork, canola, every one of those countries are exporting today at exports much higher than 5% of their domestic consumption right now.

So you're actually allowing them to go backwards by saying, "Well, if it's 5% clean, if it's 5% for everybody, we're happy with that, and we'll face increased tariffs, increased border restrictions for our export markets today." So although it sounds good, it simply isn't true.

Remember that for the kinds of products that we're producing and the kinds of costs that we're incurring in producing them, there may be 140 countries in this world that trade, but very few of them will trade at the values we require in our industry. So I think that's a simplistic thing.

My final comment would simply be this. You can't go to these countries and say, "Open up your borders and reduce your tariffs, but, by the way, not for these products." We're either going to be a trader or we're not going to be a trader. That's what got us into this disaster we're in with the WTO today.

Mr. Alex Atamanenko: Let's look at the power struggle here nationally. How do you look at this, and what role do you see that your organization, the Wheat Board, can play in this, or is playing?

● (1415)

Mr. Ian McCreary: I mentioned the key one I think has been with regard to the rail sector. We're a key leverage for farmers in terms of ensuring access to the rail system and also in terms of determining the rates.

We also play a major part in affecting the competitive balance in the grain industry because we're the first point of entry for the carriers. Independent producer terminals exist in western Canada where they don't exist in the United States. The reason for this is that we negotiate a framework on the rail side and then, in turn, deal with farmers on how they want to deal with the system.

So there are a number of key commercial pieces that we provide on that front. I would say that as the sector becomes more concentrated—the marketplace that Larry spoke of—in order for it to give you a price discovery that's reasonably balanced, it has to have a reasonable access to both providers and demanders of any service or good. As we look at the concentration that's happening on our side, we've seen their costs go down on the fertilizer side, and because prices have escalated, fertilizer prices will be almost double springtime values versus what some of the other players have seen.

So there's a very significant market power imbalance on the farm input side that we at this point are less directly involved in.

The Chair: Thank you, Mr. Atamanenko.

Mr. Steckle, five minutes.

Mr. Paul Steckle (Huron—Bruce, Lib.): Lessons taught should be lessons learned. You applied that principle when you spoke about having the policy. Once we determine what the policy is, we should set our policy here in terms of direction, of what we want to do, and put that in place after the fact.

Because you're here on the beef side, I can't help but go back to what happened in 2003. We learned some lessons there—hopefully—particularly in terms of what the committee did in looking at the beef packer industry. The beef packer industry took the beef issue to extreme extremes. There was profitability at levels never seen before, at the expense of consumers and at the expense of primary producers.

We need to learn the lesson that when we design programs, we don't design them so that the money is to be recalled at a later time or in fact ends up in the pockets of people other than those for whom it was intended. That's what happened with the beef industry. I hope we have learned some lessons there, but I'm not sure we have, because the beef industry itself is displaying to me the kind of habit they have had for a long time.

We built capacity in that three- or four-year period, in order for the industry to take care in the slaughter of their beef in this country. While we had capacity built to almost 100%, we are now supplying that market at about a 70% level or even less, and I think that's a disgrace. I say that to the beef people and I say that to that industry because I think they have betrayed even the best intentions of a government—and it doesn't matter what government. I believe the government did what they felt was best and worked with the industry the best they could.

I think we have some lessons to learn. There is a move—and I know we're not here to talk about the Wheat Board, but I'm using it as an example—to get rid of an agency that has served this country well and has been improved upon over the years. We have given options in the province of Ontario. Those who chose to sell in an open market last summer or late last summer would have sold wheat at about $103 a tonne. Those who sold it to the Wheat Board, where the pool price would apply, are going to get about $180. So there are merits.

I think we need to learn—and this applies to the thing we talked about before—but I'm not sure we have learned lessons. Some of us have been around this table quite a number of times, and we're hearing the same thing. We have too many governments competing in their own little niches, and we have too many farm organizations competing. At the end of the day, we all want to come out waving the white flag, but it doesn't happen very often.

It's time we started moving away from those competitive issues that we develop for ourselves, like interprovincial trade barriers or where some provinces can afford while others can't afford.... We have to get down to a point I've made time and again, but I need to stress it because it may be the last time I go across this country with the ability to say these kinds of things. It's time we put this whole issue of food security purely and simply into the control of one government.

If we believe food security is important to this nation, then we will develop policy to support that. We will deal with those kinds of encumbrances that are put in our way because of other governments, whether it's the Americans or others. We will find ways of dealing with them. But first of all we have to believe in something. If we don't believe in something, we'll just keep on doing the band-aid, ad hoc programming.

How do you feel about that kind of thing? Am I in an area where you don't want to go or don't feel comfortable with, or am I completely lost, forget it, put it away, close the book, and drive on, doing what we've done poorly? Dr. Phil would say, “If it doesn't work, change it”.

● (1420)

The Chair: I would ask everyone to keep their comments brief, because the time is just about up.

Mr. Ken McBride: Thank you.

Larry said it very well. It's attitude. What we need is a willingness in this country to recognize the importance of agriculture and what it can do for this economy. We need to treat it as something that is important and as something that we value, and we need to value those people who are involved in it. It doesn't matter what level they're at.

My concern is obviously primary production; however, I think it is incumbent upon leaders to lead. We need to have an attitude, fostered through this whole industry, that says, “We're going to win, and we're going to win on behalf of agriculture in Canada, and it is going to move ahead and it's going to be valued in our society and in our economy”.

The Chair: Does anybody else have a comment?

Mr. Brad Wildeman: I think you're right. We had a strategy, and we dealt with it at the time, but let's remember that we still have 100% of capacity. Why are we killing at a 70% level? It's because we have some very significant things going on.

We have a very extreme labour shortage in the hottest market in Canada, where the majority of our packers are. There simply aren't enough people to go around, unless we're prepared to lower our prices considerably to some level. I don't know what level it would have to be at for them to pay the kinds of wages to be able to track that kind of labour. We're in a short-term problem.

Secondly, we have yet to open up some of those high-valued export markets that allow us to be competitive. Remember, we're into some markets, but the U.S. is into many more markets. We're 60% dependent on trade, and they're about 20% dependent on trade. We still have some recovery to do there, but I think those things are there.

Thirdly, we've asked our industry to take on some additional costs. The U.S., through NAFTA, is our competitor. What's particularly coming up and staring us in the face now is this whole feed ban enhancement probability.

On the food security issue, my answer to you would simply be this. Again, food security in Canada is not likely going to resonate very far, considering that we're the fifth largest exporter in the world. We tell some of the protectionist countries we trade with that the best source of food security they have for Korea and Japan, for example, is to have their borders open to as many countries as possible that can supply them with product.

I think our question is this. How do we raise the value of the other markets that we're dependent on to keep agriculture viable? I don't think it's the Canadian domestic market.

The Chair: Thank you.

Mr. Trost.

Mr. Bradley Trost (Saskatoon—Humboldt, CPC): None of you dealt directly with ethanol in your presentations, but it is something that's a major issue. A lot of the demand and drive is to have producer input.

I'm going to express a little bit of frustration here. Different groups come and look for producer funding. But when I see the groups, I guess in some ways they reflect the overall farm community. The older, well-established farmers are the ones who come. What about the 15-year-old kid who's riding the school bus? Three years from now, he'll be out. He'll work in the oil patch for two years and will then try to start farming. He'll have a few cows, etc.

This is my frustration with all sorts of programs, and ethanol is the example I'm asking about. Do you have any suggestions for programming to get producer involvement for any value-added program that's not basically one time for the first guys at the front?

Ethanol is the biggest example. If the 500 biggest and most successful farmers are the only ones who get aid for ethanol projects across this province, it's not really good for long-term viability. It's not fair to the 15-year-old kid who's going to farm.

I'm a farm kid. I said this to an earlier panel, and I say it frequently. I was so successful at farming that I retired after two years. Everyone knows what it's like. All the young people in this province basically retired after a year or two. One of my 12 cousins is farming.

Do you have any suggestions for value-added programs, etc., that are not only good for the one-time guys at the front but are continuous for agriculture in the future, not only for present farmers but for future farmers? I am really open to ideas. I haven't really heard a lot over the last couple of years.

● (1425)

The Chair: Who wants to go first?

Brad.

Mr. Brad Wildeman: I invite you to come to our place sometime to have a little visit, because here is a company that has 200 shareholders and 50 employees, and 70% of those employees were born and raised within 20 miles of our place. Over 70% of them are involved in a farm, either helping their parents or farming on the side, or trying to start a farm of their own.

So to biofuel and what drove that a little bit, in our case, we were fortunate when we built. We've been in the ethanol business since 1990, so we've been around a couple of days. One of the things we have to determine is, are we building ethanol because we want to have an alternative grain fuel, or are we building ethanol because we want to regenerate rural economies, or, thirdly, give farmers an opportunity to move up the value chain? If those are the answers, if the answers are those last two, then I think we need to restructure the way we're doing biofuel now. where we're saying every company qualifies, because when it comes economy of scale, you cannot.... Ethanol production is very sensitive to economies of scale, but you can do other things like we're doing that we think are pretty competitive. But they're done on a smaller scale and they're done because they're targeted to rural communities and farm ownership.

That's the way it started in the U.S., where the government and state governments guaranteed loans for producers to be able to invest in these things and put a cap on the kinds of tax exemptions that companies could get in those states where they were built, to make sure these multinationals didn't build these huge ones and take over the market instantly.

The reality is that one day last year, a few months ago, there were announcements of three plants in the U.S. Those three plants would supply Canadians, all of Canada, with the renewable fuel we need.

So I think we need to have a strategy that's targeted. If the strategy is increasing value for farmers, allowing participation, and doing rural development, then we need to change the program from the way it is now. Unfortunately, that isn't the way the programs are structured today.

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

Mr. Larry Weber: Access to capital should be your main concern to drive producer investment and producer participation. Giving Husky Oil $80 million to go and develop ethanol is not a great move for rural Saskatchewan. Drive that back to the farmer participation level and then we'll start to see rural revitalization, not a plant in Lloydminster.

The Chair: Ken.

Mr. Ken McBride: I believe that. We also need to look at this, because if we don't start doing some of these things to ensure viability in rural Saskatchewan, that kid won't be bumping up and down the road in a bus, because it simply won't be there for him. So what we need to do is to ensure now that we start to build value so that they know that it may not be ownership in that plant right away but that what they produce has an end use that is valuable, that is close, and that there's also maybe a job in the meantime for him or someone else to take part in that community.

It's a total strategy built around ensuring that there's longevity for rural Saskatchewan, and you're not going to do that with one or two huge mega plants. You need to ensure that those plants are situated throughout a number of places, thereby stimulating and helping that rural economy. You will bring people back.

Mr. Bradley Trost: Does anybody want to expand their comments beyond that?

The Chair: You're out of time, Brad.

Ian, did you want to get in on this?

Mr. Ian McCreary: The only thing I was going to add is that I think there's a bit of a chicken-and-egg piece, in the sense that Brad mentioned rural labour. Increasingly, the reason that highly talented young people choose not to live in rural Saskatchewan is that the public sector infrastructure, education and health, has deteriorated enough that it isn't as attractive a place to live, frankly, as a lot of other settings, and that's going to be an issue for economic development in a lot of areas.

A friend of mine once said, “Listen, I had three kids with master's degrees who all wanted to farm, and our farm was making money. But you know what? They all looked at it and said, there's no access for the things I want for my kids within a few miles of this place; we're gone.”

The economy tends to move to where it's a decent place to live, because there are a lot of mobile jobs in this world.

● (1430)

The Chair: Thank you.

Mr. Hubbard.

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

Apparently Mr. McCreary is bringing up a point that is a problem all across rural Canada, not only in the agricultural sector but back home in the forestry sector. It seems everybody wants a city job, and 37 hours a week is a lot better than 75, for most people.

I have just a couple of quick points. With capitalization, I read in the paper where somebody it seems has a rather poor quarter section for sale out in Saskatchewan. They talk about it not being very good for farming. They want $60,000 for it. If we look at the average farm, where you think you're going to at least make enough to keep your family fed for the next year, it seems that you need 2,500 or 4,000 acres. So with the capitalization that's needed to maintain that, I guess the basic question is, why is land so expensive?

You're the economist, Larry. How about telling us why land is so expensive?

Mr. Larry Weber: I'm far from being an economist, but I don't view $60,000 as being expensive for land. We have the cheapest land value here in this province of anywhere in the world. If you go to Alberta, you can't touch land for $1,200 or $1,300 an acre. If you go next door to Manitoba, it's $1,200 to $1,600 an acre.

Hon. Charles Hubbard: So this poor farmer who's going to start off at 25 years of age needs at least $2 million worth of land—

Mr. Larry Weber: You can't start farming today unless you have your parents' help. That's a fact. It will not occur.

Hon. Charles Hubbard: Does everybody agree that unless your father or mother leaves you a farm, you can't farm in Saskatchewan?

Mr. Larry Weber: For goodness' sake, let's keep our kids in the rural area by giving them a chance to stay on their family farms.

Hon. Charles Hubbard: So you have three children who all want to farm.

Mr. Larry Weber: It doesn't work.

Hon. Charles Hubbard: So do you draw lots and see who gets the short straw?

Mr. Larry Weber: The oldest guy's usually out on the road, so the youngest guy gets the farm. That's how it goes.

Hon. Charles Hubbard: It's really quite a dilemma when you talk about everything. It costs so much to capitalize. If agriculture is as poor as you seem to present to this committee, why would anyone even want to think about it?

Mr. Larry Weber: We have to change that attitude and yours.

Ms. Lynette Keyowski: I don't know if this will provide you with the complete answer, but with property assets, the value is relative to the next best alternative. So it's partly opportunity costs that capitalize.

In Saskatchewan we have varying pressures that compete for farmland, besides farmers. We have conservation programs, for example, and I'll speak specifically about Saskatchewan. But we have this nifty little thing with land ownership. Conservation organizations find Saskatchewan a very lucrative place to preserve land for wild fowl and whatever. And they have deep pockets.

Hon. Charles Hubbard: But to get back to the basic question, if it costs so much to farm and most people say there's no money in it, why is the land so valuable?

Ms. Lynette Keyowski: This is why. You have other alternatives competing for that farmland and driving up the value of it. We see that here every day. If the competition were purely between producers, you wouldn't see that value. I pick on conservation organizations because that's our experience, but as soon as you have something else—and it doesn't matter if it's that or a company that wants to buy a parcel of land to build an ethanol plant and they have some capital—as soon as something competes for land, farmland values compete with that price every day. That's what drives the profitability up. It's absolutely not profitability in farming that does it.

Hon. Charles Hubbard: Brad is going to answer that a little bit.

Mr. Brad Wildeman: I'm not sure about that, but I think there are certainly a lot of farmers who are doing pretty well. I have some in my country. But the economies of scale are pretty significant to do that.

To get back to Larry's comment, you need to have a lot of help to be able to do that. Land isn't $60,000 in our country. We have a lot of land in our area selling at half that cost. It used to be farmland, and it's mostly being turned into grassland. My ex-patriate Saskatchewan people are going to grass it for the summer. So we're depopulating Saskatchewan at a record pace because of that.

It's finding its value, there's no question about that. But where the land is better there are big farms. When I went from grain farming to running our operation there, we farmed 6,000 acres. We were the largest farm in our area in 1985. Today several of them are 15,000 to 20,000 acres, so I think that's what's happening here. So at that price you can afford to—

● (1435)

Hon. Charles Hubbard: We can't all be discouraged by what we hear, I guess.

Thanks, Mr. Chair.

The Chair: Thanks to all of you. We are out of time. It was a very interesting and good exchange. We appreciate your input and taking time out of your busy schedules to help us with our study on APF.

We are going to adjourn and travel on to Gimli, Manitoba.

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