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# Standing Committee on Agriculture and Agri- Food

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**Monday, April 23, 2007**

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**Chair**

**Mr. James Bezan**

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## Standing Committee on Agriculture and Agri-Food

Monday, April 23, 2007

•(0905)

[English]

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

Welcome, everybody, to the second leg of our cross-country tour on the APF hearings. We did western Canada last week, and we're kicking it off here in Truro.

This was the hometown of Madame Couture-Nowak, who was shot at Virginia Tech. She used to teach at the agriculture college here. In respect, I thought it would be appropriate if we observed a minute of silence in remembrance of her.

[A moment of silence observed]

**The Chair:** Thank you.

I want to welcome to the table today a number of witnesses: Frazer Hunter of the Nova Scotia Federation of Agriculture; Chan Wiseman of the Newfoundland and Labrador Young Farmers' Forum; from the Chicken Farmers of Canada, David Fuller, who we see often in Ottawa; from the Nova Scotia Fruit Growers' Association, Andrew Bishop; and David Ernst is here from the Nova Scotia Cranberry Growers Association.

We welcome all of you to the table. In light of the short amount of time we have together, I would ask that you respect the ten-minute timeframe for your opening remarks. You can even be shorter than that, if possible.

With that, I'll turn it over to Mr. Hunter.

**Mr. Frazer Hunter (Chairman, Nova Scotia Federation of Agriculture):** Thank you, Mr. Chairman.

We welcome the committee to Atlantic Canada and Nova Scotia. We appreciate your coming down to consult with us at this time.

The agricultural community in Nova Scotia appreciates the opportunity to meet with Canadian policy-makers and to discuss the future role of Nova Scotia. With the dramatic changes taking place within Canada's rural communities, and within the principal industry that underpins the sustainability of these communities, that being agriculture, it is critical that an open dialogue between the community and the public policy-makers take place.

No one can overestimate the impact of federal-provincial policy-making—namely, the agricultural policy framework. We're going into its second phase. We've had it for five years, APF I, and we're now moving into APF II. When we look at APF I, it hasn't sustained or transitioned our industry to sustainability. This is what we're

looking for in APF II, a program that will sustain and then transition our industry.

The federation here in Nova Scotia represents some 2,500 farmers. We have 24 different commodities. When we look at our economic position at the moment, our debt load is some \$700 million in this province. Our gross output at the farm gate is rising very slowly. Just to maintain the interest payments we need \$42 million to cover that debt load. That debt load has risen very dramatically over the last few years.

Our vision here is to ensure a competitive and sustainable future for agriculture and a high quality of rural life in Nova Scotia. To accomplish this, our goal is the development of farm businesses that are financially viable, ecologically sound, and socially responsible.

The crisis in agriculture is not just about money. It's about social policy, environmental policy, and health policy. This is what the APF must address.

The industry here is very diverse. When you look at the business risk management framework we've had here, it hasn't applied greatly. Many of our farmers have multi-commodity farms. When one commodity rises, another commodity is down. So we don't create those disparities where we get benefits from the CAIS program.

When we talk about business risk management in the future, we must talk about renewal at the same time, not just business risk management. We're looking at the CAIS program, we're looking at crop insurance, and we're looking at renewal. This is what business risk management is all about. If you look at business risk management in isolation, you're not moving anywhere. You have to look at it with renewal.

We have to transition our industry from where it is now to where it's going to be sustainable. That's moving from commodity production to product production.

Now, I just happened to call in at Irving this morning. What's the most expensive cut of meat you can buy?

**The Chair:** Is it tenderloin?

**Mr. Frazer Hunter:** It is not. It's beef jerky. It's \$68 a kilo.

That's the problem with all our industry. We don't produce products, we produce commodities. We are the developed world. We have to be in product production, because commodity production is unsustainable. Brazil, Argentina, etc., look after it. The CAIS program in the past has looked after commodity production, not product production.

I'll leave this with you, Mr. Chairman. You can share it on the bus to P.E.I.

When we look at business risk management programs and the new agricultural policy framework, we support what CFA has been doing. Canadian agriculture and agrifood is a vibrant and dynamic industry, where all partners of the production chain have the opportunity to be profitable and be world leaders for the world's economic, environmental, and health objectives. That's where we want to be at and that's where Canadian agriculture can be. In the past, it hasn't moved there.

We are also supportive of the key principles that CFA has set out for APF II: create an agriculture and agrifood industry that is dynamic and innovative, increase value-added contributions, promote Canadian agriculture as a steward of the environment and provider of high-quality safe food, and create an agriculture and agrifood industry in which all parts of the production chain have the opportunity to grow and succeed.

When we look at the chain, those up the chain get a 12% return on investment and those below get a 12% return on investment, but we, as primary producers, don't get it. Until we start producing products and move up and down that value chain, we will not get a 12% return. It is essential that we do.

If we look at Nova Scotia, we guarantee the energy provider in this province, Nova Scotia Power Inc., a 12% return on investment. We do not guarantee our primary producers a 12% investment on energy they provide for the consumer.

We believe the approach the Canadian industry is suggesting through its umbrella organization is right. I'm sure the three pillars we want to see in APF II have been well explained by Bob Friesen, etc.

When we move to what this committee is actually looking at, the business risk management, we must stabilize our industry. That's what the risk management programs must do: stabilize it, so we can transition. If we're not stable, we'll never transition.

In this province, we've been looking at a program on how to utilize the funds to stabilize the industry and then develop it. The CAIS program provides money after the fact. We have to provide money up front. In this province, CAIS programs totalled \$16 million to the producers last year. That's about 1% of the retail value of the food at the store. Our retail value is \$1.9 billion; \$16 million was provided by the CAIS program, after the fact. If that had been provided up front to provide a sustainable 12% return, we wouldn't have needed the CAIS program. We would then be able to transition our industry. With an industry with a 12% return on investment, you can move forward. You don't need any other programs.

We're saying there's enough money in the system. It just has to be better utilized. Let's not just talk about risk management; talk about renewal. Provincial and federal dollars coming into this province totalled \$90 million for agriculture last year: \$43 million from the province and \$47 million from the federal government. There's enough money in the system to get it right now. What we are saying in the new APF II is that we must look at stabilizing our industry and transitioning it with up-front dollars, not tail-end dollars. When you

get those up-front dollars with a good return to farmers, then you can move forward.

I appreciate the opportunity. I'll stop there, Mr. Chairman. If there are questions relative to this, then I'm prepared to answer them.

Thank you.

• (0910)

**The Chair:** Thank you, Mr. Hunter. And thank you for your generosity.

Mr. Wiseman, you're next.

**Mr. Chan Wiseman (President, Newfoundland and Labrador Young Farmers' Forum):** Thank you, Mr. Chair, for the opportunity to present to the committee today. I know the committee didn't get an opportunity to head a little farther east to the great province of Newfoundland and Labrador, but I certainly appreciate your accommodating me. Someone from the Federation of Agriculture will be presenting later on.

A lot of great things are happening in agriculture in Newfoundland and Labrador. We have an industry that's worth about half a billion dollars. It employs about 6,200 people. When you look at a small province like Newfoundland and Labrador, that's quite significant compared with the fishery—it's currently worth about \$1 billion.

So agriculture is certainly a significant player, but it's an industry in a lot of respects that's really underdeveloped.

The first topic I'm going to talk about is the HR file and the challenges we face. Currently the average age of farmers is quickly approaching 60 years in our province. Right across the country that's something that's facing the industry. Training can be defined in three particular ways: in a formal way, such as a degree or a certificate; informal, where you can pick up certain courses involved in business management, which could be something related to the farm; and unformal, which is how most people are trained in the agriculture industry. My mom or my dad would teach me how to drive a tractor, or how they do the accounting, or how they do the proposal writing, or whatever it might be.

This is a huge challenge that we're facing in our province. We need to develop training initiatives and to ensure that the appropriate training delivery mechanisms are in place to ensure that the needs, and especially the skills gap, are being addressed. We need to ensure that the next generation of farmers have the skills needed to make agriculture work. That's simply how it has to be.

We need to focus on business management, on enterprise development. Training also needs to focus on how we're going to anticipate food safety, animal welfare issues, and environmental concerns. These are all areas where farmers, and young farmers especially, have to anticipate how this is going to affect our particular industries. If it's going to be a sustainable industry, as young farmers we need to be able to anticipate what is going to be happening, especially in the next five or ten years, when agriculture is at such a critical point.

Also, there are the recruitment and retention fees. We need to have training initiatives to make agriculture attractive for new entrants and for young people who may want to consider getting into this particular field. We need to frame it so that it is a potential career option.

The next generation of APF must also address the importance of agricultural awareness. As a young farmer in my province, and as an active participant at the national level with the Canadian Young Farmers Forum as well, I see great importance in getting public support for agriculture. It's very important for the long-term viability of producers in our province, and also producers right across this country, if we're going to be successful as young farmers and if the agriculture industry is going to be successful as a whole.

The second topic I would like to discuss, and this is very relevant to our particular province, is strategic growth. This is where regional differences really come into play. As I mentioned, we have a growing industry in our province. In a lot of ways it's underutilized and it's underdeveloped. We have huge potential in areas such as the berry industry, for instance. I'll use blueberries as an example. We had farm receipts of somewhere around half a million dollars, compared with Nova Scotia's, which are up around \$80 million in farm cash receipts. There's a little bit of difference there, but there's a huge opportunity, and we need to really foster it. This is where we need good research and development to grow that particular sector.

We can look at the red meat sector as well. There's probably a revenue stream of about \$100 million in Newfoundland and Labrador in that sector, and producers in Newfoundland and Labrador represent 2% of it. So there's a huge opportunity there as well, and in the vegetable sector and in the fur industry.

● (0915)

I'm also a fur farmer. I grew up on a fox farm, two hours west of St. John's, and there are huge opportunities in that particular industry. We produced probably somewhere in the vicinity of 200,000 pelts this year. By 2010 or 2012, we're looking at producing somewhere in the vicinity of a million pelts, so there's huge potential and huge growth there. And when you compare it to places like Nova Scotia, there are upwards of 1 million or 1.2 million. There are huge opportunities there.

As well, the secondary processing sector and the value-added side of agriculture certainly serve as huge growth areas and incredible opportunities for agricultural development. We can look at the dairy industry, for instance, and the potential there for making cheese in our province, and yogurt production as well.

It's not only for agricultural development, but it's also extremely important to the rural communities and towns in our province, for

social development and economic development. So there's a huge piece here in terms of agricultural development, not only from the industry side, but also from the rural development side.

But in order to do this, we need a two-faceted approach. We need awareness of the opportunities that are in our province, to encourage young people and new entrants to look at this particular industry, and they also need a financial well for all. It's extremely difficult to get into agriculture, and while there are huge entrepreneurial opportunities to get into this particular industry, we need the programming—and the right programming—for a new intern or a young person to be able to get into this particular industry. We look at programs like the Farm Improvement and Marketing Cooperatives Loans Act. This particular program needs to be accessed by young farmers, but the restrictions need to be brought down so that young farmers can avail themselves of programs such as this.

The final point I'd like to make is on organizational funding. As I said, our organization is an active participant in the Canadian Young Farmers Forum, and we need to ensure that funding is maintained for this particular organization, mainly for the leadership or professional development part. It's going to be extremely important, if young farmers are going to be successful in this industry. We need to consolidate our voice, provincially and nationally. So it's extremely important—and the networking opportunities that come with that are extremely important. We need to ensure the organizational funding is there for young farmers so we can effectively lobby our MPs and government to ensure that we have a sustainable and viable agricultural industry.

On behalf of Newfoundland and Labrador young farmers, I thank you for the opportunity.

● (0920)

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

Mr. Fuller.

**Mr. David Fuller (Chair, Chicken Farmers of Canada):** Thank you, Mr. Chairman.

Good morning. Thank you for taking the time to hear our views on business risk management. My name is David Fuller and I am chairman of Chicken Farmers of Canada.

CFC is a national organization representing 2,800 chicken farmers from coast to coast. We have 14 board members. There's one from each province and four downstream stakeholders—two from the primary processing industry, one from the further processing industry, and one from the restaurant and fast food industry.

CFC's mandate is to set allocations for the industry, which means we provide an adequate supply of chicken for the Canadian market. This system of supply management ensures a stable income for farmers, which is rare in this area of farming. A stable income permits farmers to be proactive in their industry.

Farmers are now being asked to take more responsibility than ever before in delivering programs centred around the public good. As chicken farmers we are able, willing, and ready to deliver these programs in areas such as food safety, the environment, animal care, and biosecurity. Not only are we leaders in the development of some of these areas, but these areas allow us to produce a better quality product for our consumers.

What do chicken farmers need under business risk management? First, we need government recognition of our system and its independent pillars as an effective risk management in the next generation of the agricultural policy framework. This cannot be taken for granted.

Second, we need our government to negotiate in support of supply management at the WTO and not allow a parliamentary motion to dictate inactivity.

Third, we need our government to listen, support, and work with us as we mitigate the risk of industry, government, and the public at large by being a leader in implementing food safety, animal health, and animal care programs.

Supply management is dependent on the three pillars of producer pricing, import controls, and producer discipline. Producer pricing allows farmers to collectively negotiate fair returns for their birds. Import controls allow the industry to efficiently plan production to meet the Canadian demand by permitting imports to the level of access agreed to at the WTO. Production discipline allows for the balance of supply and demand, thereby promoting price and market stability.

The second pillar, import controls, is being eroded through the administration of the chicken TRQ, which is the access level for imports. Currently our TRQ level is 7.5%, but in reality it is now at 8.4% due to the federal government's decision on April 12 to allow 100% supplemental imports. This goes well beyond our access commitments.

In addition, one point that is not in our presentation is that since 2002, the Canadian poultry industry has implored the government to correct the 13% rule that allows products that contain up to 87% chicken to be imported into this country tariff-free. This seriously compromises the stability and predictability of the domestic supply by making imports unpredictable.

Our government is in support of supply management, yet it is allowing the erosion of our domestic market, despite years of efforts on CFC's part to put forward constructive solutions to address the various challenges in administering the tariff rate quota.

On the international front, our government says it is not negotiating on behalf of supply management because it has determined that the parliamentary motion in support of supply management has tied its hands. The motion in Parliament dictates a result that you, as members of Parliament, felt should be achieved through the WTO for our sectors. Not negotiating makes it impossible to achieve those results and thus impossible to support the motion that you all felt was necessary. Not negotiating is not supporting supply management.

●(0925)

Without supply management, not only will we not be our own source of business risk management or income stabilization, but our capacity to be a leader in other important areas of risk management will be compromised. Our regulatory environment gives us the infrastructure to deliver on food safety, animal health, and animal care programs.

In 1998, CFC developed our "Safe, Safer, Safest" on-farm food safety program. We were the first to achieve technical recognition for our program from the Canadian Food Inspection Agency in 2002 and the second to complete CFIA's system of recognition.

In seven provinces we have 100% of our farms audited and certified under the program. Nationally, we are 80% compliant and expect to be 100% compliant by the end of 2007.

Animal health is an extremely important aspect of risk management. This is why the farmed animal industries have been working together to develop a comprehensive animal health strategy that would be incorporated into the APF as its own pillar. This strategy moves away from the ad hoc program development and funding approach to a more comprehensive approach that more adequately manages risk and delivers the public good.

Following the avian influenza outbreak in 2004, the poultry industry embarked on a number of initiatives to prevent and control a future outbreak. We developed a pre-emptive call program in collaboration with the Canadian Food Inspection Agency as an effective disease prevention tool. Measures are now in place, at the first sign of any outbreak, to ensure that the spread of the disease is limited or prevented. The key means of managing the risk and ensuring prompt reaction by farmers is adequate government compensation for birds lost. This too, unfortunately, remains unresolved. Adequate compensation for farmers in a pre-emptive call situation is not covered under the Health of Animals Act.

The disaster framework will not trigger for one farmer or for a small group, even if it saves the government money by preventing a large disaster. Adequate compensation is an effective insurance policy for government finances. As an example, the 2004 avian influenza outbreak in British Columbia resulted in a \$300 million total economic loss. The chicken industry acted quickly and put forward \$3.2 million in loans to chicken farmers, which were to be paid back once farmers were compensated under the CAIS program. CAIS paid farmers only \$100,000 in total. The industry sought recovery from the government of \$4.5 million for cleaning and disinfecting costs.

CFC has taken other initiatives to prevent the introduction and spread of animal diseases.

Mr. Chairman, what I will do, since you have the presentation, is I will go directly to the end and bring in what we are really looking for.

First, Mr. Chairman, the government must recognize our supply management system and its three pillars as an effective risk management tool.

Second, our government must negotiate on our behalf at the WTO rather than defending inactivity through a parliamentary motion that was intended to support supply management.

Third, we want to continue to collaborate with the government on developing programs that mitigate the risk and deliver a public good.

I'll leave it at that, Mr. Chairman.

● (0930)

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

Mr. Bishop, you're on.

**Mr. Andrew Bishop (President, Nova Scotia Fruit Growers' Association):** Good morning.

I'd like to take this opportunity to thank the committee for the opportunity for the fruit growers, the apple growers of Nova Scotia, to present their views here today, especially as it relates to the next generation of the agricultural policy framework. We appreciate this process here.

The Fruit Growers Association is a not-for-profit organization that has represented the tree fruit industry for the last 144 years, assisting its members with ongoing development of economic viability in a sustainable tree fruit industry in Nova Scotia. Our association has 112 members. There are packers and processors as well within our association.

We have about 5,000 acres of orchard in Nova Scotia, with an annual production of 2.2 million bushels, which is approximately 8.5% of Canadian apple production. Our average farm gate value is around \$10 million, and our economic impact is approximately \$52 million within Nova Scotia.

In 2001, our industry took steps to develop a long-term industry vitalization program. I have it here in a little bit of a chart. This just shows where we are.

We developed that industry vitalization program and we put in six interactive elements that we are currently work on. These interactive elements are integrated fruit production, cultivar evaluation and development, orchard renewal, bioproduct development, and commercialization. Some of these activities that we are working on are ongoing and some have been completed. They're all very important, and we have science and innovation and renewal as an umbrella over all these things to make them work properly and effectively.

Nonetheless, during the same period of time, the ongoing success of the industry has been threatened by issues that are not within its control. Some of those issues are related to the current agricultural policy framework. I'll just give you a few examples of some of the issues.

One is cutbacks in the agriculture and the agrifood system. These cutbacks have caused the downloading of government costs onto producers, producer organizations, and others, with no compensation to counterbalance the added costs. This is a very serious issue and it really needs to be addressed immediately.

There is also continued rationalization of the regional primary production research infrastructure. This AAFC rationalization of

science infrastructure related to primary production will soon create a drop in the industry's ability to maintain overall productivity, which will negatively affect the sustainability of the agriculture and agrifood industry.

Another issue is increased regulatory burdens and associated costs. As a result of society's demand for improved food safety, traceability, and environment stewardship, regulatory burdens are being placed on producers at a significant rate and at a high cost to the producer. The implementation and long-term maintenance costs of these new requirements that are being incurred by the industry must be recovered. This situation really needs to be remedied. We're not getting it out of the marketplace. At the present time, as Frazer mentioned, what has to be done is that we have to get our 12% return. We're not getting it. If we can't get it from the marketplace, we have to find other ways to get it.

Another issue is ineffective and inefficient government programs. This industry has had to work with ineffective and poorly managed federal government risk management programs, such as CAIS, which is not sensitive to the needs of diverse mixed farming and horticultural operations. This also must be corrected.

These issues, at a minimum, must be addressed effectively through the next generation of the APF.

● (0935)

The government has said that the next APF aspires to lay a foundation for profitability for the food chain, producer to consumer, but without a healthy and profitable production base, the APF will not perform. Farmers still drive the production, which is the food value chain's basic ingredient.

We feel strongly that the APF must address strategic investment in the industry. The APF needs to support industry strategies for development and renewal. We know that the replanting of orchards with high-value cultivars is one of the answers to economic sustainability in our apple business. AAFC supporting the proposed national tree, fruit, and vineland replant program would be a strategic investment. Currently there are provincial replant programs that have been implemented in three of the five apple-growing provinces, but these efforts need federal partnering if the provinces are to meet their full potential.

Canadian trade policy and practices need to be changed. The Nova Scotia Fruit Growers' Association agrees with the B.C. Fruit Growers' position on trade. I believe on April 16 the tree fruit industry in B.C. had an opportunity to address this committee. I'd like to emphasize one of the things they mentioned:

Fair trade is an issue for fresh produce. Fresh produce occasionally gets into an oversupply situation. The consequent price collapse is often centred on the North American market due to retail consolidation and U.S. expansionist subsidies that stimulate overproduction. Market failures have a negative impact on industry, which causes the level of investment and the confidence in business planning to suffer. Consumers suffer when investments in quality, food safety, and local availability decline. Taxpayers suffer when financial programs and transition payments are generated to help producers in difficult financial situations. Retailers are huge beneficiaries as they get an unexpected windfall by purchasing produce at half the price expected, and then do not pass the savings onto consumers.

Apart from imploring the government to provide special assistance during a price collapse, grower associations can also pursue trade actions against dumped product. For fresh produce, we would like to see an alternative to the current anti-dumping process in trade actions. The drawbacks of the current system are:

- (1) The process is not timely. It takes a lot of time to gather extensive data, to prove dumping, and finally to prove injury.
- (2) The process is expensive to administer. At a minimum \$275,000, for example, to launch an anti-dumping suit, the same amount of in-kind time and effort must be spent by a commodity group that is also impacted by the financial disaster.
- (3) The process is highly uncertain, and the results often seem to be random or at the whim of the administrator. In this case the Canadian Import Trade Tribunal has the final decision-making authority.

This is the current process industry must deal with under the Special Import Measures Act. We feel that a new method of dealing with market failures and price collapses precipitated by product dumping needs to be investigated.

The current APF neglects to address domestic marketing of Canadian product. Under the next APF we would like to see Brand Canada promoting Canadian product to Canadian consumers. Consumers need to be prompted to buy Canadian first. A strong emphasis being placed on the issue of domestic product in our home market will support APF safety and environmental programs and encourage the development of food security for Canadians.

It is imperative that the AFC re-establish and continue to invest in science and innovation at the regional primary production level. New knowledge is created through science, and the new knowledge prompts innovation and commercialization. Primary products are the fundamental ingredient for an all bioproduct development. Without availability to sound science at the regional primary production level, the production base will be compromised in a very short time.

• (0940)

The Nova Scotia Fruit Growers' Association supports the CFA's proposed Canadian farm bill and its three pillars: public goods and services, business risk management, and strategic growth.

The Nova Scotia Fruit Growers' Association also supports the Nova Scotia Federation of Agriculture's position regarding the next generation of APF.

Our comments above are further to the standing committee submissions by these two groups.

We thank you for the opportunity for expressing our opinion.

**The Chair:** Thank you.

Mr. Ernst.

**Mr. David Ernst (President, Nova Scotia Cranberry Growers Association):** I'd like to thank the committee for the opportunity to speak to you. This is a new experience for me, and I'm a little nervous.

The Nova Scotia Cranberry Growers Association is a different group to the larger commodity groups. Cranberries are a different crop, and I suppose that warrants some of the differences.

The cranberry industry in Nova Scotia has undergone a major renewal within the last 10 years, which flies in the face of more traditional agricultural commodities. The main reason is price. As you are all probably well aware, the cranberry industry went through a real boom time in the nineties. The Nova Scotia industry, like most of the industry across Canada, greatly expanded.

The Nova Scotia Cranberry Growers Association consists of a whopping 15 members. To put things into perspective, we have a total of about 250 acres of cranberries in Nova Scotia, and that's it. The 250 acres of cranberries planted by 15 people represents an investment of approximately \$10 million to plant those cranberries in the ground. It's a significant investment.

The industry is a little fragmented. There are some very small growers who planted a couple of acres by using their retirement savings and that type of thing. There are some large growers. There are two large growers who represent two-thirds of the acreage between them. They actually have on-farm value-added activities as well. I'm in the medium group. There are a bunch of us in the middle, with smallish but not small-sized farms.

The production from Nova Scotia out of those 250 acres is about 1.5 million pounds of cranberries per year. This represents a farm gate value of about \$800,000. We invested \$10 million to get \$800,000 at the gate. Out of that, we take all of our expenses and pay off all of the interest on the loans. You can imagine the state the industry is in.

The group of cranberry growers is largely not made up of farmers. I am an engineer. There are guys in the construction industry. There are some other farmers in other commodities who have branched into cranberries as well. It's a different group of people. They're fairly enthusiastic. One of the larger growers in the valley is still working on his profitability as well. He would describe it as an addiction to growing cranberries. It's the type of industry we're in. We're still optimistic, and we are looking for opportunities.

I'd like to switch over to talk about the agriculture policy framework and how it relates to our industry here in Nova Scotia. I am by no means an expert on all the details of the agricultural policy framework, but I work with it on a day-to-day basis, like all the other farmers. We can give you that feedback.



As far as business risk management, it is not used within our industry. There are a couple of issues in the way I understand it. The biggest one is that we are a young industry and we are only coming into production. Ninety percent of the acres in Nova Scotia were planted within the last 10 years. It means most of them are still coming up to crop potential. How do we insure earnings that we never had? It's more about development.

On the environment side, it has been a very significant part of our industry as it's developed. Nova Scotia had the fortune, or the misfortune, depending on how you want to look at it, of having Nova Scotia Environment and Labour take the lead on environmental permits for cranberry farms. Back in the 1990s, I believe it was 1997, they produced a large paper detailing all the requirements we would have to go through. All of the farmers did this. It was a good thing, because it made us think about our farms and how they would operate environmentally before we even made the farms. We are used to working within the environmental regulations. The environmental farm plan is something we're all becoming compliant with. It's not a very difficult procedure when you grow and start the farm under those regulations.

On food safety, on-farm food safety is something that we are all working with. It's mainly been pushed by the buyers of the fruit, not the federal policy so much, although the support for on-farm food safety training has been used.

The big part of the agricultural policy framework that we have all used is the innovation side. Our industry is new. It gave us a chance to innovate. It gave us a chance to employ new ways to plant cranberries, to grow cranberries, to harvest cranberries, and even to do things with cranberries. I know that most of the farmers have used quite a bit of assistance from the Farm Investment Fund here in Nova Scotia, which follows through from that.

• (0945)

Looking forward, what our industry needs is to have more of a focus on how we can get—basically what other people have said here—the return on the investment. We've made the investment. It was done at a time when the industry was in its heady days. We realize that's not realistic. The people who are working in the industry are still optimistic that we can do this.

To that end, one of the large farms in the valley is one of the major fresh fruit packers for cranberries in North America. Fresh fruit represents about 5% of the total cranberry crop, and he sells to 50% of the Wal-Mart stores in the United States, for example, from Nova Scotia here. He's making his latest investments in Wisconsin because it is a more appropriate area for him to distribute from, he feels. But he has given it a good shot here.

The other way the industry is going is the commodity market of frozen cranberries that get used overseas. The other large farm in the valley invested in its own freezing facility, which became registered with CFIA just recently. They ship internationally by the container load.

There are a few small businesses, including mine, that are looking at retail opportunities here in Canada. Our facility is registered for processed cranberry products with CFIA. We see a future in that

more than we do in the growing. To be honest, I can buy cranberries cheaper than I can grow them at this point.

So the industry is progressing into a different stage where it is needing the support to go to processing rather than producing.

I'd be happy to take any questions later on the Nova Scotia cranberry industry, and I'd like to thank the committee for the opportunity to speak.

• (0950)

**The Chair:** Thank you.

We're going to open it up. We're going to try to stick to five minutes or as close to that as possible.

Mr. Easter, you're on first.

**Hon. Wayne Easter (Malpeque, Lib.):** Thanks, Mr. Chair, and thanks, folks, for coming. I've got a lot more questions than I have time for, that's for sure.

In Mr. Bishop's presentation there are a lot of great points on the issues that are threatening the industry. Public research at the primary product level is something we've heard every day and at every location where we've held hearings, that not only should public research be done on the value-added chain, matched with industry dollars, but we basically need discovery research at the primary production level.

Mr. Bishop, is there a tree planting program in Nova Scotia? Whether there is or isn't, would companion programs make a difference? We don't allow companion programs now. Should we?

**Mr. Andrew Bishop:** Yes, there is a tree planting program that we partner on with our province. We were successful in getting the program with our province after we put together our vitalization plan and did some market research.

The tree plant program is very focused on one variety, the Honeycrisp and its pollinators. We focus on that because the Honeycrisp apple is a new cultivar. When you do the numbers on it, it's sustainable on its own.

But our industry is in such a shape that our producers don't have the investment funds to put into it. So the partnering with the province and putting something into it is very important. We do need companion programs to go with it to help move this program forward. We are concerned that we have a five-year mandate and that we're not going to achieve the goals we set out, mainly because the ability for investment at a primary level is difficult to get.

**Hon. Wayne Easter:** Okay, thanks. If ever there is a good example of new varieties, it's in B.C., not in apples but in some of their other industries.

Dave, maybe you could explain the 13% rule a little, but I certainly am concerned about the 8.4% supplementals. Could you expand on that a bit more? To be honest with you, I'm not aware of the decision the government made on April 12—maybe I ought to be, but I'm not. Explain that, and the impact.

On these kinds of supplemental things, primary producers are often in one location and the processing industries are often in another. Where is it at in the chicken industry? Are both on the same wavelength?

The last question I have really relates to your presentation, Frazer. This happens to a great extent more so in eastern Ontario under APF, where we see the cross-subsidization of commodities because there are more commodities in farming operations. They're not one commodity. What do you see as the solution to that? I know people who have set up two corporations for their farm. We don't want to get into that. But how do you see a solution there?

Dave and Frazer.

**Mr. David Fuller:** Mr. Chairman, on the two points on the 13% rule, I will give you a very quick explanation. A product that contains more than 13% non-chicken can come into this country tariff free. If you mix two products together and 86% is chicken and 14% is rice, if they are mixed together, that product comes into this country tariff free.

Our industry—the farmers, the primary processor, and the further processors—are on side and have made a request to have an article 28 launched. This government has decided not to take that action on the 13%.

On the tariff rate quota, our access for imported product tariff free is 7.5%. Over the last number of years we have been hitting our head on the top level. The previous governments have put in a clawback mechanism. Not everyone gets what they want, and it allows the industry to come together and find solutions.

This government has just come out with a decision on April 12 that will allow, I believe, an additional 8.8 million kilograms of chicken into this country above our tariff rate quota level. That will come in tariff free. Those kilograms all come out of our barns. All that grain that is fed...that is no longer done in Canada. All that economic loss will now come from outside of the country.

Those are your two.

● (0955)

**The Chair:** Very briefly, Mr. Hunter, because Mr. Easter's time has expired.

**Mr. Frazer Hunter:** You are quite right when you say that I have a dairy and sheep farm and it would pay me to have a forage company and a dairy company and I would qualify for CAIS. Whereas I'm in dairy, with over 51% of my income coming from supply management, it doesn't work.

When we talk about the transition program, which we're developing here, we're looking at that 12% up-front return from CAIS moneys, and we must have the flexibility and the companion programs in Nova Scotia to do that. When we look at other provinces—when we look at Newfoundland and Quebec in the last APF agreement—they had flexibility to use those dollars, and we must

have that in Nova Scotia if we are going to sustain our industry. With 50% of our farm gate return coming from supply management and with various products on our farms, we didn't have that flexibility within CAIS. We're kept at a low level of sustainability. We don't have ups and downs like they have in single commodity farms, and CAIS does not address our situation.

**The Chair:** Thank you.

[Translation]

Mr. Bellavance, you have five minutes.

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

My first question is for Mr. Fuller.

You said that supply management should be recognized as a risk management tool, which I found interesting. Could you explain how the government should use supply management in its strategy and promote it so that it is viewed as one of the tools available under risk management.

[English]

**The Chair:** Mr. Fuller.

**Mr. David Fuller:** Thank you.

When we look at supply management systems that are in place now, because of the three distinct pillars that are supported by the government and the producers of those commodities, the producers have the ability to negotiate on behalf of all producers and to be able to expect a return on their investment. That is our business risk management portion—those three pillars under supply management. But I must emphasize that when you take out any one of those three pillars, you no longer have a supply management system.

If we do not have restrictive import controls, we cannot properly plan domestic production, taking imports into account. When we look at planning domestic productions, we have to take into account Canada's agreed upon level of imports from other countries. Unless we know that we have a solid import barrier and we know what production is coming in, the amount coming in from outside will go up and down so erratically that we will never be able to plan a stable market. Our market will go up and down as it did in the past.

The important thing to recognize is that those three pillars under supply management allow supply management to be a business risk management tool. I think that's the key. We have to have those three pillars solidly in place. We're asking the government to recognize those pillars and supply management under a business risk management pillar because it is a supply management business risk management tool.

● (1000)

[Translation]

**Mr. André Bellavance:** While formal negotiations have not resumed at the WTO, many bilateral discussions are underway. We know that the United States is discussing matters a great deal with other countries, particularly India and the European Union. Talks are under way and a tremendous amount of negotiating is taking place.

You have presented supply management as an aspect that is essential to the survival of Canadian agriculture and particularly, in my case, Quebec agriculture. I believe you understand why we, in the Bloc Québécois, believe that so much importance must be given to supply management.

You mentioned the repercussions that may result from the current negotiating round at the WTO, because the government, as you explained in your presentation, is saying that it really cannot negotiate at present because of the November 2005 motion on supply management.

Could you elaborate further on the consequences of the position currently taken by Canada, which is saying that its hands are tied and that it cannot negotiate because of this motion.

[English]

**Mr. David Fuller:** First off, what we see in the motion that was passed in the House is that it is a result motion. To me, the motion that was passed in the House in November 2005 indicated to us that all parties in Canada support supply management. That's what it indicated to us. It indicated to us that there was strong support, and that when Canada goes to the WTO negotiations, Canada is to stand firm for supply management.

It doesn't say that Canada should go to the table and say, "Here's what we want and we're not negotiating". Canada must do its job and negotiate on behalf of all Canadian farmers, not just on supply management and not just for beef, pork, or fruit. Canada's job is to negotiate on behalf of all Canadian farmers.

Canada's saying that this motion ties our hands is not accurate. It is a result motion. It talks about a result at the end of the WTO. It does not talk about how you get there. Canada needs to be at the table negotiating on behalf of Canadian farmers, and that's all we're asking of the government.

[Translation]

**The Chair:** You have time to ask a brief question.

**Mr. André Bellavance:** My question is for Mr. Wiseman.

You are a young producer, and the issue of young farmers is a subject that concerns us a great deal. Regardless of whether you come from Newfoundland or anywhere else in Canada, you all have things in common. These include lower farm income which is, I believe, a problem for those with mid-sized farms. Since agricultural support is usually proportional to production volume, it is the large productions which, generally speaking, benefit from the support. At any rate, large farms get more support from the government through its programs.

Do you have any fears for the survival of the family farm and for the likelihood that young farmers may not be able to carry on? If no one is taking over in the agricultural sector, I think that we will be headed towards the very large operations that we see in the United States, and which are managed by large corporations. Finally, do you have any recommendations to make to the government as to how it could encourage young farmers?

[English]

**The Chair:** If you could keep your comments very brief—

**Mr. Chan Wiseman:** As you know, there are fewer farms today than there were 25 years ago, and most farms are big corporations. In terms of specific solutions, we really have to present the opportunities that are there, especially in our province. There are huge opportunities in the agricultural industry, but new and young farmers in a lot of cases just don't have the financial wherewithal to be able to get into farming from an entrepreneurial perspective, so we need to ensure that the right programs are there. We look to FIMCLA, for instance. This is a program that new and young farmers can avail themselves of.

So we need to ensure we have the right support programs, the right funding, the financial programs, so that new and young farmers can get into this particular industry.

• (1005)

[Translation]

**The Chair:** Thank you very much.

[English]

Mr. Devolin.

**Mr. Barry Devolin (Haliburton—Kawartha Lakes—Brock, CPC):** Good morning, and welcome to everyone here today.

In terms of different kinds of farming, in my mind I slot things into two or three categories. Certainly there's the supply managed sector, produced commodities, and then there are other, what I will call mainstream commodity producers, whether it's beef or grain. Then there's lots of other stuff. I don't know whether we'd call it odds and ends or just lots of other stuff. My riding is in central Ontario, and I have a very diverse farm community—everything from maple syrup to honey to fur producers to organic dairy to goat milk and goat cheese. I see many of the opportunities, particularly for younger farmers, are in these what I could almost call niche products or more specialized products.

The question I have—and, Mr. Hunter, you raised it, and Mr. Wiseman touched on it as well—is really a two-part question. Number one, in terms of these miscellaneous categories of smaller products, is that where you see some opportunities? In terms of business risk management, we have the CAIS program and there are a lot of complaints with the CAIS program that we're all familiar with, but for some of these producers, using cranberries as an example, vertical integration and trying to capture more of the value chains seem to be the way to go. Does a program like CAIS work for small producers, particularly small producers who are trying to move up the value chain and not just sell the raw commodity, but actually try to convert it into some sort of a product? That's maybe a yes or a no, but if you have some ideas or some suggestions of what could or should be done to a program like CAIS to help those producers who want to become producers of products rather than commodities, we would appreciate that.

**The Chair:** Mr. Hunter.

**Mr. Frazer Hunter:** CAIS doesn't work for those situations because it's only on primary production and not on the value added.

I'll go back to the point you made about transition. We're trying to transition our primary producers to get a return so they can invest in the future. CAIS looks after the past; it doesn't look after the future. Here in Nova Scotia, our federation is taking the initiative this year to be the catalyst to buy the only multi-species, federally inspected plant in the Atlantic provinces, because we see we've got to move up that value chain. We've got to start producing products. The money in hogs isn't in producing loin chops; it's made in producing smoked products and adding value to the end product, i.e., sausages, etc. So in this province we've taken the initiative because we can't lose that conduit to the marketplace. If we lost that kill floor, that abattoir, we'd have no conduit to get our product into the marketplace. CAIS doesn't look at it.

What we are asking for in Nova Scotia is the flexibility to use up front that CAIS funding that would come here normally. If we look at supply managed products, if they go under pressure from imports, they're going to need to be maintained. Where is the money going to come from to maintain their income? It's not going to come out of CAIS, but it could be used in the CAIS funding. If we look at fur, we're not even going to be able to sustain CAIS in this province if the fur price drops. As Chan mentioned, we produce a million pelts in this province. If the price drops about \$20 a pelt on mink this year, that's \$20 million. It doesn't affect the CAIS payment this year, but on the Olympic average, if we have another bad year, we won't be able to sustain the supply of sufficient funds to get to that point in this province.

So we're saying look after profitability rather than margins. Even with the \$20 drop in the pelt price, they're still making a good margin. Unless we have profitability to the primary producers, they cannot move up the value chain, and CAIS does not look after that.

**Mr. Barry Devolin:** Mr. Wiseman, did you have any comments on that?

• (1010)

**Mr. Chan Wiseman:** No.

**Mr. Barry Devolin:** This is to Mr. Fuller, on chickens. I have some chicken producers in my area as well, in Ontario.

It's my understanding that you're saying there is consensus between producers, processors, and further processors to change the 13% rule. I guess the comparison that we're using is maybe with dairy, where there clearly wasn't an agreement.

Is there an actual proposal on the table that those groups agree on? What I've heard is that flipping it and making it a 20% rule is the proposal. Is that true, or what is the proposal?

**Mr. David Fuller:** First of all, there is a letter signed by the national organizations. Our signature is on it; CPEPC—the Canadian Poultry and Egg Processors Council—the Further Poultry Processors Association of Canada, and CARI are on it. There are a number; it's not just those.

There has been an agreement to ask the government to have this rule changed. The proposal would not be to go to 20%. The proposal would be probably to go to somewhere around 40% or 50%, because, as you can imagine, we've had a case already this year in which we had a box come in that was 10 kilos. There were eight kilos, I think it was, of chicken and two kilos of rice. It met the rule.

It came into the country tariff-free. You open the box up, take the bag of rice out, throw it aside, and you take the chicken and sell it.

This is why we as an industry clearly understand what's at risk. It's not just farmers not producing chicken, not buying grain, not doing this or that. It's primary processors not putting a product across the line; it's further processors not making the product in its final form.

We are at the very early stages of this, but people are starting to see how they can use this. There is an opportunity to shut the door before this gets out of hand, as it has in the dairy industry. At this point, the government has refused to do it.

**The Chair:** You're out of time, Mr. Devolin. Thank you very much.

Mr. Atamanenko.

**Mr. Alex Atamanenko (British Columbia Southern Interior, NDP):** Thank you, gentlemen.

Mr. Bishop, what percentage of apples sold in Nova Scotia markets are locally produced? Do you know, roughly?

**Mr. Andrew Bishop:** It's approximately 35% to 40%.

**Mr. Alex Atamanenko:** Where would the rest of them come from?

**Mr. Andrew Bishop:** The rest of them come from other countries. They're primarily Washington, U.S., apples.

**Mr. Alex Atamanenko:** Have you experienced dumping of Washington state apples here?

**Mr. Andrew Bishop:** Right now, as we speak, there's been a short crop year in North America, but we were monitoring very closely two years ago. There was some very drastic dumping. But to put the documentation in figures and prove a case is very difficult. We looked at it very closely and have declined to move forward at this moment.

**Mr. Alex Atamanenko:** The reason I'm asking is that we've heard from the B.C. Fruit Growers, and you're familiar with their presentation. Their proposal, because of the dumping that has been occurring in our province, in British Columbia, is to have a minimum price. Initially, their proposal was a rapid response tariff mechanism, developed within the last few months, to forego all the problems you mentioned trying to get that process initiated. It would be just to slap on a tariff. If the apples are dumped today, slap it on tomorrow, and then we deal with it. Now their position is more one of a minimum price. What are your comments on that?

**Mr. Andrew Bishop:** The B.C. Fruit Growers definitely have a larger problem with this than the Nova Scotia Fruit Growers, because we're much further distanced. We have collaborated with them and we support their initiatives, because what we've done in the past hasn't been all that successful. We have to look at a new way.

**Mr. Alex Atamanenko:** David, I'd like to pursue this.

You were talking about a bag of rice and chicken. Is it literally possible that you'd have a box—? Are we not dealing with processed foods wherein part of it is rice?

**Mr. David Fuller:** We have dealt with this case this spring. We had to go to the government, to Border Services, and ask how they are reading this, because they're reading it wrong. Even our industry was very upset that it came in tariff-free. They have, since that—But that's the aspect of this 13% content rule, the games that can be played with it, that you can move product into this country—If you put “14% rice”, it has to be in a separate bag.

If you throw it away and sell the chicken on the domestic market, the damage that's going to do to the Canadian domestic industry from one end of the chain to the other is astronomical. We want to solve this problem, and there is a way to do it. The Americans will support us on it. It will benefit them, but it will close the door for everyone else. We have not been able to convince the government at this time. We're still working on it.

• (1015)

**Mr. Alex Atamanenko:** In other words, you would like the government to invoke article 28, as they've committed to doing with the dairy farmers.

**Mr. David Fuller:** Absolutely, it's Canada's right. We earned that right in the last round of the WTO, and we want Canada to use our right and launch article 28.

**Mr. Alex Atamanenko:** My next question is about the TRQ. It is at 7.5% under NAFTA. Is that right? It is 5% from the European Union, and yet we're getting over 8%. Can you explain that?

**Mr. David Fuller:** You're correct. It's 8.4% for 2007.

**Mr. Alex Atamanenko:** In other words, we're exceeding it by 0.9%.

**Mr. David Fuller:** That is correct.

**Mr. Alex Atamanenko:** That has been the result of a decision made on April 12 by the government.

**Mr. David Fuller:** That is correct.

**Mr. Alex Atamanenko:** What have you done as a follow-up to this?

**Mr. David Fuller:** We had a meeting last week, and we have devised our strategy, and we will start to put our strategy into play this week.

**Mr. Alex Atamanenko:** This is my last question. In regard to WTO, you mentioned that the government must negotiate on behalf of all Canadian farmers. All parties supported the motion. Our government is saying it wants to protect supply management, so it's not putting it on the table, but does it not mean that once you put something on the table there have to be concessions? Would there not be a danger, then, of losing what we have so far in our supply

management sector, because this is not the rationale for saying, “No, we won't negotiate it”? I don't quite understand what that means.

**Mr. David Fuller:** To be frank with you, when the minister spoke in the House, he made it very publicly clear that Canada will sign the WTO agreement, no matter what. That is public information.

When you go to a table and you put that down, which in Canada's case means Canada will not negotiate the reduction of over-quota tariffs or increases in TRQ because of supply management, and when the media reports that you have said that you will sign any agreement, what kind of document or threat do you have towards the rest of the WTO members? You have no threat. So they look at the paper and say, “You're going to sign no matter what's on the table anyway. You said you would, so let's move on.”

**Mr. Alex Atamanenko:** What should our negotiators be doing then?

**The Chair:** You can respond, but very briefly. Mr. Atamanenko's time has expired.

**Mr. David Fuller:** The government needs to work on behalf of all Canadian farmers. That's what the government needs to do.

I'm not at the negotiating table. That's their strategy, but they need to negotiate on behalf of all Canadian farmers. If you say you're not negotiating on one part and also say that you are going to sign the deal no matter what, you have no threat. You have nothing with which to challenge any WTO members, because you've already said you're signing the deal. Your threat of saying you're not discussing this means nothing to the WTO members.

**The Chair:** Thank you.

Mr. Steckle.

**Mr. Paul Steckle (Huron—Bruce, Lib.):** Very quickly, thank you very much, gentlemen, for appearing this morning. For some of you, it's not the first time we've met. I've been around this table long enough to know that some things really never change.

The question is for you, David. You said there's a return of \$800,000 on a \$10 million investment. That could be more broadly used as sort of descriptive of where Canada is in terms of agriculture. You're not the only industry that's in that situation.

How do we get to that 12% profitability and still maintain our compliance with WTO agreements? That is the question I am going to put to you, Frazer. Maybe others want to answer that.

**Mr. David Ernst:** That's \$800,000 gross.

**Mr. Paul Steckle:** I'm sorry, I know that. You're absolutely right, but it still applies. How do you reach that?

**Mr. David Ernst:** We had better start looking at how the U.S. and EU have achieved it, and look at the green programs they've put in place and how they've moved a lot of the support into those green programs before we got to the WTO negotiation.

I'm from the U.K., and I look at farmers getting up-front cash money based on what they produced before, not what they're going to produce in the future. If they had 1,000 ewes before, they get an up-front ecological goods and services green program that reflects that. To be compliant with WTO, we're going to have to go down that route to get that 12% return.

The other way, which has been mentioned before around here, is to have a 1% levy on food at the retail store. That will raise \$19 million to stabilize this industry. We are saying we don't even have to do that, because there is \$90 million coming into this province from the feds and the province to support agriculture. The money is there. There just needs to be ingenuity in the policy-makers to make it get into the farmers' hands.

• (1020)

**Mr. Paul Steckle:** Why have we been off track in terms of not getting on track with this? If we know others are doing it and it works, why aren't we doing it? Why haven't we done it?

**Mr. Frazer Hunter:** I'd put that back to you. You're the policy-makers. We should be aware of what's happening in the EU, and in the U.S. with the U.S. Farm Bill. The policy-makers have got to put policy in place to do that. The EU and the U.S. have been the leaders in supporting their rural industries; we have been the good boys.

When we go back to David's point, the tariff levels are 7.5%; we go up to 8.4%, and nobody complains. There's an article 28 on dairy and chicken—nobody complains. We've been the good boys, and that's the Canadian way. Maybe we've got to become a little bit tougher around the table.

**Mr. Paul Steckle:** I could spend a lot of time with David. I totally support you, and I just can't imagine that a government can support one industry in the SM5 group with an article 28 but won't support another. That is just incomprehensible.

We have already gone beyond the 5% to the 7.5%. Now we're at 8.4%, or whatever it is, and we're calling that okay. It's not okay, and I don't care how we cut it, it isn't right. How do we translate the message from the politicians here to the bureaucrats or the policy-makers? We're not the policy-makers; we just give the message and get our butts kicked for it, but the people who really should have their butts kicked aren't at this table and will never be at this table.

**Mr. Frazer Hunter:** From Nova Scotia's perspective, we're looking at flexibility and companion programs. We want a made in Nova Scotia APF II. Yes, funding has got to be across Canada, but in Nova Scotia we need to have the ability to put in place those types of programs that are applicable to our farmers. Unless we get that 12% return, we cannot invest in the future.

I mentioned a \$700 million debt load here in the province. The gentleman in cranberries has \$10 million there. With 6% interest, it's \$42 million. That's the budget the province puts into agriculture each year, \$42 million. It wouldn't even pay our interest costs. So either we've got to get a return from the marketplace or we've got to use federal and provincial dollars in different ways, ways of ingenuity, and sit down and work together. We've got to work together, not compete against each other.

**Mr. Paul Steckle:** Do we have too much government involvement?

I've travelled this country three times now doing this, and things really haven't changed a whole lot in the last 14 years that I've been around this table.

We're using the American model for other modellings. Maybe we need to look at what they've done. They have one farm plan over there—one farm plan. We have 10 provincial governments and we have one federal government. I believe the money needs to be delivered by one federal government. We also would have involvement by the provinces, of course, in programming initiatives as they would apply in those provinces, because one size doesn't fit all—we all know that—but I think if we went that way, if we had a clear understanding and our government was clearly committed to food security in this country, then we could build a framework of agreements around that. But we don't have that, and we're going to have ad hoc and all kinds of band-aid programs as long as we don't have that commitment to food security. Because we've had so much food, we think it's there for all time.

**The Chair:** Please give a quick response. Mr. Steckle's time has expired.

**Mr. Frazer Hunter:** We use the term “food sovereignty”. We must have some sovereignty over our food supply. We want sovereignty over the north; we've got to have sovereignty over a percentage of our food supply. Security is important, but sovereignty is where we want to be. Our consumer wants food sovereignty, and if we listen to the consumer, listen to the farmers, and work together; it's cooperation, not conflict.

Why is the government in it? It's accountability. They don't trust the farmers to utilize the dollars to the best of advantage—and that's all governments.

**The Chair:** Thank you.

Mr. Miller is next.

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

Gentlemen, thank you very much for coming here today and sharing your different views, particularly you, Mr. Wiseman, for making the effort to come here from Newfoundland. There had to be some adjusting, and I personally would have liked to go to Newfoundland. Anyway, thanks for coming here.

I am a farmer, and I think there are a number of farmers around the table here, gentlemen. I think I'm probably the only one who's been on both sides of supply management. I milked cows in the eighties, and I've also been on the other side, the free or open market side, whatever you want to call it.

Listening to some of your comments, Mr. Fuller, I know in the beef industry we have the same problem, that basically you can bring in New Zealand beef here and stick a knife in it and all of a sudden it becomes a product of Canada. So I understand where you're coming from. The reason I bring this up is to point out that the chicken industry isn't the only one going through that. I guess as a producer for years and a member of different farm groups, I've always been bewildered why it is that way. But there are reasons, and they're very complicated.

I would ask that government and the two different sectors, supply management and non-supply management, work together on this, instead of butting heads. There's no doubt that this government, the previous government, and all political parties support supply management. We have a very, very complex job of trying to satisfy both sides of it, if I can use those simple terms, and it isn't easy. But I can tell you that the support is unequivocally there. Obviously there are some disagreements on how we get there, but that support is there.

Mr. Wiseman, you made a couple of comments. One was on training of our young farmers and what have you—indeed, your group is key to the sustainability of agriculture. Other than that hands-on approach you talked about in learning how to drive the tractor from your parents, the same as I did, what suggestions were you looking at as far as training of young farmers is concerned?

Also, you talked about strategic growth. Although this meeting is about business risk management, and this is going to take us away from that, we do like to grow. So I'd like to hear a few more comments on exactly what involvement you were looking for from the government to help grow those sectors as well.

• (1025)

**Mr. Chan Wiseman:** I guess this goes back to what Mr. Devolin said about niche markets. In Newfoundland and Labrador, we have a tremendous opportunity to grow certain sectors within the agriculture industry. You can call them niche markets in certain respects, but in a lot of respects they're not niche markets. There are niche markets that can grow off on the side of those. Look at blueberries, which I alluded to, and look at the fur industry and at vegetables. With potatoes, for instance, Newfoundlanders and Labradorians consumed around 19 million pounds of them last year, and we supplied as a province about 8 or 9 million of those. So we're importing quite a bit of food into the province. What the federal government can do is to recognize the regional components of what APF will do.

We look to science and innovation to move those particular sectors along, and you look at the blueberries. Then that can be brought even further down the line into the functional foods and into the life sciences side. There's huge potential in that particular area as well.

So there's the primary production side, where we need research and development and innovation money in order to move that forward, and the renewal part of it. That's going to be extremely important for the agricultural development side, but also for the economic and the social side of our rural towns and communities throughout the province.

In terms of training, you know, the training initiatives we have in our province are quite limited. One we're currently working on now is in the fur industry, a 52-week training program we're delivering through one of the community colleges in the province. We're looking at training in the dairy industry as well, and there's also a training component right now in the blueberry industry. But it's going to be extremely important, if we're going to frame these up to young people as career options. It's very difficult to frame these up as career options if there's very limited training out there. So we need the money to be able to develop these training programs and develop the curricula surrounding them.

So there's a huge piece there with training, and the professional development part as well. That goes back to funding the young Canadian farmers as well, because there's a huge professional development component there, and a business management component as well.

• (1030)

**The Chair:** Thank you.

Mr. Hubbard.

**Hon. Charles Hubbard (Miramichi, Lib.):** Thank you, Mr. Chair. I guess I'm the last one.

The *Farm Focus* is a small newspaper that's published in Atlantic Canada, in fact I believe in Yarmouth. About two issues ago it had some very critical letters in terms of agriculture: one from Newfoundland and Labrador and another from a farmer here in Nova Scotia.

Mr. Wiseman, your Minister of Natural Resources replied to one of those letters.

It's unfortunate, Mr. Chair, that we're not going to Newfoundland and Labrador. She says that province is a growth area, that employment in that sector has increased by 20% in the last five years.

Mr. Chair, in Atlantic Canada, of course, a lot of the food comes from somewhere else. We even bring in apples. Last night, I think it was \$1.15 a litre for supreme gasoline. What price would diesel fuel have to be before we saw a greater reliance on agriculture in places like Atlantic Canada? Carbon and the cost of transportation are big factors in the future of our economy and our country. What price would it have to go to—\$2 a litre for diesel—before we couldn't bring apples from China, or grain to Newfoundland and Labrador for your poultry sector? These are going to be big factors in the future.

Mr. Hunter, you talk about money coming from the front door rather than the back door. You seem to think it should be done, but how? Where would the money come from? There would have to be more money. Would you take money from somebody to give to the—

**Mr. Frazer Hunter:** There doesn't have to be any more money. There's \$90 million coming into Nova Scotia to aid agriculture. The agriculture budget for this province this year is \$44 million. The feds put in \$46 million last year. There's \$90 million coming in. There was \$60 million in CAIS payments, in maintaining margins—not maintaining profitability, maintaining margins—and if that money—

**Hon. Charles Hubbard:** If I could just—because I only have five minutes.

We'll take the pork producers in Nova Scotia. They've had a very difficult time. In fact the minister said we can't afford to give them more money. So some of that money the pork producers were getting would go somewhere else—

**Mr. Frazer Hunter:** No.

**Hon. Charles Hubbard:** —or would it go to pork producers at the front door?

**Mr. Frazer Hunter:** It would go to pork producers at the front door. We've had ad hoc payments to the pork producers over the last number of years. I've forgotten what the figure is—\$10 million, \$12 million. The pork industry will address this, but it hasn't moved the industry. That industry wants to move. You'll hear from pork, I think in the second phase this afternoon, and you can ask them. They're very interested in this transition project of getting the money up front, because it then gives them time to change their industry.

We've been a commodity producer of pork, not a product producer of pork. The pork producers have invested in this multi-species federal plan. They see they have to move down that chain, but they need help to get there. It takes six months to get from weaner to your finished hog. You can't keep losing money. If the money was up front giving them a return, they could then transition. Transition means moving from somewhere to somewhere else, not to stay where they're at.

**Hon. Charles Hubbard:** I could spend a lot of time on this, but I only have one minute left.

Nova Scotia has done tremendous work with blueberries. They're not represented, except indirectly here this morning. In terms of marketing, in terms of expanding their industry, do the cranberry growers work with the blueberry people at all? They have a system of zero freezing, getting their product fresh to other markets. Is that a solution to some of your—

• (1035)

**Mr. David Ernst:** No. We don't work with the blueberry growers. In fact, probably 90% of the cranberries available in grocery stores, which is where most people purchase cranberries in Atlantic Canada, have been processed in the U.S. And that includes every bottle of private label juice and every bottle of Ocean Spray juice, which is 85% of the cranberry market right there. As growers, we're selling our product out to other areas to process, generally, and then what we're doing is buying back the finished goods from another area for our market. That is the problem.

The problem, the way I see it, is related to where the money goes. So little of the cost of a bottle of juice ends up in the grower's hands and so much of it is in between. The agricultural policies look at how this grower keeps himself alive, but really, this is where our business is going. We have to drive towards getting more of that market share.

The blueberry growers are starting to realize this. They started years ago. I know a little bit about their policies, but not a lot. They are working towards selling blueberries as a premium ingredient, and that marketing plan has worked very well. They sell across North America. Cranberry growers, we don't do that. We sell to a few buyers. I could name the four or five major buyers in North America. All the cranberries basically go through those markets—this is as an industry—and they come back processed. The processors make the money, the retailers make the money, and the growers don't.

**The Chair:** Thank you.

I just have a couple of quick questions.

Mr. Fuller, you were talking about the chicken and rice import. Where did that product come from?

**Mr. David Fuller:** It came from the United States.

**The Chair:** It was a U.S. product, okay.

Mr. Hunter, you talked about CAIS not working, yet you support the CFA proposal for business risk management, and they're still talking about a margin-based program—essentially a spinoff of CAIS—and moving ahead with a NISA-style 50% top-up.

I'm just wondering how you reconcile that. You say that CAIS doesn't work, yet we're still going to have something similar to it.

**Mr. Frazer Hunter:** We have to support it because of the timeframe we're working within, which looks to be the next three months. Something has to be done on the whole APF II. So we've developed CAIS to be a NISA-type—but in the long term, when we're looking at transition and the future of our industry vision, there have to be major changes down that road.

So in the short term, yes, we support CFA's position wholeheartedly because of the timeframe we're working in.

**The Chair:** Thank you.

We are going to suspend very quickly to allow witnesses to leave the table and to let our next group come to the table.

I will call us back within five minutes.

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

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• (1045)

**The Chair:** I'll call the meeting back to order. I'm missing a couple of members, but we do have quorum so we'll continue on. They're just getting their luggage out of their rooms, I believe.



I'll repeat this later. They're having a lot of interference from our CrackBerrys, so please keep them as far away as possible from the mic. I've signed you up for that 12-step program so you can get weaned off.

Anyway, we want to welcome to the table, from the Newfoundland and Labrador Federation of Agriculture, Mervin Wiseman. Thank you for coming down.

From Pork Nova Scotia we have Dennis Boudreau and Henry Vissers. From the Dairy Farmers of Nova Scotia we have Havey Whidden and Brian Cameron. Robert Gordon is here from the Nova Scotia Agricultural College, which is just in town here.

**An hon. member:** It's a good college.

**The Chair:** Every agricultural college is a good college.

With that, I ask everybody to keep their opening comments as brief as possible. We will hold you to 10 minutes. If you can save some time and be a bit shorter, we'd appreciate that very much.

We're going to open the floor with you, Mr. Wiseman.

**Mr. Mervin Wiseman (President, Newfoundland and Labrador Federation of Agriculture):** Thank you very much, Mr. Chair.

Before I start—and I'm a bit reluctant to do this—it seems evident from so many years of experience here that a lot of people don't know where Newfoundland and Labrador is located, so I brought some maps. I actually highlighted the Newfoundland part, just in case people can't read. I believe most of the members know where to find Newfoundland and Labrador, but perhaps some of the planners who set this up really don't know, so I'd like you to take that back.

I've had this experience from consultations long before this committee came along. We had consultations on the BRM, from the federal-provincial arrangement that we've had. FIMCLA—we've had to get our politicians to try to get the people to come to Newfoundland and Labrador. So it is frustrating.

A lot more than the people you're seeing today would like to appear at these consultations, but it costs just as much to come from Newfoundland and Labrador to Halifax as it is to go from St. John's to London. It's very expensive.

Anyway, I would like to proceed right into my valuable time. I guess my big concern in not having a presence within the mindset of people who are involved in agriculture is the fact that people are not aware of what's happening in agriculture in Newfoundland and Labrador. We do have a significant industry, relatively speaking, an industry that's worth a half a billion dollars and supported by 6,200 jobs. It has experienced good growth over the last three years. The industry is definitely poised to take advantage of some new and emerging opportunities to increase that growth.

We can look at the industrial milk quota, where we've received 32 million litres of allocation that will double the industry from a value of \$100 million and double the number of people employed to a couple of thousand.

We can talk about a fur industry that three years ago was only worth less than \$1 million. Today it's worth \$80 million and

projected to move up to about \$200 million over the next couple of years.

We can look at the industry around life sciences, particularly our northern dairies, and what we can do with nutraceuticals and functional foods.

We're looking in areas of the vegetable industry. We're only producing 10% of what the consumer is purchasing in the province.

We look at things like the livestock, the red meat industry, where consumer purchasing power is purchasing somewhere in the order of about \$160 million from a provincial scale. Because we don't have an infrastructure in terms of slaughterhouse facilities, in terms of red meat inspection regimes, we can't get our product into the revenue stream. We can't get into the wholesalers, the retailers. We cannot export red meat products out of Newfoundland and Labrador. There is something wrong with that system. If you can't get into the revenue stream, how can you create an industry?

The new rationalization in terms of healthy eating, a healthy environment, and food safety, food security, is certainly driving the industry to the point—especially in terms of nutraceuticals, functional foods. We talk about the health food industry. There's tremendous growth. An industry in the life sciences is worth billions and billions of dollars in North America alone.

Certainly in terms of what agriculture and agrifood can do in terms of sustaining and growing the rural economy in Newfoundland and Labrador, of course, is the ultimate in rationalization for us and where we want to go. We see tremendous opportunity and we want to take advantage of it. Of course, we look to the agricultural policy framework to do some of that.

We've moved forward I think on the basis of good strategy—

• (1050)

**The Chair:** Can I get you to slow down your speech a little for our translators?

**Mr. Mervin Wiseman:** Sorry about that.

**The Chair:** I appreciate that very much.

**Mr. Mervin Wiseman:** I have 10 minutes. I have to move along.

**The Chair:** It's not a race, though.

**Mr. Mervin Wiseman:** We certainly need to match the opportunity with the right kind of investment, especially at the primary production level. Of course, we have to recognize there is a lot of restraint around moving things forward in any capacity when you're an agricultural producer.

On obtaining a fair market return in the marketplace, there are tremendous challenges around that at the best of times. The renewed focus on farm management systems, such as food safety, quality, and traceability, has created liabilities that are not easy to overcome. Farm management systems requiring environmental and animal welfare safeguards bring additional financial liabilities in the interests of providing these public goods and services. In essence, it certainly brings an impetus to the need for government to invest in order to meet the demands of public goods and services.

Certainly, the changing demographic from rural to urban is very distressing. I think it's something we need to overcome and address in terms of where we're going with agriculture and agrifood economies.

I'd like to very quickly look at some of the issues around APF, what it's done for us in terms of sustainability and profitability, and where we need to go in reviewing it and looking at some of the shortfalls.

First of all, I see a seriously inadequate federal-provincial sharing formula that discriminates against provinces and territories with low populations and further limits the funding requirements necessary to achieve APF objectives.

The Newfoundland and Labrador share of the last APF funding was .005% of the total national allocation, or \$1 out of every \$183 spent on the APF in this country. One dollar out of every \$183 came to Newfoundland and Labrador.

There are other programs that have come down the tube since then. We had a federal budget last year of \$1.5 billion. We didn't even get loose change. On the CITI program, the CAIS inventory transition initiative, our total allocation out of a \$900 million program was \$1,500. Give me a break.

I know the program was not all about bailing out different things to do with investment. I know it was fairly targeted. But at the same time, if we're going to put \$900 million towards second chances, then give us a few dollars for some first chances. Let's get it right the first time, and then we don't have to go back to throwing money into that kind of situation.

We are looking at a highly dysfunctional administrative arrangement that unreasonably encumbers and confuses producers with a costly bureaucratic administrative process. We're definitely seeing that, especially in BRM.

The margin-based BRM element fails to provide a suitable framework to address production disasters and has elements that are not simple to understand. The BRM is not simple to understand. It's not sufficiently responsive or predictable, and it fails to address the overarching problem of low and declining margins.

There's a lack of an overall development or a growth pillar. We've had to come in through the back door, stand on our heads, dance on the ceiling, and contort in every way you can think of to consider expansion and growth.

There's an inability to build on regional or provincial differences.

Strategic industry gaps, such as the means to address animal welfare issues, are not there.

There's a disproportionate sharing arrangement to compensate farmers for performing public good functions, the food safety issue, animal welfare issues, and so on.

There's a disengagement of producer organizations from administration and leadership roles. There is no provision or the financial wherewithal to deal with it. The structure is not there to do it. Not only are we becoming disenfranchised, but we're becoming disconnected from the whole framework in moving this industry forward.

There's a lack of harmonization with objectives contained in the full suite of government programs, such as the Farm Improvement and Marketing Cooperatives Loans Act program, the FIMCLA program. It's totally disengaged and not harmonized at all with the goals and objectives.

Of course, we can include the advance payment plan in that. There are some serious flaws in it, even though we're trying to improve them. We've made some improvements.

I'm looking forward to the next generation of APF. It is hoped that our collective experience and the issues that have arisen from the current agreement can be addressed within the following recommendations. These are only a few recommendations, and there are others.

We need a federal-provincial sharing formula that effectively blends population per capita in a way that adequately addresses needs, hurt, and opportunity in the industry.

We need a funding regime that provides adequate levels of funding to achieve program objectives and a suitable compensation arrangement for producers who have to comply with the public good infrastructure.

We need a program designed that embraces federal objectives but provides provincial flexibility through the establishment of companion programs.

We need a BRM program design that separates disaster from income stabilization and an adequate support mechanism that can be triggered on a timely and efficient basis.

We need an enhanced stabilization or a provision for predictability and bankability. That's what we try to rationalize when we talk about the new NISA type of formula. The idea is to have some money ready in order to respond during disasters, and so on.

•(1055)

I take some exception to the CFA's position. I agree with this component of it, but we have the fundamentals wrong in terms of BRM when we look at margin base. The fundamental here is COP and how we protect it. That's where we should be going, and I try to encourage our national organization to go there.

There should be provision and suitable financial means for inclusion of producer organizations in the administration of APF programming at the national and provincial levels. We can also extend that to the process of policy, its derivatives, and how we go about establishing policy that's driven from the top down. There are two key people left out of policy in this country. One is the politician and the other is the producer. It is driven by bureaucrats who have no accountability.

On streamlining the administration process, the strategic growth pillar, we need to make sure we have that. We need a full and comprehensive plan that addresses gaps such as animal welfare. Make sure we harmonize.

I just want to close by telling you about Newfoundland and Labrador and the APF agreement we had. The money that was allocated—\$32.5 million and a bit of loose change—has fallen through the cracks. That was committed two or three years ago. We're running on empty on an APF agreement, and we haven't even achieved 40% of the APF objectives. We can't get transition money. There's no talk of transition money. It's a goddamn mess.

Thank you.

**The Chair:** Thank you.

Next, from Pork Nova Scotia, is Monsieur Boudreau.

**Mr. Dennis Boudreau (Vice-Chair, Pork Nova Scotia):** Good morning. It's my pleasure to have been invited to this round of talks. I'm from Pork Nova Scotia. I'm the vice-chairman. I have my executive manager, Henry Vissers, here with me.

The Nova Scotia pork industry is an integral part of the rural economy of Nova Scotia. In the recent economic report commissioned by Pork Nova Scotia, Kelco Consulting concluded that, based on their review of data for the past five years, a healthy Nova Scotia pork industry spends about \$36 million a year on goods and services necessary for farming activities. The resulting activities, through transportation and processing, provided an additional \$86 million in direct annual spending. The total direct spending by the sector is \$124 million annually. This expenditure supports 1,300 person years of employment, \$84 million to the Nova Scotia gross domestic product, and it also provides \$8 million in provincial government revenue and \$10 million in federal government revenue through taxation.

The pork industry in Nova Scotia is mainly domestic. Nova Scotia produces approximately 50% of the pork consumed in this province. Production has fluctuated to a high of 250,000 hogs to our current production of 170,000. This decline in production is expected to continue and is attributed to a number of factors. The cost of production is higher in Nova Scotia, mainly due to the cost of transporting grain into this province. The export sector has grown in Canada—50% of the national production is exported. This has meant

that Nova Scotia producers now share the risk of these national exports. We are open to currency and trade risks without enjoying any of the benefits. Our price is set in Iowa and our costs are established in Nova Scotia.

Some of these items can be addressed nationally as competitiveness issues. For example, we need a competitive regulatory system with respect to licensing of veterinary drugs. Also we'd like to have conditions that will permit farmers to access vaccines at prices competitive with our U.S. counterparts. We also need competitively priced feed grains. We are in a grain-deficient area, and since the loss of freight assistance, the Nova Scotia feeder livestock industry has been at a feed cost disadvantage with other parts of Canada.

Under business risk management, the suite of programs developed in APF I did not meet the needs of the Nova Scotia pork industry. We need an APF agreement that recognizes regional differences. For example, the CAIS program has worked in the past for a single-commodity farm but has caused financial difficulties for farms that have diversified in order to survive. With the extended period of low profitability, the current CAIS program has little value to the hog producers. If the CAIS program is to continue, improvements should be made, including improved timeliness of payments, clarity of process, improved negative margins covered, improved reference margin calculations, and it should include a provincial COP portion in these calculations.

The recently announced NISA-type programming might be of benefit as long as it can help to sustain our industry here in Nova Scotia and be only a part of a revised business risk management program. This program has the potential of putting money where there isn't bad financial hurt. The program needs to be reassessed as to how they put these funds in place. Whereas the hog industry has a huge expense side to the equation, if calculations were based on ENS, hog farmers would be at a disadvantage compared to other sectors such as grains or beef, for example. The program calculations must be fair across all commodities. The Nova Scotia hog industry needs a COP formula to keep farmers alive and therefore rural economies vibrant.

•(1100)

Nova Scotia pork producers need the flexibility of provincial programs in order to address the issues that are unique to our province. The vision of APF II is an industry that is innovative in seizing evolving markets for food and non-food products and services within an environment that fosters prosperity and opportunities for the entire value chain, creating benefits for all Canadians. Producers are not able to buy into this vision on their own. They simply do not have the financial resources. We need a Nova Scotia companion program that supports the innovation required to evolve to this new model.

Production insurance for livestock has been promised in APF agreements, but the government has not delivered. Production insurance for livestock must continue to be developed and suitable options provided for the industry. In the absence of production insurance, there should be a means of compensating producers for disease or other loss of production assets beyond their control.

The pork industry has used their CAIS reference margins to help on losses due to circovirus disease, thus reducing those margins if needed later to address farm losses. With production insurance in place, the disease loss would have been compensated and the original CAIS margin left intact. This has driven Nova Scotia hog farms very near to bankruptcy. The production insurance program should be developed and delivered across Canada with a consistent base to work from. This would help create fairness and accessibility across Canada.

Pork Nova Scotia supports the creation of a framework for disaster relief. Governments will not be able to provide a suite of business risk management programs that can address all eventualities. Therefore, having a framework to guide special situations will be valuable and provide producers with confidence that assistance will be available in these extreme circumstances.

On the cash advance program, Pork Nova Scotia appreciates the work done by Agriculture and Agri-Food Canada for the cash advance program. However, we still find that access to the cash advance for hog producers is not as favourable as that offered to crop producers. The extension to livestock for programs that are currently available to crops must be workable for livestock producers. Due to the short production cycle of hog farms, hog producers have access to the cash advances only for six months. In fact, we have only 50% of the benefits offered to crop producers. In addition, livestock producers that grow grain to feed their livestock will now be at a disadvantage as farm-fed grains will no longer be eligible for a cash advance. How a producer uses grain should not be a criterion for eligibility.

While the environmental policy and regulations fall primarily under provincial jurisdiction, government and industry must work together in developing a strategic approach and define those for enhancing the environmental performance and sustainability of the agriculture sector. Producers require support and incentive to economically achieve enhanced environmental performance. Our feed costs are already higher than those in other jurisdictions. The addition of corn for ethanol programs simply makes the impact worse. Government programs to enhance biofuel or bioenergy production must not be to the detriment of the raw material in

livestock feeds. Energy efficiency must be granted increasing attention in all sectors, and outreach and incentive programs should be structured to achieve an effective reduction in societal energy use.

•(1105)

The renewal pillar must focus on sectors, such as the Nova Scotia pork industry, that are in transition. This pillar can help us work on underlying factors surrounding profitability.

Our producers need the means to move the industry forward. Efforts such as moving to higher-value markets and moving of the value trains do not come without cost. Consider a producer who wishes to raise hogs for natural markets. This would require him to remove antibiotics and meat and bone meal from feeds. Some farms may have disease challenges within their herd and they may have to depopulate the herd and purchase breeding stock. A similar situation will arise if a producer wishes to take advantage of the heritage breed market.

All of these changes require a period of time when there is no cashflow on the farm, plus farmers must learn new production methods. We do not have the equity left in our farms to make these changes without support. This role could be filled by renewal.

•(1110)

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

Mr. Whidden.

**Mr. Havey Whidden (Vice-Chair, Dairy Farmers of Nova Scotia):** Thank you, sir.

Good morning, everyone. My name is Havey Whidden. I'm here this morning with the general manager of Dairy Farmers of Nova Scotia, Brian Cameron. I appreciate the opportunity to be here with you today.

I'm a dairy farmer. My farm is located about 20 miles south of here. With the help of my wife, my daughter, and my future son-in-law, we milk 90 Holstein dairy cows. Dairy farming has been my career for the past 29 years.

Today I'm here representing Dairy Farmers of Nova Scotia. I am the vice-chairman. We have a staff of six employees at Dairy Farmers of Nova Scotia, and all expenses at Dairy Farmers of Nova Scotia are funded by our membership. We have 276 dairy producers in Nova Scotia, and they produce 170 million litres of milk annually. Dairy Farmers of Nova Scotia is a member of Dairy Farmers of Canada.

I am pleased to be here today. It's not often I get to speak to such a distinguished group of influential politicians. I want to use my time today to speak to you about supply management; no surprise there, I expect.

Supply management has been good for Canada, not only for producers but for all of Canada. Our processors have a consistent supply of high-quality milk at a predictable, stable price. Our consumers have a consistent supply of a wide selection of high-quality, healthy, safe, and reasonably priced dairy products. And to top it all off, all returns to the farmer for milk come from the marketplace, with no government support.

But we do need government support. We need government support to maintain supply management. We need government support to maintain the three pillars of supply management. All three pillars are crucial.

Production discipline is one of the pillars of supply management. We do this through a quota system. Producers are allotted production quotas based on Canadian consumer requirements. In other words, we produce enough milk to supply the demand for dairy products in Canada, with a very small amount for export to help balance the system.

The second pillar is fair returns to producers. Milk pricing at the farm gate is transparent. A great deal of effort is put into milk pricing to make sure it is fair and reasonable.

The third pillar is import controls. We need government to maintain import controls at our borders. Without import controls, the other two pillars cannot function. Without the ability to control the amount of imported product coming into Canada, Canadian dairy producers would not be able to predict the amount of milk we need to produce. If we don't know the amount of milk to produce, we cannot maintain a stable price.

Canadian dairy producers have lived with varying degrees of uncertainty of our supply management system for the past 15 years. In order to have a healthy industry, we need to have confidence in our future. Canadian dairy farmers have huge amounts of capital invested in their farms. We need to know that government will continue to support Nova Scotia for the benefit of all producers. Nova Scotia dairy farms are a very important part of rural Nova Scotia.

Our Canadian government must support and maintain one of the best marketing systems in the world: supply management. Supply management also must be recognized as a business risk management pillar of the agriculture policy framework. I want to repeat that because I feel it's very important: supply management also must be recognized as a business risk management pillar of the agriculture policy framework.

Without supply management, the Canadian dairy industry would have great difficulty surviving. It requires huge investment today to operate, maintain, and invest in modern dairy farms. All this requires financial stability and long-term confidence in our industry.

The whole-farm approach to the Canadian agricultural income stabilization program is a disincentive for dairy farmers to be involved in the program. With supply management providing a fair

return for the milk sold, this would cancel out the losses in another enterprise that is doing poorly. Milk sales give a fair return for the dairy enterprise and not for other areas of the farm. Dairy producers will only buy into production insurance if milk income and business interruption are covered by the production insurance program.

In conclusion, dairy producers in Nova Scotia see the revisions of the agriculture policy framework as being important to moving agriculture forward. Supply management and its three pillars must be included as a program under the business risk management pillar.

I believe we as a country must soon make some important decisions about our agriculture industry. We need to make some decisions about where our food will come from to feed Canadians in the future. We must decide whether we believe it's important to have the ability as a country to produce the food required to feed our people.

The average age of a Canadian dairy farmer is 47. A lot of us will be retiring in the next 10 to 15 years. Without a stable future that can provide for the financial requirements, many good potential dairy farmers are making other career choices.

• (1115)

Thank you for your attention.

**The Chair:** Thank you very much.

Mr. Gordon, you're on.

On behalf of the committee, I would like to extend our condolences on the loss of your colleague in Virginia, Jocelyne Couture-Nowak. It was a shocking event in Virginia last week. We paid our respects this morning with a moment of silence when we started the meeting.

You have 10 minutes, sir.

**Mr. Robert Gordon (Nova Scotia Agricultural College):** Thank you. That was certainly appreciated. It was a significant loss not just to Virginia Tech, but certainly to all of her colleagues here at NSAC.

My name is Robert Gordon. I'm a Canada research chair at the Nova Scotia Agricultural College and also a dean of research.

As the focus has been today on BRM issues, I'd like to spend a bit of time talking about two other chapters that I think are highly linked, and integrated, potentially, with the BRM chapter. Those are "Environment" and "Science and Innovation".

First I'd like to talk a bit about NSAC and some of the roles we have played in supporting the agricultural policy framework and hope to play in the next generation of the APF. NSAC recently, in 2005, celebrated its 100th anniversary. One thing the institution has done over the last 100 years is evolve as the industry has evolved. Right now, NSAC has a student enrollment of around 800 students. We have technical programs, and certainly strong undergraduate programs at the BSc level. We have an emerging graduate program at the master's level in association with Dalhousie University, and we also have a proposed PhD program, which is now being reviewed by the Dalhousie senate for implementation in 2008.

NSAC has evolved substantially as one of the major research institutions in Atlantic Canada. In 2006, NSAC ranked first of all 16 Atlantic Canada universities in research intensity. We're forecasting in excess of \$5 million in research holdings being acquired by NSAC in 2007. This shows how we have evolved from primarily a teaching institution to a full university, with strong research academic programs to suit that status.

The goals of research at NSAC are to support the agriculture industry in Atlantic Canada in providing innovative and adaptive solutions to current challenges; to support the development of new products and opportunities, as has already been discussed today; but also to develop highly qualified personnel not just to work on the farm, but to support the agriculture sector in science and technology development into the future.

One of the key areas NSAC is also committed to is enhancing industry partnerships in support of technology transfer and developmental opportunities, as well as our links with program delivery of things such as the environmental farm plan, which I'll talk about in a few seconds, as well as the nutrient management planning training that we offer through NSAC to support the environmental technologies in the region, but also to be innovative and forward-thinking and to be working with industry in identifying new initiatives in the life sciences and bio-opportunities, and as well as other new technology developments that will support value-added opportunities for the agriculture sector.

We have an innovative industry-research chairs program, whereby government and industry partner 50-50 on the development of five-year research chairs through NSAC. There have been huge success stories developed through this program over the last decade. I certainly feel that the expansion of the fur industry in Nova Scotia is, part and parcel, due to the development of a fur chair in the late 1990s at NSAC. That really helped to support the expansion of that sector in this province. But the development and enhancement of the blueberry industry, as well as issues surrounding bioproduct development, waste management, and numerous other things, have been established through this industry-research chairs partnership program, again very closely linked to the science innovation capacity that we have as an agriculture sector in Atlantic Canada.

To start off with the "Environment" chapter, one area we've really emphasized through our involvement at NSAC is the development and enhancement of the Nova Scotia environmental farm plan program. For those of you who aren't aware, the EFP in Nova Scotia is a partnership between the Nova Scotia Department of Agriculture, Agriculture and Agri-Food Canada, and the Nova Scotia Federation of Agriculture. We've received funding over the last seven years

through various sources, including AAFC and the Nova Scotia Department of Agriculture, as well as the CARD program, which is the program that supported the development of the EFP early on.

The EFP started in 1999. It has continued to be a voluntary program that helps farmers identify and assess environmental risk on their farms. It continues to be a free opportunity for all farms that want to go through that process. The reasons for participating are compliance with environmental laws, assistance in assessing environmental risk, and maintaining good farmer relationships with the community, as well as access to potential funding through programs such as the national farm stewardship program. Right now, currently enrolled through the program we have over 950 farms participating in various stages of the program. That includes more than 760 farms that have actually completed and implemented action plans regarding their EFP.

● (1120)

Combined with that, we also have actively pursued nutrient management planning for Nova Scotia farmers, and to date over 600 farms have enrolled in that innovative program as well. So those are two really good success stories that have been developed through the environment chapter of the APF to support the sustainability of farms in this province.

We're starting right now to really get a better sense of some of the accomplishments that we've seen from these innovative programs. I'll highlight that over the last five years we've seen that 79% more farms have developed nutrient management plans than existed prior to 2001. We've actually had an 18% increase in farmers having adequate manure storage capacity, as well as 13% more farms having proper and certified pesticide storage facilities. So there have been significant advancements in the sustainability of these farm systems because of programs like the EFP.

Under the "Science and Innovation" chapter, there really haven't been the financial resources that we would like to have seen to really help that chapter move forward. Again, one of the key things that I think we need to be focusing on is better integrating that chapter with the other chapters in the next generation.

One program certainly that I'm proud of, which we've established with provincial funding that has been built into the overall implementation framework for Nova Scotia, is a graduate training initiative. We recognize that one of the key challenges of the future is the transition issue with respect to farmers. Certainly one other area, too, that is important is to maintain highly qualified personnel and good young scientists to stay in the sector and work in the industry in this next generation.

So what we've established through NSAC is a graduate research training initiative under the "Science and Innovation" chapter, which has really been the establishment of this fellowship program, where we're providing financial opportunities to high-calibre graduate students at NSAC who are conducting research of benefit to the Nova Scotia agricultural sector. It's really intended, as I said, to ensure a reliable supply of highly qualified personnel to meet these future demands, but also to have a focus on future opportunities for the industry.

In summing up in terms of reflections and suggestions, the "Environment" chapter here in Nova Scotia has been a real success. The historical focus on water, air, soil, and biodiversity has certainly really helped with respect to enhancing the future sustainability of the sector. I see in the next generation a future need to look at watershed issues collectively rather than at individual farm levels, the need to integrate farm energy or alternative energy technologies into environmental farm planning opportunities, as well as other emerging issues like farm safety.

I really strongly believe that the Nova Scotia federal partnership that has been established through the AgPF has been an excellent example of provincial-federal-industry partnerships and a good example of the environmental farm plan that has existed here in Nova Scotia. Really, don't mess with something that's been working. What we really need is a seamless transition into the next generation of APF for the environment.

In terms of science and innovation, as I mentioned before, it's generally been an afterthought. I think we really have to focus on trying to find ways of better integrating innovation, new product opportunities, and aspects associated with technology and opportunities for technological advancement in this next generation of the APF. So improving the value chain will continue to be an area of focus.

But the key thing, certainly, that we've identified here in Atlantic Canada is that the regionalism of agriculture requires a regional approach to science and innovation. One thing that we've really seen in this last generation of APF has been this need to fit into a national model. Certainly we have to recognize the differences within the industry as you move across this country. You need to be thinking about some of those things as you're developing programs to support the future enhancement of the industry under science and technology, as well as the need to continue to support the development of HQP, not just at the farm level but in support of farm-level initiatives in the science-based sectors.

Thank you.

• (1125)

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

We'll kick off with Mr. Hubbard, please.

**Hon. Charles Hubbard:** Thank you, Mr. Chair.

Thank you to the witnesses. It's always a problem; we have a short time. I guess this morning we have two provinces here, too, which complicates things a little bit. From Newfoundland, the presentation seems to be, how do you start if you have no base to look for programs? It's almost unbelievable that such a little bit of money is being put into that Newfoundland agricultural sector when so much

of your food has to come from the mainland, with the cost of transportation and all.

With the dairy farmers now you have two major co-ops here in Nova Scotia that most of you are involved with, Scotsburn and Farmers. Does that give you an added advantage in terms of getting a better amount of the money that is available back to the farm community? Do you see dividends over and above your actual milk sales? How do they work, the two co-ops?

**Mr. Havey Whidden:** We do not see any advantage in terms of the price we receive for our raw product leaving the farm, regardless of whether we ship to a co-op or to a private dairy, except that in the cooperatives, of course, there are shareholders. I am a shareholder of Farmers Co-Operative Dairy.

If the dairy does well, there are some dividends paid. Unfortunately, our dairy didn't do that well last year, so there were very small dividends paid. That would be the only area where there would be an increased revenue, but on the other hand, we do contribute on a regular basis to our share capital within the company.

**Hon. Charles Hubbard:** I want to just ask a question on this. In terms of farmers, you deal with several major food companies and you buy shelf space. What do they ask as a percentage of the sales for that shelf space?

**Mr. Havey Whidden:** I can't speak on behalf of the processor because I'm not involved with the company at that level. I am a shareholder, but I am strictly involved with the producing side of the industry. DFNS, Dairy Farmers of Nova Scotia, has no involvement whatsoever with negotiations between a customer of a processing plant, and so on.

**Hon. Charles Hubbard:** Are you avoiding that question? You must sit as a board. You have a board of directors, and certainly your sales group would say to you, "Loblaws this year wants 20% of the value of that product in order for me to have 20 feet of shelf space at a store in a certain place." You must be aware of that as a dairy producer.

**Mr. Havey Whidden:** They don't say that to our board. Our board is not involved with that sort of thing. I am somewhat aware of those things. I don't feel comfortable speaking about—

**Hon. Charles Hubbard:** I know that, and most people aren't comfortable putting it on the table, but it is a major problem in terms of agricultural groups wanting to get shelf space in the four or five major food distributors in Canada. It's regretful that they demand so much for you to be able to sell your product.

Before, I asked about the pork producers. You say that we only produce about 50% of the product used in Nova Scotia. When we talk about research and your costs—and I would think the college is probably trying to help you there—what factors would you have to improve in order for you to get a better share of that product and be able to make money in your industry? What would you see as the need for success in terms of you being a successful farmer, the people of Nova Scotia being able to eat pork produced in this province, and everyone being a little bit happy with what's going on?

**Mr. Dennis Boudreau:** I would say our biggest roadblock in the Nova Scotia pork industry would be our high grain costs. The only real disadvantage for us, from central Canada or out west, is that we don't have the grain right here, so it's transportation.

I think the reality is that they've tried to have a grain industry here before, but if we have nothing to work with, a rotation, let's say a huge potato industry like P.E.I. and New Brunswick—We haven't too many other avenues where we could use a rotation, so grain production in Nova Scotia has never been profitable.

Can we make it profitable? I don't know. I think they've tried it and tried it. When you look at what grain prices are around the country, this year is probably the first year in the last five or ten that it's profitable. So do we have the assets? Do we have the money to put us at risk like that? If we go into the grain industry to help us that way, I think we'd be at greater risk than we are today. So we have to move to a path with less risk.

• (1130)

**The Chair:** Thank you.

[*Translation*]

Mr. Bellavance, please.

**Mr. André Bellavance:** Thank you, Mr. Chairman.

Mr. Wiseman and Mr. Boudreau, I learned something very interesting and important from your testimony. While travelling throughout the agricultural regions of Quebec in particular, but also during the meetings of the Agricultural committee in Ottawa, people from every province have often talked about the lack of flexibility in the programs for the provinces. It is rare, at least in Quebec, that people say that the CAIS, which replaced other programs and yet failed to meet the needs of farmers that were being met by such programs, is a good solution and that, because of the fact that it was implemented Canada-wide, it is the best solution.

This program cannot be adapted to all types of productions or to all regions. Grain producers know that this is an effective program when there is a prolonged drop in price. It is not predictable, nor is it competitive, with respect to the policies and subsidies provided in other countries. Obviously I am thinking of the U.S. Farm Bill here, as well as huge subsidies given in certain European Union countries. In committee or during our visits to find solutions regarding risk management, we often hear it said that it would be wise to fund companion programs that are already existing in the provinces.

In your opinion, is this an important change that the government should make?

[*English*]

**Mr. Mervin Wiseman:** Yes, maybe. There is one thing about the CAIS program—the BRM program that we have—and that is that even though it may not hit the target, it's got good intentions. There's no doubt about that. Sometimes we say there's not enough money there, but by and large, there not being enough money there is not really the big complaint. It's how the money gets spread around. We seem to take care of people who are doing very well, thank you. If they have a slight drop in margin, we make sure they're well taken care of. But the people who really need the money just seem to slip through the cracks. We talked about declining margins. What about people who have no margins at all? If you look at the province that I come from—and I've heard it from Quebec as well—there are many, and predominantly the number of producers out there without any kind of a margin to be able to either go up or down is really the fundamental problem.

Even in cases where it may work—and we can talk about the fur industry, which I'm involved in; I have the largest fox farm in North America. The CAIS program can work relatively well for one or two years, but then if the prices are going down, you're on that slippery slope of declining margins. What I'm hearing mostly—and sometimes it's articulated very clearly and other times it's a little bit vague—is that it's really the cost of production that we're getting at. That's what I see: it's the cost of production. Then I see the language of COP starting to come about. When we look at supply management, by the way, I believe it's at least one of the key principles. There are three main pillars, but it's this idea of working with COP and building safeguards around that COP that gives stability to the farming industry, especially in the dairy industry. I think if we would concentrate a little more on that—Again, with COP and the language that I'm hearing, I don't know if we're going to get anywhere because they're talking about tying the payments of COP into eligible net sales. If you have high eligible net sales, then maybe you don't need your COP protected as much as somebody who doesn't have those ENS. I know it's not simple to get at, but I don't believe it's overly complicated. I think we have to get the fundamentals straight. We just haven't been able to do that.

• (1135)

[*Translation*]

**Mr. André Bellavance:** What do you think, Mr. Boudreau?

**Mr. Dennis Boudreau:** We need to look after farms in Canada on a regional basis. In five years' time, we will see how the programs are working. Quebec has programs. We are even a little bit jealous of Quebec because we would like to have something similar. Our provinces and the Government of Canada are not flexible enough to implement these programs. We need to have agriculture in all communities and in all provinces of the country. We must not, as was the case with the last programs, focus on the cost of transporting grain and subsidies to get the grain here. That really put us at a disadvantage compared to our fellow farmers in Ontario or in the West.



If we continue in this direction, Ontario and particularly the West will continue to benefit more from the situation than we are, and will be able to export a lot more. There will be too much food, too much meat on the market. Is this beneficial for a country? It is a good thing to have an adequate supply of food, but in my opinion, it is more important to ensure that we have food in all provinces. This is part of the economy and it is very important. We must not forget this fact. The government is too concerned about the need to sell and produce a lot, even if it means finding food elsewhere. In my opinion, it is more important to have agriculture here.

**Mr. André Bellavance:** You mentioned something that we heard earlier from other witnesses, namely, the importance of emphasizing food sovereignty. I do not know if you were here when this issue was raised.

**The Chair:** André, your time is up.

**Mr. André Bellavance:** You can say yes, if you want.

**Mr. Dennis Boudreau:** Perhaps, yes.

**The Chair:** Thank you very much.

Mr. Miller.

[English]

**Mr. Larry Miller:** Thank you, Mr. Chairman, and thanks, gentlemen, for coming here.

Mr. Wiseman, I don't know whether there's a connection with the previous Wiseman, but anyway, thanks very much for coming here from Newfoundland and Labrador.

I have a couple of points.

Mr. Gordon, you touched on a program and you talked about regions. My question is, do you think the government should be looking at, instead of one national program, having three or four regional programs with comparisons? You can answer that.

I'll ask another question to Mr. Wiseman and Mr. Boudreau.

Mr. Wiseman, you mentioned \$1,500, and I believe I heard you correctly that the whole province basically received that under the CITI program. Are you suggesting that farmers should qualify for a program because of where they live, or because they actually qualify under the criteria of the program?

Mr. Boudreau, you talked about the cost of production and regional aspects. I'll use an example. Where I farm, I've grown corn for corn silage to feed my cattle, but I can't make money growing it as a cash crop. So when you talk about the grain industry here and tie it in with having a regional food supply, you know, people live in the Rocky Mountains, but you can't grow crops there.

My question is, should we be subsidizing farmers to grow grain where you can't grow grain profitably, and things like that? Maybe a number of you might answer that, but I think you get the direction that I'm trying to go in here. I can't disagree with having a regional food supply, but at the same time, there has to be a reasonable expectation by both those on the production side and on the government side to protect that.

So there are a number of questions. I'll let Mr. Gordon answer first.

**Mr. Robert Gordon:** Thank you for the question, Mr. Miller.

One of the highlights I've personally seen with the environment chapter has been the fact that each province, working with their federal co-chairs, has really tweaked the environment chapter provincially or regionally to accommodate some of the unique characteristics of that area.

For example, every province in the country has established an EFP program, environmental farm plan program, that they felt best fit to meet the needs of their industry, often in partnership with those industry stakeholders. So I think that's been really successful—to see a national model and to follow a national goal, but to have it so that even at the provincial or regional level there's some flexibility to be able to develop programs that make sense for the industry that exists there.

The point I was trying to make is that I really see that model working effectively with the science and innovation component in the next generation, rather than trying to fit us all through the western Canada mindset of a value chain and where the industry is going. We have different needs here in Atlantic Canada. We have different opportunities. And I think certainly under our capacity-building needs, under science and innovation and the future growth of the industry with some new opportunities, a more regional approach would be much more highly favoured, and I think much more successful.

• (1140)

**The Chair:** Mr. Wiseman.

**Mr. Mervin Wiseman:** Thank you.

We've created an APF and we've created different pillars, and the idea I think was to nest it all together and to have it fairly comprehensive. But we didn't do that; we just simply didn't end up doing that. So we started to come in the back door and do some things in budgets subsequent to the initial one.

When we talk about the CITI or the CAIS inventory transition initiative, and should it go to Newfoundland and Labrador because they're located out in the far reaches of the Atlantic and we should take pity on them, or should we send it to the people who it's targeting, the people who got hit with BSE and the grains and oilseeds issues and so on, I don't think there's any question that the ones who are targeted should be the main beneficiary of that. But with \$900 million there's some rationale here to say that if we don't build in some kind of a program, an offset from this program, to allow Newfoundland and Labrador farmers to build their infrastructure around slaughterhouses and meat inspections and so on, to do that kind of thing, they're going to be back here three years from now and they're going to be looking for the very same program themselves. We've got lots of second chances, but we have no first chances. So I don't think it's a leap to be able to say we can rationalize this, other than by virtue of the fact that we're living out in the cold Atlantic.

Again, when we look at this disjointment of fillers, I think Newfoundland and Labrador did something with a little bit of money that it had that no other province managed to do, and it was built into the flexibility thing that we always talk about.

BRM was not our major preoccupation in Newfoundland and Labrador over the last two or three years. As a matter of fact, we did not come anywhere close to being able to use up all the BRM allocation that was given to us, but we were given the flexibility to move that money to other areas and to other pillars, and primarily we moved that money into areas where we could do strategic development.

We came in the back door, if you will, to do strategic development. We've had a lot of people who said, we can't let Newfoundland and Labrador do that in the future; shut them down. I say let every other province do the same thing. Give them the flexibility to do it.

One of the real key things we did...because the Atlantic Canada Opportunities Agency, who have oodles of money, said, here's the lead government agency coming in putting up \$100,000, \$150,000, we will come in with \$500,000 on a \$1 million project. We had INTRD, another program that's not related at all to agriculture, and is not a lead agency, say, look, we're in too.

So we would have a conglomeration of about five different agencies coming in on the basis of a small percent of leverage that's brought in through APF, but without that flexibility we can't do it. I think you can call that companion, if you want, but there are all different kinds of things to do.

I'll could go on for a long time, but I'll just leave it at that.

**The Chair:** Please keep your comments as brief as possible, so we have more time for questions.

Mr. Atamanenko, you're on.

**Mr. Alex Atamanenko:** Thank you, gentlemen.

Mr. Wiseman, Newfoundland, your province, has suffered in the last two years because of the fishing industry and the restructuring and all of that, so the rural way of life is trying to survive, as in many other parts of Canada for other reasons.

Do you see the agriculture industry being able to step in and somehow build up rural Newfoundland? If so, how?

**Mr. Mervin Wiseman:** Yes, if we can get some strategic arrangements built into the development. If we're not so paranoid with countervail and being able to use the word "expansion", that we don't run and scurry and get—We're so afraid of what's happening south of border.

One of the things we do in Newfoundland is we're on an APF advisory council, and it puts the producer at the table with the decision-making process. We were trying to make a decision one day on something that we're going to do for a vegetable farmer in Fortune Bay, Newfoundland. All of a sudden he was rejected, and the rationale was because we're afraid of countervail. How the hell does a farmer in Fortune Bay, Newfoundland, who's farming on 20 acres of vegetable property, get caught up in countervail? We've taken this too far.

Yes, we have to have strategic investment, and if we bring that in—But agriculture in the province of Newfoundland and Labrador is the only renewable commodity that has got any growth potential. Everything else, the forestry, the fishery, everything, is just at a

standstill, the status quo. It's going backwards if we don't get investment in research and development.

For example, we talked about R and D. We have a blueberry industry, with the best blueberry in North America, the highest in antioxidants; it has everything. We produced half a million dollars' worth last year while there was \$81 million from Nova Scotia. We started out 12 years ago on the same playing field. Where did we go wrong? It was because of investments.

• (1145)

**Mr. Alex Atamanenko:** I know, for example, in British Columbia, and I think this is the case for the rest of Canada, that prior to NAFTA we had in-season tariffs. That's probably an argument for the folks saying, how can we have a viable vegetable industry if we have to compete with the border and we can't slap any tariffs on? How do you see us getting around this?

**Mr. Mervin Wiseman:** Well, I think we've contrived more of the issue than actually is there in reality; we're a little bit afraid. It's all, don't do this because we'll get hit with countervailing duties.

I also sat in on that when we were trying to do something about the declining margins for farmers at the NCC, where we had a fairly high-level official from the United States talking about a program for compensating their farmers. At the end of it, one of the producers said, what if we come up with the same program to feed our producers the kinds of money they should get? They said we'd be subject to countervailing duties, as they wouldn't stand for it. So there's something wrong there.

I believe for most of the issues around this, there are clauses in the WTO and other trade agreements allowing for regional flexibility and allowing one to bring somewhat economically depressed regions up to certain levels. The same rules don't apply. But, again, we're applying the same rules to all the regions, such as Newfoundland and Labrador, as we are to Ontario and B.C. and to all the rest of them.

So I think we need to get inside this a little bit and understand the issues. Producers have been bamboozled. I believe politicians have been bamboozled by the bureaucrats, who have no accountability to anybody. The difference in the United States, of course, is that the politicians are tied to the producers who put the policy together and elect them and kick them out of office if they don't perform. That's one of our big problems.

**Mr. Alex Atamanenko:** So should our federal government be getting more teeth and have more of a will to protect our local industry?

**Mr. Mervin Wiseman:** Absolutely. Let's start with the farm bill. The CFA has done a pretty good job with it. They can make some improvements to it, but I think we have to have the farm bill, otherwise we're on a tilted playing field with the U.S. It is a lot about the U.S. versus Canada and the EU versus Canada; it is an awful lot about it. And until we empower ourselves to be able to counter that with the right kinds of programming, and with policy, first of all, because it's your chart—If you're a navigator and you're heading across the ocean to England, you won't get there if you don't have a chart. That's policy, and that's where you're going. We have no policy.

**Mr. Alex Atamanenko:** Thank you.

I have a question for Pork Nova Scotia. Am I right, Monsieur Boudreau, there used to be help with transportation and there is no more? Could you explain that, please?

**Mr. Dennis Boudreau:** I'm not sure of the year, but I would suspect it was in the mid-nineties, when there was federal subsidization of grain transportation from western Canada. More or less, it brought the same feed cars across Canada. So provinces that were deficient in grain production, such as Nova Scotia, benefited from that. If that hadn't been in place, the hog industry would probably not be in place here, so in theory we would probably not be screaming and saying we need help.

You can't start an industry on a certain basis and then eliminate its support program, because you're then killing the industry. Then you have to deal with what you do with an industry that's dying.

**Mr. Alex Atamanenko:** So if we don't want to be at the mercy of American corn producers, for example, would you envision having some kind of assistance for transportation of grain from western Canada, or central Canada, to the Atlantic provinces?

**Mr. Dennis Boudreau:** I fully support that for the Maritimes, and especially for Nova Scotia, because we don't have the grain base. I fully support having regional subsidization of grain transportation, and then I suspect we'd be at the same playing level as our counterparts in Ontario, Quebec, and the west. By then, if we were a few dollars a pig short, we could probably find ways to find those, but we can't find \$60 a tonne.

• (1150)

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

Mr. Easter.

**Hon. Wayne Easter:** Thanks, Mr. Chair.

I think on the last point, Alex and Dennis, on the feed business, it's another case of where Merv hit the nail on the head, that pretty nearly everything we do on policy development in this country relates either to international trade rules or how they might feel about it south of the border. I think you made a really valuable point in terms of your 20-acre vegetable farm.

The fact of the matter is there are two acts involved in feed, the Maritime Freight Rates Act and the Feed Freight Assistance Act, and both were dumped to meet WTO requirements in 1995, I think. And, Merv, Newfoundland is a different industry. A number of us have been there, and it is growing and expanding, whereas agriculture in the rest of the country is in a different situation.

But my question would be, what about companion programs? They weren't in ATF I. They were taken out. The CAIS program was going to be the be-all and end-all of programming and there was never going to be ad hoc funding again, and there certainly wasn't going to be companion programming. Companion programming might meet some of the needs in Newfoundland. It might meet some of the needs that Mr. Gordon talked about in terms of the environmental area.

So I'd ask the witnesses three questions. What's your view on companion programs? Secondly, we do things very differently in this country than in the United States. They have all kinds of subsidies that aren't seen as agricultural subsidies. On some of the things you

talked about in environment, should the public pay if it's done for public good, whether it's environmental or anything else on the farm?

Havey, you were saying that supply management should be part of the new APF as a risk management program. How should that be worded? This really goes to our researcher here. Are you saying the three pillars themselves should be stated and not the words "supply management".

And lastly to the hog producers, we don't have a national energy policy in this country. We have a new ethanol and biodiesel policy, which I support to a great extent, but what I'm worried about is that all we're going to do is make another profit centre for the oil industry. They don't need another profit centre. Should the energy policy for Canada be more all-encompassing, including wind, biomass from manures, for instance, and other areas, and be tied into an energy policy that benefits Canadians and rural communities rather than just the oil companies?

**The Chair:** I would ask everybody who wants to comment to keep their comments brief.

**Mr. Mervin Wiseman:** Companion programs, yes. We have this issue about developing land. We don't have a lot of land when it comes to agriculture in Newfoundland and Labrador, so we have to use everything we have. Almost, sometimes, when a little bit of dirt falls on the rooftop, we need to go after it.

But we have a policy that we don't develop land in this country. We have to develop land, and you know what we did with our APF agreement? We came in the back door. We said okay, we have an environmental filler that tells us if we expand our dairy industry, we have a certain amount of land to spread our manure on, so we came in the back door and said we want 150 acres cleared and developed to spread manure on, not to develop because we need forage.

We shouldn't have to use the backdoor approach. We should have a companion agreement that allows us to meet the goals and objectives of the environmental filler and also to have some level of economic sustainability. It did both. What's wrong with that?

We are seeing now the development of the life sciences industry in this country as we've never seen before, and we're going to see a lot more. I see the main focus being on ethanol, on biodiesel, biofuels, and so on. That is not the main focus in Newfoundland and Labrador and I would suggest other parts of the Maritimes. We are looking at a different component of life science. We're looking at functional foods and nutraceuticals.

I don't see the same kind of focus, and I'm worried that we're going to slip through the cracks on that. We can produce a multi-million, probably a multibillion, dollar industry in our province because of biodiversity in terms of what we can do with northern berries and the benefits of that and other products, but if we don't have companion programs that fit into that overarching arrangement of how we do strategic development in the life sciences, then we're going to fall through the cracks again.

So that's a somewhat better example, and I'll just leave it at that.

•(1155)

**Mr. Dennis Boudreau:** Yes, in Nova Scotia we're very much in favour of companion programs. We think that's the only way to diversify a national program. I think it's fair to say that over the last five or ten years, creating national programs and looking at trade has so far not been beneficial to the farm industry.

I think we have to look at what the effects are of doing a national program. Bureaucrats or politicians don't really look at that. They can create a program, but they don't know what the program will do two years after that. So when you design a program, it's very important to look at what you foresee in terms of the effects of the program. Is it going to kill somebody? Is it going to make somebody survive? It's very crucial to look at that.

Concerning environmental and public good, I think it's past time that in this country we made the public pay, or found a way. The public pays for things like bottle exchanges. We make laws for every other thing, and they pay for them, so why can't we put agriculture in that bracket? We're just too shy, or we don't we have enough voice, to say what agriculture needs in this country? There's a problem there.

With regard to biofuels—I'll try to make this short—I think this is another issue that the U.S. started, or maybe it was started overseas. If this Canadian government doesn't see the effect of pushing...and I'm not saying biofuel is not good. What I'm saying is that there is going to be a huge effect from supporting a biofuel industry in Canada.

We have a huge livestock industry. We don't say one is better than the other. But if one is going to benefit the environment or whatever, if it's all for the benefit of the environment, we should take some of those benefit dollars and put them into the livestock industry. We need to have food here. If we don't take care of our food supply, there is going to be a problem.

**The Chair:** Mr. Whidden, very quickly.

**Mr. Havey Whidden:** On whether it's supply management or the three pillars that need to be recognized under the BRM, definitely it's the three pillars. It's very important that we have those three pillars identified as this business risk management pillar.

Just to add to that, in Nova Scotia, for example, we have a small industry here. In total, dairy represents about 25% of the farm gate receipts in this province. Without a very strong, viable dairy sector, it will affect all the sectors. For example, the hog industry right now is in a serious financial situation. To maintain our infrastructure here in the province, we need all sectors of the industry to be strong and viable. Because we're so small, when businesses start to close up because of unviable sectors of the industry, it affects us all.

**The Chair:** Thank you.

Mr. Devolin.

**Mr. Barry Devolin:** Thanks, Mr. Chair.

This has been an interesting discussion to listen to.

I want to ask a couple of questions about supply management, and maybe I can get some comments from you, Mr. Whidden.

In the last panel we had someone here from Chicken Farmers of Canada talking about some of the threats to that industry—a major one, of course, being supply coming into the country that kind of went around the rules, or certainly around the spirit of the rules. I know that in dairy there's a similar product; in chicken they combine the chicken with something to get it into Canada, and with milk they deconstruct it, bringing it in as a component.

I appreciate the comment that supply management in itself is inherently a business risk management program if it functions properly. I have dairy farmers in my area. Quite frankly, I have concerns about the dairy farmers in my area, about whether they're still going to be there five or ten or fifteen or twenty years from now.

Another threat that I see to supply management, and particularly to dairy in my area, is that the value of quota has gotten to the point where I presume the major part of a business decision on whether or not you expand your herd is based on whether you're going to go out and actually buy quota. It's to the point that I don't think it's unreasonable to say that the value of quota itself has become a threat to the dairy business. In order to make money, you have to be able to manage all your costs, and if the single largest cost is quota, especially if you have to go out and buy quota—

Within the dairy industry, are you as dairy farmers dealing with this, or recognizing that this is a threat to your industry? If so, in the broadest context of business risk management, what are you doing, and how do you foresee your industry managing that in the future?

**Mr. Havey Whidden:** Thank you for the question.

Yes, the high value of quota is a concern for us in the dairy industry. We are taking measures to address that issue.

One of the problems with the purchase of quota is that it's the only way we, as dairy producers, can increase the scale of our businesses. With all the pressures that have come to bear on us over the last number of years, the economies of scale come into play very strongly within our industry. Because we're in somewhat of what we call a mature industry, and there's not a lot of growth in the marketplace, we have to look to other ways to acquire quota, which is really to buy it from a producer who's retiring from the industry. There's tremendous competition for that, because we have a lot of producers who want to grow their businesses to actually remain viable in an industry that is somewhat stagnant.

Here in Nova Scotia we are involved in an agreement with four other provinces, what we call the P5—Quebec, Ontario, New Brunswick, P.E.I., and Nova Scotia—whereby we share our revenues. We all get paid the same price for our raw product. In all those provinces, except P.E.I., since about last mid-November, we've put policies in place to address the high value of quota.

We've all done different things. In Nova Scotia, for example, at our annual general meeting, which was held in January, we passed new quota policies, which will mean that in the future, after May 1, 30% of any quota that is purchased in the province, when it is resold, will be recaptured by the industry and redistributed to current entrants in the industry. In other words, if you buy 10 kilograms of quota, when you go to sell it after May 1, you'll only be selling seven kilograms. The other three kilograms will be redistributed throughout the industry.

We also have put a cap on the price of quota in Nova Scotia. Our capped price is \$30,000 per kilogram. We will not accept bids for any amount over that. So yes, it's a very serious issue, and we as producers are addressing it.

• (1200)

**Mr. Barry Devolin:** Okay.

In my part of eastern Ontario, dairy farmers also had a second revenue stream, many of them from selling breeding stock overseas and genetic material. Obviously, BSE wiped that out. Most of those farmers weren't in CAIS, because they kind of assessed it at the front end and decided it didn't make any sense.

Is that also a problem out here? Are some of your members dealing with a loss of a secondary income stream? How is that being managed? Can CAIS be fixed to address that?

**Mr. Havey Whidden:** Well, it certainly is a problem here. A great many producers here, in the past, have taken advantage of sales of livestock outside the country, mainly to the U.S. It's been a very difficult situation since BSE and since the borders closed.

It has even had a major effect on sales within the country, because those animals that are not going out of the country compete with other sales within the country. So yes, we have certainly suffered from that.

As far as fixing CAIS, to address that problem I think there are probably things that can be done. One of the things I mentioned earlier is that when a dairy farmer looks at CAIS and crunches all the numbers, it's very difficult to get excited about that program, because we know we have somewhat of a predicted income. Unless that income is severely hampered due to whatever situation, we just have not taken up the CAIS program. It just hasn't been of interest to us.

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

We'll go to Mr. Steckle.

**Mr. Paul Steckle:** In looking at history, there have been a number of programs that have worked reasonably well; crop insurance is one of them, and supply management has worked well. We know that GRIP, in those provinces that had it, worked reasonably well. NISA worked well for those people who had some money to put into the program. So moving forward we have some lessons to take from programs we don't have anymore. We also know that the CAIS program, which was to be one program to fit all, doesn't work in that form and context because of the variables we have in this country.

I'm just wondering, given the things that happen in agriculture, is there a consensus that margin-based programs probably are not the direction we should be going? That would be something I'd like comments on.

I'm also wondering how you feel about production insurance that is somewhat similar to what they have in Quebec. They have the ASRA program. It's costly, but they know it's bankable. We keep hearing that it has to be bankable and predictable, and that certainly is.

Then we get back to the component of whether the consumer pays for the public good. If it's for the public good, how do we find those dollars? I put that question forward a few years back—simply to get

discussion on the issue—when I proposed a food tax. I heard a number of times last week that perhaps we should call it an ecotax. Well, call it whatever you want, but from talking to them, I think consumers are prepared to do something for us. We, as farmers, are afraid of our own shadow when it comes to these things. We're afraid that people will stop buying our food. They will buy whatever they want. The people who buy organic food products pay a premium price, and it's not only rich people who buy that product. People make consumer choices.

I'd like to have some ideas from you for when we go forward. We talked about whether it should be one government delivering the service. We know that one size doesn't fit all. How can we take the best from what we've had? I think maybe we need to look south and see what kind of a model they have, because it seems to be working for them. But they have one farm plan, and that's one thing I think we should take into consideration.

I'd like to have a quick fix to this, and I know that one size doesn't fit all. But please, can we eliminate the things we don't want and mention some of the things we think might be a starting point for us going forward.

• (1205)

**The Chair:** Who wants to go first?

Mr. Wiseman.

**Mr. Mervin Wiseman:** Yes, I'll go first.

I'm not sure we have consensus, and I'm not sure we'll ever achieve consensus on where we should go. But there's no question, a lot of what we do is going to be contained in the language. I'd say in terms of where the public comes from, we do it the hard way or we do it the easy way. If you don't want to pay up front in a tax, then we'll take it through the public treasury. One way or the other, we have to do it.

If you want to get some ideas on what we should do, talk to Wayne Easter. He put together a damn good report. It was done from the ground up. It was done from the producers. It was an excellent report. Go back to it. Everybody, take a good look at it. It's something that producers can very much identify with. We can put language around that and do what you like.

On production insurance, we can learn something from Quebec. I'm around the CFA table, and we all talk that language. We say let's adopt some of the things they do in Quebec; we like it.

One thing we can't do generally across this country is connect production insurance to CAIS. We can't do it. It's going downhill fast. Now we're talking about moving production insurance into livestock. When I heard it, I just about flipped. Come back three or four or five years from now, and I'll tell you right now, we won't have production insurance for livestock. It's just a dog's stomach. We have to consider how we do this.

The other thing is, let's connect some of these programs. We've fought for years to get the advance payments program in our province. We just started this year. But by God, can we get it? Not a chance. If we don't have production insurance in livestock—I'm a livestock producer—we don't have APP. Some people say let's put up the CAIS reference margins for security. Well, when you have no reference margin, you have no security for APP. So let's decouple this idea that we have to connect production insurance from that kind of a program.

**Mr. Paul Steckle:** Can we go quickly, on margin-based?

Mr. Boudreau.

**Mr. Dennis Boudreau:** I'll go quickly.

Margin-based programs don't work anymore in Nova Scotia. They have worked in the past, but the high Canadian dollar has killed profitability across the board. So we have to have something very different. Having an ASRA-type program I think is one of the best solutions. It's almost like a COP formula.

If I may, nobody has really talked this morning about it, but we should really think about the CAIS program. As a federal government and as policy-makers, you've tried to make a friendly policy. When you look at the last hog case and the countervail duty they tried to put against us—we won. And the CAIS program was totally hurting—We would have been fine; the duty would have come into play. The only reason we won in Canada was because we didn't hurt the American farmers. Let's be realistic: we're killing the Canadian farmers. At the end of the day, we would have been penalized by having such a program. So CAIS is not that free. There's too much of this—

**Mr. Havey Whidden:** I think the fundamental question we have to ask ourselves in this country is, do we want to be in a position in 10, 15, 20 years' time to produce our food in this country to feed our people? That's the first thing we have to do.

After we make that decision, then we know farmers want to farm in Canada, and they're good at it. We're good at what we do. But it's also very fundamental to any business that we have to receive a fair return for our efforts. Cover our input costs and give us a small profit margin so we can invest in our farms into the future. How we get it... there are lots of different ways.

• (1210)

**Mr. Paul Steckle:** Gordon, can I have your comment, please?

**Mr. Robert Gordon:** There's not much I can add to what the other three highly respected producers mentioned. Certainly those are issues that the industries recognize, and certainly as an academic institution we see the need for the research we do to support that being highly linked to some of these competitive issues.

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

Mr. Bellavance, a supplemental.

[Translation]

**Mr. André Bellavance:** Mr. Whidden, you are right when you say that we are good at what we do. Now the government must have the political will to ensure that we can continue to be good at what we do, with the cooperation of farm producers, of course.

The Canadian government recently made a significant decision with respect to the use of article 28 and the import of milk proteins. Obviously, we were very pleased with that decision.

However, we don't discuss composition standards very often because now we have, if I can say this, turned off the tap. I would like to hear your comments on the importance of this issue, which was also announced by the minister during the Dairy Farmers of Canada Convention.

Do you think using article 28 coupled with milk product composition standards will make it possible to provide some longevity for dairy producers, at least as far as the manufacture of our products is concerned, so that we can limit imports of dairy products or milk proteins, which is an important pillar in this sector?

[English]

**Mr. Havey Whidden:** Thank you for the question. On the article 28 that was announced by the minister, which has been moved forward in recent days, we understand that the federal government has notified the other countries that will be affected by this; they've notified them that we are moving forward on the article 28. It will fix one of the problems.

There are still many problems in regard to imported products coming in, circumventing the spirit of the agreement, I guess is the best way to put it. There are still products coming in, like the butteroil/sugar blend, for example, which is coming in similar to the way David Fuller mentioned the rice and the chicken. Compositional standards for cheese are another issue that we're going to be working very hard on in the next short while, to see if we can come to a resolution on that issue.

Article 28 is only one of the issues we have to deal with, and we have to be very cognizant of all of the other ramifications. And there are many things within the WTO agreement that we have to really study very stringently and make sure we understand. We always seem to be the good guys, and we let the damage happen in a lot of cases, and it gets to the point where some of the damage is irreversible. Why can't we put measures in place right up front to protect our industry?

[Translation]

**Mr. André Bellavance:** So you still have some concerns. Action was taken with respect to the import of milk proteins, but as you and others said today, when it comes to negotiations at the WTO, we all are aware of the pressure that will come from other countries regarding supply management.

Do you have any fears with respect to the government's vision on this issue?

[English]

**Mr. Havey Whidden:** Yes, it is correct. We do have some concerns. Although the government is telling us on the one hand that they support us 100%—they stand behind us and they're going to maintain supply management—on the other hand they're saying that they're at the table, that Canada is a trading nation, and no matter what, they're going to sign the agreement at the end of the day.

That doesn't give me, as a Canadian dairy farmer, a whole lot of confidence in our industry in the long term. And as I said earlier, we have major investments in our farm, and in order for us to have a healthy industry, we have to have long-term confidence in our industry.

The government seems to be saying one thing out of one side of its mouth and saying the other out of the other side of its mouth, so it's a very difficult situation for us as producers.

• (1215)

[Translation]

**The Chair:** You have time to ask a brief question.

**Mr. André Bellavance:** I agree with you. We sometimes get the impression, either with this government or with others, that we are trying to straddle the fence. Are you aware of an interview that the Minister of International Trade, Mr. Emerson, gave to *The Western Producer*? The minister appeared before the committee following this interview. Regardless of what the case may be, I agree with you with respect to your concerns. Mr. Emerson said that supply management reduced international trade opportunities.

Are you aware of this interview?

[English]

**Mr. Havey Whidden:** I am familiar with the interview, and yes, it's those kinds of statements that make us as producers concerned about what our government's actual position really is. I'm repeating myself, but we have some people within government saying one thing and other people saying another. Where is it all going to come out at the end of the day? Canada has stated they are going to sign the agreement no matter what.

It's a major concern for us.

**The Chair:** *Merci beaucoup.*

I have a few questions I want to raise.

We were talking about biofuels and the concern about the negativity that might have on the livestock industry. I'm a cattle producer, so I have some of the same concerns on ethanol. I don't have it so much on biodiesel. I see biodiesel as a win-win. It's producing a feed product, more protein meal for the livestock sector, and it really enhances soybean prices and canola prices.

There is this whole issue of ethanol, instead of being corn- or wheat-based, going to cellulose. I look around the Maritimes and I see there's a lot of biomass out here, a lot of fibre that can be used for cellulose production. Has there been any research taking place on that? Will that also provide some easement on some of the gas prices in the area? Even though we have a lot of oil offshore here, there still seems to be a lot of foreign oil coming to this part of the country.

**Mr. Robert Gordon:** That's a great question.

Certainly, there's been a lot of interest in looking at more cellulose-based opportunities. There have been a few recently announced federal programs. The ABIP program is one example of where regionally we're looking at doing some research to better position the industry here to take advantage of opportunities.

Again, for any alternative energy, any biofuel production opportunities, we have to always consider the fact of capacity of

scale. We have a small land base, and it's always going to be a challenge to be able to meet some of the needs and the cost-efficiency issues we're going to be facing. But certainly our climate is very conducive to forage production systems. There might be opportunities in that area to examine, but it's going to take a huge effort in terms of looking at the technology simultaneously with the crop production issues. The efficiency of those is going to be paramount to being able to make this profitable.

**The Chair:** At the agricultural school—you were talking about the amount of research you have—do you have the partnerships in place with the public and private sectors to help carry out those research programs? Is there enough money being invested in this area to help with some of the issues that are very specific to Atlantic Canada?

**Mr. Robert Gordon:** One of our challenges as a small institution—we have less than 70 faculty at NSAC—is really having the capacity to be able to take advantage of some of these emerging opportunities. I think institutionally we've done fairly well. I mentioned in my short presentation the industry chair's program, which is a good example of where industry has come up to the table with government, and we've created these innovative research opportunities that have evolved into some major capacity-building exercises.

The challenge is that these things don't happen overnight. We're always going to be at the disadvantage of not having that human resource capacity, and again, it's one of the reasons, under science, that continuing to build our research strength in the future through fellowship programs is very important.

But certainly we are at a disadvantage at NSAC at being able to always attract the best young minds to the faculty because they're getting poached by other universities. We've seen a substantial number of our talented faculty head south in the last few years as well, because of the huge start-up opportunities those institutions provided. That's the challenge we face.

At the same time we are very efficient at working with industry at being able to find adaptive solutions to things. We really hope we're going to be able to take advantage of some of these new opportunities the industry is identifying, and hopefully we'll help with respect to adding value to the industry in the future.

• (1220)

**The Chair:** Mr. Wiseman.

**Mr. Mervin Wiseman:** I think with this whole issue of developing ethanol, biodiesel, or biofuel we have to be careful it doesn't become a double-edged sword. We're not going to get rich in Newfoundland and Labrador in developing ethanol, believe me. One would have to think that if it can increase demand it would increase commodity prices, especially in the grains and oilseeds sector. But at the same time, we have to be worried about our partners in the livestock industry.

What's going to happen if the price of livestock feed goes up? It's definitely going to be a balancing act. In terms of what the benefits are going to be, we'll find that we will produce the product, which will be clean for the environment, and so on, but if we want to buy it we'll pay more money for that ethanol than somebody south of the border. We're famous for being able to produce all different kinds of energy. We're the last ones to accrue the benefit directly at the pump.

**The Chair:** At the same time, although I've been concerned about the rising cost of feed grains, even if we didn't do our program here in Canada, it's completely influenced by what's happening south of the border, especially on the corn price. Barley and wheat are tied to corn, and that's what's going through the roof.

One thing was different in what we heard here this morning from what we heard in western Canada. The pork industry, for example, loved the CAIS program. They thought it worked; they thought margin-based was the way to go. I've never been a fan of it, so I throw myself in the camp you guys are in, that a margin-based program doesn't work, especially on mixed farm operations.

We're talking about having regional top-up types of programs. The other issue that came out of western Canada is that they didn't want to see any of that. They didn't want to see having those companion programs at a provincial level because it would affect trade. Trade neutrality has been a big issue.

How do you, especially when you work with your national organizations, balance the issues of trade neutrality and the programming they desire with programming that will work in your area?

Monsieur Boudreau.

**Mr. Dennis Boudreau:** Here in Nova Scotia it's past time that this country believes you can have more than just one unified program. It's coming to be that while we're not going to separate from our national organization, we have to start speaking out and saying what the needs of Nova Scotia are. We're starting to do that.

The needs of Nova Scotia are probably that we will agree that we can't support a CAIS margin-based program, but I can easily see that the western producers would still like to see that around, and they're going to be forceful about having it around, because they're worried about trade. Since we're not in a trading area, the Maritimes will not profit from that. We don't trade. It hurts the Maritimes, because we get a national or a North American price. We have no benefit from that. In the last five years, we've never had a huge increase in price, because we have trade in this country.

If we look at pork, if I remember, in my younger years we were exporting about 25% or 30%. It wasn't a huge problem. Now, at over 50%, we're vulnerable to whoever wants to buy our pork as the cheapest in the world. We can't compete worldwide. Brazil can raise pork cheaper than the U.S., so we have all these guys attacking us.

We'll never compete, so we have to be smart with our policies. We only have so much money, and it's about time to really separate the regions of Canada by what their problems are.

**The Chair:** Thank you.

Mr. Atamanenko, we have a few minutes left, if you want to have a supplemental question.

**Mr. Alex Atamanenko:** Thank you.

I have another question about this. The more I hear about trade and how it's affecting our producers, the more...in an ideal world, I'd probably say let's pull agriculture out of the WTO and let's pull out of NAFTA and get our food security straightened away, and let's take it from there. That's in an ideal world. Unfortunately, we're not in one.

This is for the Dairy Farmers of Nova Scotia, or anybody else. Can an agreement be signed at the WTO without weakening supply management? If so, how? If not, then what do we have to do?

In listening to David this morning and also to what we've been talking about here, that seems to be the question. If we sign this, how do we keep it; if not, what do we have to do?

•(1225)

**The Chair:** Who wants to go first?

Mr. Whidden.

**Mr. Havey Whidden:** Yes, how do we do that? That's a great question. If we're going to have a dairy industry in Canada, we have to maintain those three pillars. How do we do it?

I'm not one of the ones who has the privilege of sitting at the negotiating table, obviously. We have to make sure—I come back to the fundamental question again. It seems to me we have to ask that question and we have to come up with the answer.

If Canada is going to continue to have policies in place that will allow farmers in this country to be competitive and receive a fair return from the marketplace and have the ability to produce food to feed our people—if when we answer that question we as a country decide we're going to do this, okay, let's put the policy in place to do it. If we're not, let the government tell me it is not going to stand behind us as farmers and I'll go and do something else. But don't let them keep doing what they're doing now. They're telling us one thing on one hand, and on the other hand they're telling us that if push comes to shove, too bad.

**The Chair:** Go ahead, Mr. Wiseman.

**Mr. Mervin Wiseman:** I think it's going to come down to a relative amount of resolve, as you say, and some negotiating skill. I think it's going to lie in the area of sensitive products and how we treat that, and how smart we are at rationalizing what sensitive products are going to be. I think we can easily rationalize it on that basis. I don't think we've fully explored—



I know you need to have some resolve when it comes to standing your ground on sensitive products. If you tie sensitive products into the idea of food sovereignty and even food safety and so on, and what supply management can offer, I think that's where we need to go. If we can't get it there, I don't know where we're going to go to get it, to be honest with you.

**The Chair:** Does anyone want to comment? Mr. Boudreau?

Go ahead, Mr. Whidden.

**Mr. Havey Whidden:** May I just add to what the previous speaker just said? As I understand it, the way negotiations are going right now within the WTO, there is not enough room within the sensitive product category to protect all of supply management.

I really hope we don't get into a situation at some point in which we have the supply management people at a table and we have to make decisions about who is going to bear the brunt of not having all the commodities within supply management being recognized under the sensitive product category. If there is not enough there, then someone is going to take a lot of hurt, and I don't think it's fair that we have to sit around a table and decide who is going to do that—who is going to take the hit and who isn't.

**Mr. Mervin Wiseman:** Mr. Chair, we're looking at protecting a domestic industry; we're not trying to infringe on what's happening south of the border or in other countries. We want to protect our domestic industry, and I don't think you have to stretch very far to rationalize that.

Moving away from that a little bit, if we could satisfy the domestic industry in Newfoundland and Labrador, we will have created a multi-million-dollar industry that we just simply don't have. If you rationalize it along that basis and build designs around the kinds of programs that will allow you to expand, at least in the short term, to do that kind of thing, I don't see how we could be faulted internationally, especially through the WTO.

**The Chair:** Since Mr. Wiseman mentioned the Easter report, and nothing makes Wayne happier than having somebody talk about his report, to make the last comment we'll have the happy Mr. Easter.

**Hon. Wayne Easter:** I will say it makes sense, Mr. Chair.

Havey is right. Is there enough room in the sensitive product category? The problem right now is that Canada's position on sensitive products is not on the table any more. That left with Andy Mitchell, and that's a huge problem.

Looking at the overall structure of how we do agriculture policy, I sometimes wonder if we're trapped, to a certain extent, by our history. I do think the Canadian farm bill proposed by the Canadian Federation of Agriculture makes a lot of sense. I quite honestly don't know how we can structure that in Canada, because of the way we're structured as governments, federally and provincially and everything else. It's a complicated way to go.

Whether we can or whether we can't, would it not be better if we learned some lessons from the United States? They're much more strategic in how they do their farm policy. They've got all kinds of programming in green programs that, for whatever reason, we don't want to even consider. I mean, CFIA costs could be paid for by the Government of Canada, and they're green. Environmental programming we could have coming out our ears, and it would be green; it

wouldn't be considered a subsidy, and we wouldn't be seeing headlines in *The Globe and Mail* about farmers being subsidized again. Re-think this thing out of the box somewhat and see what we can do at those ends. Lots could be done there, rather than on specific commodity support as such. Maybe we have to look at those areas.

The bottom line is that we've got to support our Canadian farmers. Our main competition is the United States, and if they're supporting them dollar for dollar, we've got to meet them dollar for dollar. I don't see any question about that.

And how are we going to convince not only their party but our own party and the others as well? When we talk assistance for farmers, it's not necessarily partisan politics; it's our own centres, in terms of how do we get there, dollar for dollar?

• (1230)

**The Chair:** I would ask everybody to keep their comments brief, because we have run out of time.

**Mr. Mervin Wiseman:** If I can just say, Mr. Chair, in terms of looking at some of the things you can put back on the table, including the Easter report, there was an APF review, chaired by Ed Tyrchniewicz, that every producer in this country sat at the table with, along with government. I wonder, did somebody blow that up? I haven't heard of it anytime since we finished it off. There's a lot of good stuff in there, so let's learn from that.

I agree with you on being able to maybe take the CFA farm bill and move it forward, but I think if we could achieve the goals of getting the main principles into what we're trying to achieve, we will have achieved a lot. So we may have to focus on the principles.

But let there be no doubt about it; there were lots of examples out there and lots of examples south of the border that we can take if we only have the political will to do it. We're too goddamn afraid to do it. What's wrong with us? Let's have some backbone. And yes, we're going to have a bit of countervail. Maybe we have to take a little bit of a risk.

You know, right away, in talking about CFA, I want to maintain as much solidarity with CFA as I can, but at the same time I see some paranoia there. They're afraid to talk about protecting COP, because if you mention COP, it resembles supply management somehow and they're afraid of countervail.

**Mr. Dennis Boudreau:** I think it's very important that this Government of Canada starts to look at paying, as I call it, through the back door—like environmental stuff, like the U.S. and other countries are doing. I think after these consultations, at least here in the Maritimes, it's pretty clear that's the path to use.

Maybe as exporters out west they think that's still too risky, but I think it's time we are heard, and I think the message should come right from the minister and right to his staff that now is the time for his staff to start working on how we go about it, because his staff are not going to do it by themselves. I think the word has to come from the top, and we have to get there; we have a short timeframe.

**The Chair:** Mr. Gordon.

**Mr. Robert Gordon:** Just to follow up on Mr. Easter's comment, certainly I fully support the focus of linking environmental management and food safety and quality into grain programs, but the other important issue is that those costs are going to continue to get higher and higher as we have more emerging issues regarding environmental management, but also food safety and human health. So I think it's going to be paramount to continue to make that push for having those identified in that context.

**The Chair:** Mr. Whidden.

**Mr. Havey Whidden:** Thank you, Mr. Chairman.

I fully agree with Mr. Easter's comments, and in fact we've been asking the government why they aren't putting money into these programs for a number of years now.

We always seem to be, again, the good guy in Canada. We know that some of the other countries that are at the table, or will be at the

table, negotiating the next round of the WTO are doing things right now, putting moneys into grain programs to prepare themselves for whatever the eventuality is of the next WTO agreement, but here in Canada we just sit pat and we don't do anything. We wait until the hurt is already done.

The Canadian quality milk program is a good example. The Canadian dairy farmers are putting a lot of money into an on-farm food safety program to make sure that we have a safe, wholesome product to supply to our consumers, and yet we as farmers are footing the bill for that entire program. We've been asking for assistance for that program, but there just seems to be no money available.

That's just one example of something that government could do to help us in that regard.

**The Chair:** I want to thank all the witnesses from this morning for participating in our hearings today. It will help us formulate our report, which we'll table back to the House of Commons later this spring.

We've certainly enjoyed our time here in Nova Scotia. Next we'll be catching a plane to Charlottetown.

With that, the meeting is adjourned.

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