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Chair

Mr. James Bezan

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•(0915)

[English]

The Chair (Mr. James Bezan (Selkirk—Interlake, CPC)): I call this meeting to order as we continue on with our study of the APF and our cross-Canada tour.

I want to welcome to the table, from the Agricultural Alliance of New Brunswick, Vince Kilfoil and Charline Cormier; and from Eastern Greenway Oils, Ray Carmichael and Stephen London. We have two individuals appearing this morning: Don Bettle and Robert Speer. Welcome.

Organizations are allowed up to ten minutes to make opening comments and individuals five minutes a piece, so that's the way we're going to kick it off.

We're going to lead with Mr. Kilfoil. You're on first.

Mr. Vince Kilfoil (First Vice-President, Agricultural Alliance of New Brunswick): Thank you very much. It's always nice to have the first say, but one's always apprehensive about what others might have to say behind you. Good morning.

Thank you, on behalf of the Agricultural Alliance of New Brunswick, for taking the time to come to our beautiful province and all the provinces across Canada to hear the concerns of our industry. I would also like to thank you for inviting our association to participate today.

By way of introduction, the Agricultural Alliance of New Brunswick is a relatively new organization. We have yet to celebrate our first anniversary. However, we are the product of the amalgamation of two former federations of agriculture, each of which previously represented one of the two official languages of New Brunswick—French and English. We now share the knowledge, history, resources, and leadership of two well established organizations with very dedicated memberships. However, we now speak with one voice and share common goals in providing New Brunswick's producers with proper representation.

Personally, I own and operate Erin View Farms Ltd. I'm primarily a potato producer from Johnville, New Brunswick, in the upper Saint John River Valley. I was the former president of the Agriculture Producers Association of New Brunswick until the amalgamation of the two associations last July. I chaired the coordination committee that helped bring the two federations together. By way of qualification, I am not a stranger to the issues of producers in the province but certainly don't consider myself an expert on solutions that will bring agriculture from the crisis we are in right now in Canada.

Of course our hope and dream as producers and as an association that represents producers is that we would be part of a very successful, dynamic, and vibrant industry where all stakeholders, especially producers, would have the opportunity to succeed, be profitable, and continue to be world leaders in delivering to Canadians and the world a safe and environmentally friendly source of food. At the same time, we want to continue to be major contributors to the Canadian economy and the rural communities we live in.

To do that, however, we need to provide primary producers with the policy environment and tools to enable them to achieve sustainable net incomes. It is our hope that a second generation agricultural policy framework will build on and improve some of the initiatives undertaken under APF 1 and make some major advances towards some long-term solutions for producers, providing them with some of the tools and policy environment that is so desperately needed in our industry right now.

A major component of any strategy has to include a risk management pillar. As producers, we can do the very best job at home on the farm but be significantly and negatively impacted by factors beyond our control. We are in a very risky business. We need all the very best tools available to enable us to manage that risk. Because of the diversity of our sector, both here at home in New Brunswick and throughout the rest of Canada, risk management must include a suite of tools from which producers can choose to tailor a proper program that best manages the risk of their own operation. The CAIS program has worked very well for a lot of producers, but it doesn't cover everyone all the time and does little to address declining margins.

Many operations have diversified in order to spread out the risk, and CAIS fails in many cases to provide the coverage needed on these operations. We would propose that declining margins, a problem within CAIS, could be somewhat addressed by allowing payments received under CAIS, meant to restore production margins to a 92% level, as eligible income. Including these payments as eligible income in those years when shortfalls occur would help to mitigate some of the issues around declining margins.

We support a top-tier NISA-like approach within CAIS, as proposed by the Canadian Federation of Agriculture under its Canadian farm bill. This would add some predictability and some bankability to the program as well as provide producers with some ownership of that program.

We also feel that affordable production insurance should be made available to all commodities as a supplemental tool to CAIS in managing producers' risk.

We also feel that major disasters that occur, like BSE and the avian flu, for example, are almost impossible to manage and compensate for under current risk management programs. So we would support the establishment of a catastrophe fund to deal with specific critical situations that occur.

It also should be recognized that supply management and its pillars should be maintained, supported, and recognized as an integral part of a business risk management program. As with all pillars of the APF, we would support regional flexibility. Canadian agriculture is a very diverse sector, and Canada is a very big country. Regions need flexibility to tailor programs and provide companion programs that allow for the very best and most efficient delivery of support in their region.

Another concept discussed around our board table is a business risk management self-assessment program, similar to the environmental farm plan, where on your farm you would be able to self-assess the risks that are present on your farm and what you could do to mitigate some of those risks, and make some of the funding that is available under current business risk management programming available to help mitigate the risks on your farm.

At this point, we feel it is very important to recognize that we cannot associate business risk management or any of its programming with providing sustainable profitability for the sector, as primary producers. If we are depending on business risk management programming to return profitability to the sector, then as primary producers we are definitely headed down a dead-end street. We as producers are certainly not very proud of the fact that \$8 or \$9 of every \$10 spent under APF 1 was used for business risk management. If we could turn the tables so that \$6 or \$7 or \$8 of those dollars were spent on strategic growth, innovation, science, market-driven research, food safety, and environmental stewardship, and rely on extracting a consistent profit margin from the marketplace, where it should come from, we could well be on the road to recovery and succeed in reaching our goals.

We feel that in order for this to happen, we must have the right policy environment, regulations conducive to growth within the sector, and a realignment of trade-distorting barriers. Proper industry consultation would, and should, be used to help Agriculture and Agri-Food Canada develop a long-term vision for this sector. After all, we are the ones with everything invested, and in some cases I mean *everything* invested. We are the ones with the most at stake and the most to lose. By definition, we are a major stakeholder, and we are the part of the value chain with the least amount of say, the least amount of control, and suffering the most right now. Renewal for our industry is at a critical stage.

A new direction for agriculture that will allow us to grow and prosper must be able to return to the primary producer some level of sustainable profitability. Agriculture is the number one sector in several provinces, and very important to many others. It certainly is an important sector to the economy of New Brunswick. Agriculture is a major contributor to both the gross domestic product and the trade surplus of the nation. The sector is way too important to

Canada and Canadians to ignore. This country was built around agriculture production. Agriculture is the lifeblood that flows through rural Canada.

● (0920)

Any new agricultural policy framework must only be part of, and complementary to, a longer-term strategic plan and a very clear vision, with goals and roles well defined, and some level of accountability. Without that, agriculture may not recover from the crisis that we're in right now.

I'd like to thank the committee for inviting our association here this morning and for indulging me in my own twist on what should happen.

The Chair: Thank you, Mr. Kilfoil.

Mr. Carmichael, you're up.

Mr. Ray Carmichael (Business Development Manager, Eastern Greenway Oils Inc.): Thank you, Mr. Chairman, and welcome to committee members. We too appreciate this opportunity to bend your ear on a few of the issues, as we see them, as a fledgling start-up company in the biofuel business.

We certainly recognize that a strong agricultural policy framework is a very necessary and significant tool for guiding Canadian agriculture toward the next century. Certainly the themes that have been identified, of business risk management, market development and trade, environment, food safety and quality, renewal, and innovation and science, all capture the essence of the challenges that will face agricultural stakeholders in the years to come. However, from our experience, there's a cautionary note that this be not used as an excuse to create a monolithic agriculture industry in the country.

Canadians are proud of their multicultural heritage, and this is recognized as part of the central government psyche in Ottawa. It is therefore somewhat disconcerting to us that the same central body of bureaucratic thought that's centralized in Agriculture and Agri-Food Canada cannot recognize that Canadian agriculture is multi-climatic. Certainly we can have national policies, but we must have regional programming and, perhaps more importantly, local delivery to fully exploit the potential of each of the micro-climatic areas that exist within this great country, and more definitely within Atlantic Canada. Certainly the climates between the upper Saint John River Valley of New Brunswick, Prince Edward Island, and Nova Scotia are as vastly different as they are across the country.

As a recent example, previous Agriculture and Agri-Food Canada policies, through an organization referred to as the Prairie Farm Rehabilitation Administration, essentially eliminated N.B. and P.E. I.'s birthright as the largest potato-producing area in Canada by irrigating vast parts of Manitoba and Alberta, while these eastern provinces, in the cradle of Confederation, were denied any similar funding to remove their natural impediment, which is wet, acid soils. Currently, this same organization is attempting to irrigate and reforest much of the arable land in the region. So an effective agricultural policy framework must have the flexibility to identify local opportunities and build on their strengths.

The bio-economy can be an important element of agricultural policy because it holds a partial solution to petroleum's problems, namely that this resource is finite and it is increasingly expensive to extract, and there is strong evidence that fossil fuels contribute to global climate change. However, this does not mean that we can forsake the other pillars of the agricultural policy framework as mentioned and move forward.

We have a couple of comments on each of these that we'd like to submit.

On the business risk management side, certainly we need support for those industries that do not have supply management and are facing things like subsidies in other countries, currency exchange differences, open market trading, and more importantly, political instability. Business risk management must include some sort of crop insurance, like we have for random weather and pest occurrences. This is actually probably going to be more important if we believe some of the people on global warming, that we're going to have more extremes of climatic events. Certainly, risk against that is not really fair to be taken out of the averaged income formulas that are familiar with CAIS and NISA. They're separate issues.

Whatever the forum, business risk management programs that are put forth must be timely and they need to be predictable. You simply cannot make investments or secure creditor confidence on something that's a year or more in coming and you never know what you have.

Trade and development is just part of doing good business, but Canadian agriculture must have equal access to production technologies, such as chemicals, to be competitive in the global market. We cannot be expected to produce safe, quality food for the same as or less than that which can be imported from other countries using chemicals and technologies, and even social practices, that we don't accept in Canada. We must maintain a level playing field in our trading policies, and to some extent even within Canada.

• (0925)

Food safety and quality is very important. Canadians are increasingly concerned about the impact of animal and plant health on human health and the environment. Moreover, health issues are growing in importance, and food has a central role to play in our overall health strategy.

However, the Canadian farmer must be rewarded for any extra costs associated with embracing environmentally sustainable production and minimizing the impact of plant and animal diseases while providing a safe supply of food to Canadians. Such an increased return has not yet been realized by the primary producer. In fact, it's simply another one of the things you must do if you want to sell, and there are no mechanisms to recover this.

On the renewal side of things, yes, the real value of agricultural production has tripled over the last 45 years and the number of farms have been halved. Unfortunately, this trend is probably going to continue as it has throughout history. However, for a labour-challenged industry, we believe renewal programs should not encourage an exodus of highly skilled workers from the agricultural industry. Future programs should provide only targeted assistance designed to encourage retention of this talent, which is a human resource in the agricultural industry, and encourage new participants.

On the innovation and science side of things, technology development programs should not be restricted by arbitrary enterprise maximums. We've found it difficult when there's been a certain cap, regardless of the scale and size and gross output. And I think it should be recognized in much of the policy that these caps in technology development, science, and research that's carried on at the farm should be scaled to the size of the operation. The larger operations can sustain new technologies and development and support the ultimate use of it by the smaller operators. It's inequitable to have these things arbitrarily capped on a per-farm-unit basis when it comes to innovation.

Furthermore, Canada's slow approval process for new products is hindering research and development of many things, like the bio-pesticides we're working on with mustard. Simply, the hoops that you have to jump through are...I'm not going to say insurmountable, but certainly friends in other countries don't face those same delays over what appears to be petty bureaucratic processes.

On the environment side, similar to the food safety issue, I think farmers must be provided with a fair return if they're expected to provide ecological goods and services to the country. And that may be part of a best business risk management program. You simply can't legislate that the farmer must stay so many feet away from a brook or a stream or plant trees for the good of the country unless there's a return in the marketplace.

More importantly, I have a few comments on the renewable fuels side, which we feel is perhaps our best area we see at the moment.

We would like to point out that we are, as small as we are, Canada's only fully integrated biodiesel producer. When we say "fully integrated", we mean where the shareholders grow the crop, process the crop, and sell the crop. So that gives us a slightly different perspective, aside from our small scale and our small size, than that of most of the other messages you've heard from our big friends out west.

One of the things that are befuddling this industry is, of course, that biodiesel is not ethanol. There's a real danger for this potential commodity to get swept up in the food versus fuel debate over ethanol and corn. I would like to remind the committee that 81% of the well-to-wheel energy in biodiesel is renewable. And biodiesel, unfortunately, is at least two years behind ethanol in policy development, commercialization, and research and development. So we need a bit of time to catch up that component.

It does have a real potential. Canola, in particular, is Canada's highest-yielding crop and has a real potential to remove carbon dioxide and improve the greenhouse gas environment. For example, vegetable oils can reduce 64% to 92% of greenhouse gas emissions compared to petroleum diesel. A 20% blend of biodiesel with petroleum diesel reduces 12% to 18% of greenhouse gas emissions. And a simple 2% blend of biodiesel with petroleum will reduce between 1% and 2% of greenhouse gas. Canola in Canada has double the kilometres per hectare of corn.

• (0930)

In closing, we must remember that politics, not economics, brought us this industry. We believe that Atlantic Canada, again, needs a special look and consideration in the policy so that we don't get lost in the big-scale economics. We have potential in this region and need a unique policy when it comes to the renewable fuel strategy for Canada.

Once again, Mr. Chairman, I thank you for the opportunity to share our thoughts with you and open some discussion.

The Chair: Thank you very much.

Mr. Bettle, five minutes please.

Mr. Don Bettle (As an Individual): Thank you, Mr. Chairman and committee members.

My name is Don Bettle and I have a farm in Kings Country, New Brunswick. I'm a former chairman of the Dairy Farmers of New Brunswick, and also a director of the Canadian Federation of Agriculture.

What I'd like to talk to today is monetary issues. We've seen the dollar appreciate 20%, and with farms that comes right out of your margins, the same as for other processors in the country and manufacturers. Also, we see that there's potential for the credit rate to go up. And most of us have been through the early 1980s, when we saw our credit costing us 20% or 22% or 23%. Back then we had fairly good margins and right now the margins aren't so good, so we have to be very careful that we don't allow credit for farms to go back up that way.

Right now, the average age of a farmer in Canada is 58. Within the next five to 10 years, we're going to see \$200 billion worth of assets roll over to the next generation. To allow that to happen, as a country, we're going to have to come up with some innovative and very flexible financing plans with our banks and lending institutions to allow the next generation of farmers in this country to take over the existing farms without a debt load that makes it impossible for them to be successful.

We see the number of farms going down, and mostly that's farmers expanding and growing their farms to be more efficient and to produce more of whatever they're producing because the margin keeps going down on that product. We've seen subsidized products come in from other countries, and there seems to be, we say, a reluctance on the part of the consumer of Canada—the cheaper they can get the product, the better they like it.

But there are demands, as I think Ray has mentioned, on Canadian producers to be more and more conscious of food quality. I go home and I see a bottle of relish on the table, and it says "Product of

India". What kind of food quality do they have in India? They sell milk on the streets in open containers. But that product comes into Canada and competes with local vegetable producers. That's just one example.

They're just some of the issues that I wanted to bring up. I'm just an individual representative here, so I won't take a lot of time from the guys who are representing their producers.

Thank you.

• (0935)

The Chair: Thank you.

Mr. Speer.

Mr. Robert Speer (Dairy Producer, As an Individual): Thank you, Mr. Chairman.

I was given a lot of freedom when I was asked to come here as an individual and not have to represent any particular organization. I will just take a moment to say who I am as an individual.

I graduated from UNB with a master's in forestry. I worked 10 years with the provincial government in forestry. Then 20 years ago my wife and I bought a small dairy farm. The farm is now four times the size it was then, and we have four times as much debt as we paid in total for the farm at that point.

The question was, what would I like to see at the end of this next APF agreement? I guess basically what I'd like to see is the government spending a whole lot less on business risk management but spending the same amount of total money. I'd like to see our dollars coming from the marketplace and us in a position where we don't need business risk management to the same extent.

I suppose the question is, how do we get there? I have a few thoughts. My suggestions would be through knowledge and through creating the right atmosphere in the industry.

In terms of research, which is where you get some of your knowledge, I saw a picture about a year ago, and there were 31 combines coming down across a huge field. In the dust of those combines there was a whole raft of seeders coming along, seeding the next crop. If we're going to be in the bulk commodity, that's what we have to compete with. We can't compete with their climate and their soil and their wage structure and so on. So what we have to do is be out in front of those 31 combines. We need new ideas, better products, better production techniques, so that we can be planting this year what they're going to plant next year. We need the research, and that's where government can have a significant role.

So how do we decide what research to do? We need to be constantly looking at where agriculture is going to be. It's too late to be looking at corn-based ethanol plants. What's going to be the next big thing? That's where we should be doing our research. A suggestion or a thought would be something to do with crop residues being processed close to the source, so that byproducts can go back on the soil and we don't end up depleting the soil.

We need to have the best minds from producers, processors, consumers, the government, and researchers looking for new opportunities. What about having a website where people, if they have an idea for a research project, can submit the idea? The more ideas you have, the better opportunity you have of getting the new product, the next new big item.

I'll move on to education. We need the right kind of education, both in the schools and available to existing farmers. The research I was talking about earlier is no good if it doesn't get to the people who are managing the farms. At the present time farming is a business, and if you're going to succeed it's the good business people who are succeeding in farming. Yet when I hear discussions about agricultural schools and training courses, it's about how do I grow a new crop, or how do I have a new production technique or livestock management? It's rarely about business management. It's management on the farms that makes a big difference between whether they are profitable or not.

Just as an aside, I'm a member of a dairy club in this area. There are 12 farms in the club. We're all paid the same for a kilogram of solids produced, yet there's a range of \$5 per kilogram in net income on those farms. We share our financial numbers. Just to put it in perspective, \$5 on my farm is \$150,000 a year. That's the difference in net income on those 12 farms. It's not related to size and so on; it's the management on those farms. To put it in perspective, my farm has half a million dollars in gross income and a difference of \$150,000 in net income.

• (0940)

I mentioned atmosphere. By atmosphere I mean how we as an industry view ourselves. Together, we—farmers, industry partners, and government—need to create an atmosphere where we see the glass half full and rising, not half empty. There's truth in the idea that if we think we can do it, it's probably true, and if we think we can't do it, it's probably true.

Look at what's happening to corn prices with the ethanol production. I could look at this and say, my feed prices are going up, so I'm not going to be profitable. Or I can look at it and say, great, somebody else is going to pay part of the corn producers' cost of production, so I don't have to pay it all; now, how do I take their byproduct and put it into my farm? Is there research done so that I know how to do that?

I have two other comments. Regulation is an area where government can be involved. You need to encourage and not discourage enthusiasm in the industry. Keep the regulations quick. Opportunities are time-sensitive. Make it simple, fast, and effective to deal with regulations or to change them.

As to renewal, farming is a great lifestyle. It's easy to get excited about farming. If existing farmers start each day with enthusiasm for what they do, then the next generation will want to get into farming and keep the renewal process going.

In closing, I see government's role in a new APF as helping to generate the knowledge, helping farmers identify and overcome their knowledge gaps, and creating an atmosphere where there's enthusiasm for farming, where farming is profitable, and where there is much less risk for business risk management.

Thank you, Mr. Chairman.

• (0945)

The Chair: Thank you.

With that, we'll open it up to our rounds of questions. We're going to stick with five-minute rounds.

Mr. Hubbard.

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

It's certainly good to be in New Brunswick, our home province, one of the best ones in Canada.

What we heard in the presentations this morning certainly reflects a lot of thought and a lot of concerns and some very new ideas. It appears that the finances and the debt capitalization of farms is a major factor—what you can carry.

Robert, you've been in two industries now, and it seems that your love of farming has overcome your original intentions in forestry.

Forestry, Mr. Chair, is a big factor here in New Brunswick. It's sometimes sad to see that some of our better farmland is being converted back to growing trees. I see a lot of that in my own constituency, in the Belledune and Jacquet River area.

Mr. Kilfoil talked about crisis now, and he used certain visions about prosperity—sometime soon, I hope. With that, he talked about the need for growth, the need for research, the need for innovation, and built those around business risk management and all of that.

In terms of growth through research and innovation, are governments putting enough attention towards research and innovation? Have the new concepts that have developed in research, we'll say about 10 years ago, helped your industries here? Or has it been more difficult for you to see real results from the research, which is often done by major players rather than back at the farm level and within your own community?

Mr. Vince Kilfoil: First and foremost, it's important that we keep research funded publicly rather than privately, so that it is true research, non-biased research, and research that farmers can take back to their operations and implement into their own businesses and operations, and so that they can be the benefactors of that research and not a privately funded or corporately funded research scheme, where the real profits from that research are put into the hands of the corporations and away from the primary producers.

Hon. Charles Hubbard: With the problems you're encountering right now with the sale of your potatoes in other countries, do you feel that government is helping enough to get those markets open for you? In particular, I guess you're having problems in Venezuela and other places where maybe a more aggressive stance would help.

Mr. Vince Kilfoil: I think that's certainly true. We could certainly use the help in opening up some of those doors. We felt there was some potential in Algeria, and it's my understanding that that door has been closed because of trade issues and other previous trading relationships that may have gone bad. That's true in a lot of other jurisdictions. Whether it's trade barriers or past relationships with some of those countries, they are restricting current trade.

Hon. Charles Hubbard: Ray, with your biofuels, we've heard reports in other provinces on the need for investment and the need for being able to cooperate with government and lending agencies to get the biofuel industry going. What's actually happening with your group? Do you see support from governments?

● (0950)

Mr. Ray Carmichael: We've been rather fortunate over the last couple of years with government support, both provincially and federally under the BOPI. I think the risk that we see is twofold on this project. Ag Canada is centralizing all of its research to national institutions, so all of the expertise is essentially in western Canada. This is a big country, and it's hard to get some of the intimate details of making it happen.

The other thing is that we have a small market, as those of you who are familiar with our geography know. But we do have collectively a significant market in Atlantic Canada, so we do feel that perhaps the biggest thing is that we're dangerously close to competing with ourselves. With a little plant in Prince Edward Island and another little plant in northwestern New Brunswick and maybe something else in Nova Scotia, we end up dividing a small pie in three. We don't have the economics.

Our biggest challenge, though, is actually the U.S. blenders credit, the subsidy they're putting on ethanol and biodiesel. On biodiesel, that translates into a 26¢-a-litre subsidy. So product from the United States, out of New York, can be landed into Woodstock, New Brunswick, for 68¢ a litre—last week. At the same time, the German subsidies, the European subsidies, are shoving the price of canola and everything up. So we're caught with a high-value raw product going in, U.S. blenders credit subsidy sitting right on the border beside us, and the rumour is that there's going to be a 100-million-litre plant built in Holton, Maine. Those are our bigger challenges.

Finally, Mr. Chair, I want to allude to something we mentioned here, the PFRA. It's a program that started back in the 1930s in western Canada. It pumps a lot of money into those provinces. There have been some initiatives with PFRA into New Brunswick in the last few years, but really, in terms of programs or funding, it's a good point for this committee to receive that a similar program that is green would be a big factor in the potato industry and other industries here in Atlantic Canada. Maybe, Mr. Chair, we should look at that sometime. It's a program that gets annual funding, a big amount of funding. Maybe, Vince, in the potato area of Grand Falls, you do have some initiatives from PFRA?

Mr. Vince Kilfoil: I wouldn't be qualified to comment on all the specifics of that, but I think we are now available for some funding under that program, to deal with water in a different way than they do in western Canada.

Hon. Charles Hubbard: Thank you.

The Chair: Thank you, Mr. Hubbard. I didn't realize the PFRA was the Prairie Farming Rehabilitation Administration.

Hon. Wayne Easter (Malpeque, Lib.): On that, it was expanded two budgets ago to all of Canada. PFRA has been in the west since the 1930s. It's an excellent program. It's one of the most well-liked programs in the west, and it's been expanded across the country in a little different way.

Mr. Barry Devolin (Haliburton—Kawartha Lakes—Brock, CPC): What is PFRA?

The Chair: It accomplishes two things in the west, at least. It was there after the dirty thirties, so it was there for soil protection, water erosion, wind erosion. It did a lot of tree planting, shelter belts, protecting yard sites, and cutting down on the wind out on the bald prairies.

Mr. Kilfoil.

Mr. Vince Kilfoil: I have one final comment to help answer Mr. Hubbard's question. I understand you're going to hear from the potato agency, Potatoes New Brunswick, this afternoon, and your question on trade barriers and restrictions is probably a lot better answered by them.

The Chair: For those who require translation services, the equipment is in front of you.

[Translation]

Mr. Bellavance, you have five minutes.

Mr. André Bellavance (Richmond—Arthabaska, BQ): Thank you very much for your presentations.

Mr. Kilfoil, you raised an interesting point. You were limited to five minutes for your presentation, but you talked about the need to create a special disaster fund. I would like you to talk a little bit more about that.

The current government has said that there should a disaster relief program for risk-management purposes. The program has still not been created. In your opinion, what kind of program is needed?

● (0955)

[English]

Mr. Vince Kilfoil: If we could use a couple of very good examples, the BSE crisis in Canada and the avian influenza that struck B.C., the only way to compensate a lot of producers was through the current BRM funding.

Those very crisis-specific and regional issues—well, BSE wasn't regional—are very hard to address with current BRM programming like CAIS, crop insurance, and production insurance. Other very regional and very local weather issues happen sometimes, and it's probably hard to address the need and the hurt under current BRM programming. It's not conducive to maintaining a good production margin. It's not conducive to maintaining insurance levels, previous histories, and things like that. Those things should be dealt with as disasters, and the funding should be there and separate from BRM for that disaster programming.

Does that answer your question?

[Translation]

Mr. André Bellavance: Yes, very well.

What do you think of the idea of having a disaster component? There would be a disaster component as part of the risk-management mechanism. NISA, which was replaced by CAIS, had a sort of risk self-management component. CAIS can be effective in covering major risks, when there is a drop of over 15% in comparison with historical margins.

Would a program that included a disaster component, like the one that was part of NISA, and the components of CAIS that cover major risks be better than the current CAIS program?

[English]

Mr. Vince Kilfoil: It's very important to maintain the CAIS program, to maintain production insurance, to maintain a NISA-like program whether it's part of CAIS or not. It's very important to have a disaster relief program to address specific disasters, as well as any other tools we can include, such as the recognition of supply management as a business risk management tool. As farmers, we need in our toolbox all the tools we can use to deal with risks on our farm.

Farms are very diverse. The risks are very diverse. The needs on each individual farm are very diverse, and sometimes maybe that's why we find it hard for farmers to agree on funding across the country. I think it's important to have as many tools as possible in the toolbox, so that we can draw from them, tailor them, and pick and choose from them to decide which ones we're going to use to manage the risks on our farms. I think it's important to maintain them and improve upon them.

[Translation]

Mr. André Bellavance: Mr. Bettle, you are the former president of the New Brunswick Dairy Producers. Is that right?

[English]

Mr. Don Bettle: Yes.

[Translation]

Mr. André Bellavance: I was not with the committee when it went out west. In any case, this was not that pertinent there. Since the start of our visit to Nova Scotia and Prince Edward Island, however, dairy producers have been telling us how important it is to protect supply management.

In your opinion, should the government consider the supply-management system to be a risk-management tool for the purposes of its assistance programs?

[English]

Mr. Don Bettle: I believe supply management is a business risk tool whereby producers can have some guarantee of their income over the long term. It comes with a sizeable investment also, but producers pay that out of their own pocket. They pay their own costs and they expect a return from the marketplace rather than from government. If government protects supply management, then government avoids pouring millions of dollars into the dairy industry every couple of years to bail it out of either trade actions or some other thing that would undercut the revenue on the farm.

Dairy farmers in New Brunswick have two people to represent them here, and I'd feel a lot more comfortable if they were answering questions based on dairy.

A couple of years ago I sold my dairy cows and quota. I gave the guy a break on it because the price was high. He paid me some up front. For the rest he pays me \$2,000 a month over a few years, and then he'll pay me the remainder. He's a young guy and he's just starting out, and there weren't any other programs there, so I made a program myself to help him out and help him get started to expand his farm. That's the same thing we have to find in Canada, a way to do this to help that next generation get going.

Also, that next generation needs the stability that supply management gives them, so they can depend on steady income coming into their farm. They can make long-term financing, long-term investments in that farm, and still know that they're going to get a milk cheque.

• (1000)

[Translation]

The Chair: Thank you very much.

[English]

Mr. Devolin.

Mr. Barry Devolin: Thanks, Mr. Chair, and thanks to everyone for being here this morning.

We're here to talk about business risk management. Even this morning I've noticed a couple of people, when we talked about business management and business risk management, almost trip over the words sometimes. Farming is a business, and it's a big business. In terms of individually owned business, these are multi-million dollar operations—most farms. There have to be good business practices, whether you own a farm or a furniture store in town or a restaurant. That's the way you stay in business, and business risk management is one part of that.

Mr. Kilfoil, you mentioned the business risk self-assessment test or the notion that there should be something like that. I wonder if you could expand on that, but also expand beyond just the business risk self-assessment. Are there programs or things that are done to generally help farmers with business management, even beyond just managing risk, but more generally, and might that be another way to tackle the income crisis—actually just to raise the general business skills of farmers?

The Chair: Mr. Kilfoil.

Mr. Vince Kilfoil: I think that most farmers who've managed to survive this long are pretty good managers for the most part, given the crisis that we're in.

I guess the concept of a self-assessment would be to follow in the model of the environmental farm plan, where you do a self-assessment of your farm and you assess your own risks and develop a plan to mitigate those risks, environmental risks under that plan, on your farm. If you could do the same thing and have funding available for business risk management and sit down and be guided through a process with maybe some experts around the table, and say, I'm at risk on my farm because—Maybe I don't have the proper management skills, or maybe part of my production area is susceptible because of wet land or because of intrusion from urban development. Or what are the risks that exist on my farm and is there anything that I can do? Is there anything that I can plan for down the road to help mitigate those risks? Can I go get the management skills? Can I drain that corner of land that's pulling me back? Can I replace that old storage that's not adequate?

If that is risky to my business—those are business risks—maybe by some self-assessment and having some of the funds available to mitigate some of those issues that I feel are relevant right now, or could be relevant down the road, to my operation, that would be a way to address some of those problems. I think that was the concept behind that school of thought.

•(1005)

Mr. Barry Devolin: Thanks.

I think it was Mr. Speer who drew reference to the picture of the 31 combines coming across the field.

In my riding in central Ontario, the southern half is agricultural and the northern half is the bush. It's cottage country for Toronto. When I was a kid growing up, on the lake I lived on there were probably 20 family-owned resorts. At that time, everybody sold the week-long package. You came from Saturday to Saturday and there was a program for kids. That doesn't exist anymore. A lot of those resorts went broke because they kept offering that after people in Toronto had figured out they could fly to Cuba for a week, quite frankly, cheaper than they could come to Haliburton for a week, especially if they included their food and booze in the cost.

Some of those resorts adapted, and that's the other question I have in terms of commodity production.

If you're producing a commodity, you're competing against Brazil and the Ukraine and the United States and lots of places versus something that's more value-added, something that's more targeted at the local market. Are there enough resources around to point out opportunities or to help farmers transition to maybe producing something that's not just a mainstream commodity, but something that's more value-added, that maybe is targeted to a more local or regional market? Are those kinds of initiatives out there? I think in the long run that's a form of business risk management, to actually get into a business that's less risky.

Mr. Robert Speer: Yes, I would agree that you need to get into a business that's less risky. At the same time, you need a lot more knowledge when you're into that. To just produce the bulk commodity requires a different set of knowledge than to produce

the bulk commodity and take it through to the consumer. That's a role where I think there can be a lot of help in education with producers.

Is it all out there? It's probably out there, but to put it together in a format so that the producer can take his business through it and at the same time continue to manage his business, I think there's a role for government to help in that process.

The Chair: Thank you.

Mr. Atamanenko, you're on.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): Thank you very much for being here. It's a pleasure for me once again to visit your beautiful province. I was here a couple of years ago in the summer. It was a little greener then than now, but it's nice to be back here.

Mr. Speer, I'd like to throw some questions at you specifically, and then maybe I'd also like to give an opportunity for Madam Cormier and Mr. London to give some comments, and maybe others. I'll just throw some questions out, and then we'll take it from there.

Specifically, you talked about the dairy industry and you talked about debt, and yet the dairy industry, we're led to believe, is one of the most successful in Canada, as far as stable income is concerned, because of supply management. So I'd be interested to see how debt figures in there.

We talked about the pursuit of 31 combines that Barry mentioned. The allusion is that we have to get bigger and we have to move with the stream and really go big if we want to remain competitive, and we need more research, and that whole model. Yet yesterday when we discussed this in Charlottetown, we were presented with what might be a different model, based on small communities, the survival of our rural economy and rural farms. The implication was that if we go big, maybe this would eventually spell the death of our small communities and life as we know it.

Many say—and this is the other point I've heard, and especially in the west—that our farmers are already the best. I believe also, Mr. Kilfoil, you mentioned that there is success, that farmers are good business people. So the idea that we need more training and more evaluation and skills maybe is not correct. The farmers are the best because they've managed to survive. I think you mentioned that. So what we need is some kind of support, and I'd like some comment on that.

Then there's the whole framework of what direction we are actually going in, in Canada: is it to compete in this global WTO-driven market, or should our direction be shifted a bit to ensure our food security, ensure a safe food supply and open and sustainable markets for our farmers, and the survival of our rural communities?

That's a lot of questions to answer in a couple of minutes, but if you wouldn't mind trying, I'd appreciate that.

•(1010)

Mr. Robert Speer: Okay, dairy and debt. I mentioned that my farm has four times the debt as what we paid for it. I don't necessarily see that as a problem in the sense that I have the cashflow to make the payments. The farm is four times as big as it was, so we're still making the cashflow and we're still eating and so on. I'm saying we have this debt. I think the allusion was that you don't want interest rates to go sky high. But as long as we have this stable economy, we have debt, we have increased assets.

As for the 31 combines, I gave the impression that I wanted to compete with those 31 combines. That was a mistake. I felt that we should not be trying to compete just on this scale of getting bigger, producing large amounts, and so on. I felt we had to take a little different road and not try to compete head-on with just producing a bulk commodity, but look for those other ways to increase our value.

In terms of whether we can do something local where we produce a safe crop, we have to have consumers willing to recognize that that's what they're getting. We have to have the consumer knowledge as well, that they're not looking for the cheapest product; they're looking for a safe product that supports their local community and so on. So there's an educational role there.

Are we already good managers? I think we are already good managers, but if we rest on our laurels and say we're already good, we're done. We have to keep continuously getting better.

I don't know if that answers all your questions.

Mr. Alex Atamanenko: Madam Cormier, do you have any comments?

Ms. Charline Cormier (Chief Executive Officer, Agricultural Alliance of New Brunswick): I wrote down a few notes here.

I heard a while ago about this question about when things evolve and change and so on towards adjusting and concentrating on more value-added and local and so on. Well, the industry is evolving and is growing. So yes, towards value-added and towards local is great, but in order to respond and in order to grow and in order to be profitable, the industry needs tools to grow with the rest of the world. It is a competing industry, and these tools are needed. And we can't lose sight of that.

Mr. Alex Atamanenko: Mr. London, do you have any comment?

Mr. Stephen London (Secretary, Eastern Greenway Oils Inc.): I definitely agree that there needs to be a form of business risk management. But—I'll be quite brief—I also think it's a lot healthier for agriculture in general if the majority of the money comes from the marketplace instead of government programs.

Mr. Alex Atamanenko: I'm just going to finish with one last question.

I have a conflict. The apple I'm holding comes from Washington state. Do I stick to my principles and throw it away, or do I eat it later on for break? This falls in line with what we've been talking about for the last week and a half.

Okay, I'll stop there.

The Chair: Okay, we go over to Mr. Steckle.

Mr. Paul Steckle (Huron—Bruce, Lib.): Thank you very much for appearing this morning.

As we find ourselves in the latter days of our cross-Canada hearings, obviously some things have become rather repetitive. I think we've drawn the conclusion that there are certain elements of our discussions that seem to be consistent across the country; other elements are perhaps much less so.

I want for a moment to deviate from my previous lines of questioning. I want to take us into an area of modelling.

Mr. Carmichael, you talked about the model of farmers owning—you didn't call it a cooperative—this “enterprise”. I wonder whether you can tell us in very concise form what the benefits are in terms of the end dollar value for the farmer, because we're talking about the developing of niche markets and farming going in new directions. If your model is one we should be looking at, then perhaps that becomes part of what we're discussing. Is it a 12% return that you can see on this, over and above what they would normally have received for their raw product, or what are we seeing here?

Quickly, can we just have something?

•(1015)

Mr. Ray Carmichael: The success of that so-called integrated corporation or corporate structure is—Whether it's a company or a cooperative doesn't really matter; it's just a legal term. The principle is that somebody has to seek investment, and if you have investor confidence in what you're doing yourself, all the way from the producer—

If you're just selling it as a producer and are trying to get your 10% or 15% margin there, then you turn it over to a processor who is trying to get the same amount, and then to a distributor, and then a retailer, right through the chain, ultimately, yes, you're probably sacrificing. But what you might sacrifice as a producer, you stand to pick up at the next level of the chain. That's really the model we're trying to use—well, that we'll have to use—to remain—

Mr. Paul Steckle: But in your business plan, are you anticipating your model based on a 12% return, or an 8% return, or what are you looking at? Obviously you have a business plan.

Mr. Ray Carmichael: It's 25%.

Mr. Paul Steckle: I like to hear that.

Are you looking at rendered product as part of your input source?

Mr. Ray Carmichael: No.

Mr. Paul Steckle: Okay, that's fine.

Now I'll go to Mr. Bettle. You talked about succession and transitional, intergenerational transfer of farm land. Has anyone in the farm community looked at the model, which hasn't been used that I'm aware of in the farm community but has been used in business transactions, whereby a business owner...? I want to transfer my business to you, Mr. Bettle, and the business is worth \$1 million. I'm 55 years old and I decide, for capital gains.... Let's call it a farming operation, because the capital gains would apply perhaps in a more appropriate way. But \$750,000 would be capital gains-exempt. I transfer that farm to you over 20 years. You pay me \$50,000 a year for 20 years and you own the farm. I pay the taxes based on that, so I have a lesser tax bracket to pay on. You basically don't have to worry about Farm Credit or other lending agencies, but at the end of 20 years, providing you do a good job, you own the farm.

Is that a model—I know it's being used in corporations such as State Farm and corporations like it—that we haven't looked at and perhaps should? Or do you have a different model that you might want to propose?

Mr. Don Bettle: It's been used by individual farmers in between farms, but according to my accountant, you pay the tax up front. That's what he's saying.

Mr. Paul Steckle: I know some say that, but my point is that in State Farm and the example I'm using, they don't. They pay on the \$50,000.

Mr. Don Bettle: Well, that's the way I bought my farm when I bought it. That's the way it worked then. But according to several accountants I've talked to, now I have to pay the taxes up front on the total amount, even though I wasn't paid for it up front.

And I'm not the only farmer who's done this. Because of the high investment and younger guys getting in, a lot of farmers getting out have spread that over the long term to ease the burden on the new entrant.

Mr. Paul Steckle: I'm glad you made the argument about that being the case. If that is the case, then perhaps it's something we as a committee need to address in terms of transitional land transfers as we move forward. Perhaps that's something we can do to help future young farmers who want to move on.

You made the point, Robert, about knowledge and research, and that we continue to give this kind of information to our young people. Would you agree that given the current status of agriculture in Canada, if we were to give the information as correctly and as accurately as we can—perhaps an example would be someone who's in the business of farming showing the bottom line—could we expect a new generation of farmers, based on the information that's out there today?

Mr. Robert Speer: I think you have to decide which farmers you're going to profile. If you profile the farmer who has been losing money for 20 years, no, they're not very interested, but if you profile a farmer who is reasonably profitable and has a very good lifestyle besides, then I think you'll have young farmers interested in getting in. You have to show what the potential is, and not necessarily what some people are doing.

• (1020)

Mr. Paul Steckle: The argument could be made that Robert Speer would be a good advocate to go into the school system, because your system is supply managed. I'm a big supporter of supply management, so we would find a supply-managed farmer to be a model. But it would not reflect accurately if we put a hog farmer in the same situation, or perhaps a beef farmer in the past five years. There might be a different story told.

I'm trying to be realistic, because ultimately there's a real story out there, and I'm not sure that story is being told. Obviously when we look at the number of young people who are interested in going into actual on-farm farming rather than the business of agriculture, there's quite a difference.

The Chair: Mr. Steckle, your time has expired.

So please give just a very short response.

Mr. Robert Speer: I think you can choose certain, say, hog farmers who are profitable or at least have a good lifestyle and have the potential to be profitable over the long term.

The Chair: Thank you.

Mr. Miller is next.

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

Ladies and gentlemen, thank you very much for coming here today before the committee. It's nice to be in New Brunswick.

Mr. Speer, I found your comments interesting. We're here to talk about BRM—business risk management—and after a week and a half, you're actually the first witness we've had who says to keep the money away from that and put it in another angle. I think that for all intents and purposes, whatever we do is still business risk management, but you're suggesting doing it in a different way, and I find that interesting.

I have a comment that carries on from what Mr. Steckle was asking about. You're suggesting that government pick and choose farmers to get behind, and I think you're meaning to help train them further and make them better managers. As much as there may be some good points in that, are you not suggesting that?

Mr. Robert Speer: No.

Mr. Larry Miller: Well, you correct me on that, then, because that's where I thought you were leading.

Mr. Robert Speer: I'm sorry if I misled on that. My interpretation was that he was asking who we would hold up to show the potential of the industry if we were to ask somebody to be modelled to present the idea for new farmers. Then I would say that you would choose who you would—

Mr. Larry Miller: That was my mistake, then. I thought you were referring to other—

Mr. Robert Speer: No, no.

Mr. Larry Miller: I'm glad to hear that's not the case.

Mr. Robert Speer: No. The program should be available to all farmers.

Mr. Larry Miller: Okay.

Let's take this a little bit further on the education side. You mentioned helping farmers by spending money to make them better managers and hopefully more profitable. What exactly do you have in mind? Today farming is no longer just family farms, but business. Farms are big business. Today most of our young people who farm—not all, but most—take some kind of agricultural course. Are you suggesting we or the industry should be promoting something over and above that?

Mr. Robert Speer: I feel we should be promoting more the fact that they are businesses. If you're going to be the owner of the farm, you need to be able to manage a business, so you need your business management skills. Put more emphasis on those, because you need them. That really will separate a lot of the farmers. If you are a really good business manager, you may not need to actually know how to milk the cow; you can hire a person to do that. It's in that area that I see a number of farms not doing as well, and it's in that area that they probably could use the most help too.

Mr. Larry Miller: I think, being a farmer myself, that sometimes what we're guilty of, the reason we're farming, is that we love to do those things. At the same time, it can be more profitable to have someone else and you going and doing the things that make your business a little more profitable.

I'm going to move on to another topic that's been pretty general across the country, but specifically the last couple of days here in the Maritimes, and it's getting the profit out of the marketplace. I asked this question yesterday and last night and never really got a straight answer out of it. And no offence meant to anyone from yesterday; it's a complicated thing.

To get out of the marketplace, first of all, I think the idea of it is food security. Food security, to me, is having a safe, long-term, lots-of-it domestic supply. The problem we have, not just as government but as industry, is that we are by and large an exporting nation. We have a large land mass with a low population. So if you're going to drive at something that government and the industries can agree on, do you cut off that guaranteed, whether it's floor prices or something along that line, do you cut it off once you've basically achieved what you need for domestic supply, and then just let what goes on the export market go out there and do it? To run it right through to the end, you're going to run into trade issues big time around the world.

Have you any thoughts there? It's a very complex thing, and it's a big problem.

• (1025)

The Chair: That's open to everybody?

Mr. Larry Miller: Yes, just whoever has any comments.

The Chair: Mr. Bettle.

Mr. Don Bettle: I think we can do the same thing with markets and food security on a global scale by identifying Canadian product as Canadian product and the highest-quality food in the world. I've worked with people in the United States before. When we were in dairy, we exported dairy products there, before the WTO said we couldn't do that anymore. The reason we could do that is that we had a high-quality product. We sold it at above the Canadian price into the U.S. because we had a high-quality product, we had a consistent supply. In any market, any place in the world, pretty well, if you can

give them a high-quality product and a consistent supply, you can get a little more margin out of that.

Mr. Larry Miller: You're touching on another issue here, and it comes to what I call truth in labelling and country of origin. As a producer myself, I have no problem doing that labelling there. No matter what country we send it to, I don't think it's going to jeopardize us. Obviously you agree.

Does everyone else in the different industries feel the same way? We do have some of our commodities that don't believe in that, because they're afraid it's going to hurt what they're exporting into other countries.

The Chair: Mr. Miller, your time has expired, so we'd like just quick responses from those who want to participate.

Mr. Carmichael.

Mr. Ray Carmichael: I have just one point.

I believe a lot of producers, particularly some of the individuals I've dealt with in the east here, are forgetting that the consumer does not want to go to the store and pick up a 10-pound bag of dirty potatoes, take them home, throw them under the sink, and wash them. My daughter does not want that. A lot of producers, I feel, need to recognize that society is changing its demands. That's why it's hard to get local products into the stores. A lot of times it's the value-added processing that they're buying. They're buying a service, not the potato or the beef, and that's being lost by a lot of individuals.

Mr. Vince Kilfoil: I have a quick comment.

I think some of the sentiment you've heard about in the last couple of days here in the east is that producers would much rather be able to extract their sustainable profit from the marketplace rather than relying on risk management programs to add to their bottom line. It would be a lot better feeling to know that you could extract that from the consumer and have the consumer go away feeling that he paid a fair price for a very healthy and environmentally friendly product. I think that's where a lot of that sentiment comes from.

The Chair: Thank you.

Mr. Easter.

Hon. Wayne Easter: Thanks, Mr. Chair. I want to take a little different tack.

I hear what Vince said. In fact, I wrote a report on trying to achieve income out of the marketplace. But the reality is that with the WTO in the tank—it may be revived, I don't know. I've sat in on some meetings with the United States farmers. They'll come to the table and they'll say, we don't give a damn about the rest of the world, but we want you to support us; we want our farm to be maintained at our farm gate. They don't give a damn whether the money comes out of the mailbox or where it comes from. I don't know whether it's something we drink in our water, but my God, as Canadians we're pure; we're absolutely pure, and it shows in government policy.

But on Ray's point on U.S. blenders credit for biodiesel, is that on top of the 20¢ incentive that matches our own that they're putting in? It's a tie-up?

• (1030)

Mr. Ray Carmichael: They have a pool of money and pay every new producer so much. Last year it was 20¢ for capital investment. In addition to that, there's a blenders credit.

Hon. Wayne Easter: That's good to know.

Robert's point was that he'd like to see us spending a whole lot less on BRM. That has to make us think, Robert. When you said that, I went back to look at the programs. In reality, in the last 16 years we've had 14 different programs, all business risk management. I was there with Andy Mitchell. We basically canned spending on the environment because we had to spend it on business risk management. They ranged through everything from CAIS to TISP to FIP to cattle set-aside—you name it—14 programs in 16 years, all related to business risk management, putting billions of dollars out there.

And yet in the meantime, in the last 25 years our debt load has gone up 300% on Canadian farms, and American debt load in the same time went up 20%. Our income from the market over the last 21 years was \$51 billion of net income, but our payments from the federal and provincial governments were \$58.4 billion. Out of the market we lost \$7 billion. We have to somehow get to a point where the primary producer level is sustainable.

Having said that, when you consider biodiesel, it's amazing that in this country we don't have a national energy strategy that ties it all together; we don't—and I'm not saying their government or ours, because we're both the same in this regard—have a national food security policy in this country.

You made six points, Vince, along the lines of food safety, environment, strategic growth—I didn't quite catch them all, but they'll be on the record. Those are areas that we can spend money on—in infrastructure, etc.—that isn't considered a subsidy, that's considered green under WTO. We're not looking at that. We're going to have to turn this policy on its head somehow.

So I'd ask you this. If you were the minister, what would you do to cut back on what are perceived as subsidies and spend the money in a different way, but at the same time increase support to the farm community so that it makes a difference in terms of family incomes and lives? That's where we're going to have to get to.

The Chair: Mr. Kilfoil.

Mr. Vince Kilfoil: What you're asking for is more consultation?

Hon. Wayne Easter: No, absolutely not. What would you do if you were the minister, and given where we are in the world environment right now?

To be honest with you, in Europe the farm community doesn't care where their money comes from, and they don't in the United States. But in Canada we think, my God, we have to be pure.

I haven't said this before, but I'm shaking my head. I'm asking what's wrong with us in Canada, the way we operate. We gave away the dual wheat marketing system. We gave away the dairy subsidy without negotiating. We're doing other things now, and we have

done so as a government. We give them away in international trade and get nothing in return, and our farmers are the ones who suffer.

What's wrong with us? It's not a government thing.

The Chair: Mr. Carmichael.

Mr. Ray Carmichael: I've often said that one of the simplest things would be to just watch U.S. policy, because they seem to have it figured out.

With this blenders credit thing, if you check it out and watch what's going to happen, there are not going to be loan deficiency payments on corn, because they put their money at the blenders. The petroleum blenders are getting the buck. That's creating the demand.

They're going to come to the WTO and NAFTA hands-free—no subsidies. In agriculture, we have reduced our loan deficiency payments to our farmers. It's a perfect scenario. Why we don't follow the same model beats me.

• (1035)

The Chair: Vince, did you have anything you wanted to add to that?

Mr. Vince Kilfoil: If I were the minister, I would take a serious look at some of the other ways besides direct subsidies by which we could help to level the playing field; that is, regulatory reform and a policy environment where the farmers actually stand a chance.

Our competitors to the south have all kinds of chemical products, for example, that they're allowed to use. I've heard company reps tell me that because Canada has a limited marketplace for some of these products and because of the policy and regulations they have to go through to get their product into the marketplace, it's not worth it for them. It's a situation a lot different from that of our competitors to the south and some of the other competitors.

That's just one example of a lot of ways that we could help to level the playing field without actually putting money in the producer's pocket.

The Chair: Mr. Speer, go ahead, but please give a very short response. Mr. Easter's time has expired.

Mr. Robert Speer: My response is that the minister needs to have a plan that says this is where we want to get to and this is how we're going to get there. You have to develop that plan to get there. Don't just go here and there or wherever the money happens to need to go today.

The Chair: I have a few questions myself.

There is one thing we haven't heard in the Maritimes that we did hear out west. Vince, you touched on it. In having your business risk management self-assessment program and going through the same process in environmental farm planning, would you take into consideration the commercial tools that are available? Are farmers using forward price contracts or hedging or options? I haven't heard that question in the Maritimes yet. Are commercial risk management tools widely available and used?

Mr. Vince Kilfoil: I'm not sure they're as readily available or as readily used as they are in the west, but if those are tools we can add to our toolbox, we certainly need to take a look at them.

The Chair: Mr. Carmichael, when you're out securing feedstock from your producers, how is it secured? Is it because they're shareholders and they're going to have to deliver? Are you going to be giving forward price contracts to entice them to deliver?

Mr. Ray Carmichael: Basically, it will be fixed contract pricing based on—if you can ever track them down—commodity markets from out west. We're in a unique situation; we don't have ready access to commodity trading, so everything we do on the oilseeds side certainly starts out, actually, with Chicago soybeans, then come canola markets, and we work it way back.

Yes, it will be contract, but remember that we're so far away from any ability to deliver it that forward contracting on canola is not very profitable. We'd have \$60-a-tonne freight to get a tonne of canola to the nearest crusher in Canada, in North America.

The Chair: Where is that?

Mr. Ray Carmichael: It's Hamilton and Windsor. There's no other opportunity, other than our modest little facility in New Brunswick, to access a place that can actually crush oilseeds.

The Chair: Are you looking at using both canola and soybeans?

Mr. Ray Carmichael: Well, we started out with soybeans; we will probably be focusing in on canola. We're actually aiming toward mustard as the product that will probably fit our market, because you can't take the high-value food oil canola commodity that Canada prides itself on and make an industrial commodity out of it.

I'll just add to what Vince said about regulation. We're dealing with a western partner from Saskatoon who is trying to get mustard registered as a bio-pesticide. People use mustard as a rotation crop. They plow it down and think it's great. Agriculturalists will recommend it.

We had a feasibility study done, and it's going to take three to five years and over \$1 million to get mustard meal registered. It has a legal patent developed by Ag Canada researchers 15 years ago, and all it involves is taking the meal from mustard and spreading it on your lawn or your strawberry crops to kill nematodes or cinch bugs. It's pretty simple: you grow the plant, plow it down green, and you can use it. It's beyond me why it's going to take three to five years and a million bucks to get it registered as a bio-pesticide in Canada.

The Chair: We hear stories like that all the time, unfortunately.

What's the oil content in mustard seed?

Mr. Ray Carmichael: It's about 36% to 40%.

The Chair: So it's in the same ballpark as canola?

Mr. Ray Carmichael: It's coming, yes.

The Chair: I didn't realize that.

• (1040)

Mr. Ray Carmichael: Well, they're working on it.

The Chair: It's a crop you hardly ever see out there anymore.

Mr. Ray Carmichael: I did my master's thesis on rapeseed, when it was rapeseed. What they did to canola was take all the good agronomy, took the bad stuff out of it, and left the mustards alone. Now they're just going back—The Saskatoon program with Ag Canada is doing phenomenal leaps and bounds in putting the good agronomy back into the mustard, in the high-erucic types, for an industrial oil. They're coming, but—

That's our opportunity, if you talk about niche marketing. Western Canada will not want to contaminate its delivery stream with non-food or industrial oilseeds, so there's a real opportunity for somewhere east of Manitoba to start picking up on an industrial oil product based on our fine technology, and maybe we can contribute to this income at the farm gate.

The Chair: Mr. Bettle and Mr. Speer, I really enjoyed your presentations.

I congratulate you, Mr. Bettle, for looking at how to do that farm succession planning and for taking on the creditor role yourself. I guess I'd like to know from you what you think we can do as a committee to make a recommendation back to government on how to provide the tools to people like you to provide that succession credit.

If you look at a lot of the financial lenders out there, the big players don't want to do it anymore, or it's going to be done, as you said, at a high cost, and we don't want to go down that path again. When I took out my first loan in 1982, it was at 21%. I don't want to go back to that. When I pass on my farm to my kids, I want to make sure they have it at an affordable rate. So I'm interested to know whether you have any ideas on that path.

Mr. Speer, you talked about needing to broaden our knowledge base, and I couldn't agree more. We actually had some young farmers present to the committee who had backgrounds not in agriculture but had masters degrees in marketing and commerce and those types of business management programs.

Should we be incorporating into all our ag schools that it should be just standard process to consider, if you're going to get a degree in agriculture or even a diploma with the intent to return to the farm, that this should be a component of your education; and also to consider whether or not you're getting the extension services you need from your provincial ag department that would provide that type of knowledge base as well?

Those are my final two questions for you two gentlemen.

Mr. Don Bettle: Thank you, Mr. Chairman.

I think one way government can help in this is through the tax system and how the succession is taxed when it rolls over. There are two things you have to guarantee when you turn your farm over to your children: you have to guarantee that you have a comfortable retirement and that your children are able to keep the farm going. Government can probably influence lenders in this country to look at more flexibility and innovation in the way they finance the succession of agriculture in Canada. They can look at that.

Those are basically the two things I think you can do to help on this side: the tax implications and flexibility in the lending. Not all farmers who are retiring are willing to spread this over a long time. Maybe they don't have a long time to spread it over; I don't know. I think the lending institutions will have to step in and try to make it happen.

The Chair: Mr. Speer.

Mr. Robert Speer: I feel that somebody graduating from an agricultural course with the idea of being a farm owner should have business management skills. That should be part of their training. I feel strongly about that.

I feel that within the extension work that's done with existing farmers, yes, there needs to be a recognition on the farmers' part that they need to improve their management skills and then there needs to be some way to do it. And it has to be a flexible way that can work around the farm schedule.

So I'm saying yes to both.

The Chair: Thank you.

We have some time for some supplementals. Mr. Bellavance.

[*Translation*]

Mr. André Bellavance: Mr. Kilfoil or Ms. Cormier, your association represents mainly medium-sized farms. Is that right?

Ms. Charline Cormier: [*Editor's Note: Inaudible*]

Mr. André Bellavance: Of every size? Very well.

Do you feel that a government policy to encourage and promote the survival of medium-sized family farms contradicts the need to make the agricultural sector, whether we are talking about small, medium-sized or large businesses, more competitive on the world level?

People sometimes say that we need to choose between these two goals. I personally feel that we can have a policy that both preserves medium-sized farms and helps other farms that need to export or may require some assistance to be more competitive in international markets.

Is that possible or is it unrealistic? I would like to hear your opinion and that of the other witnesses here today.

•(1045)

[*English*]

The Chair: Mr. Kilfoil.

Mr. Vince Kilfoil: Certainly for years it was preached to us that bigger was better, and I think in some cases now we're finding out that's not necessarily so. There are some of these mid-sized and even

smaller-sized family farms that are a lot more able and better equipped to deal with the farm crisis. The bigger you are, the more risk you are under.

BRM is there to help us out, but for how long we don't know. Hopefully we can make it on our own. But I think and would hope there's a place for the family farm in Canada, and bigger is not always better. As I said a minute ago, a lot of these operations are a lot better equipped to deal with a financial crisis. They're less at risk.

[*Translation*]

Ms. Charline Cormier: There should be programs to respond to everyone's needs, whether their farms are small or large.

There are small family farms in every region of Canada, which often sell their produce at local markets. These programs are needed across Canada. We need to find programs to support farmers and meet all their needs so that they can survive.

Mr. André Bellavance: Are there any other comments on this?

[*English*]

The Chair: Are there any takers?

Mr. Speer.

Mr. Robert Speer: I mentioned this management club that I was part of. It was rather interesting in that club that the highest-profit farm was a mid-sized farm. The next most profitable farm was the largest farm in the group, and the third most profitable farm was the smallest farm in the group. I think it goes back to management and skills, how they use the assets they have, and what their objectives are for the farm.

We should be able to keep all sizes of farms in the system. Some of the really small farms may have to make some changes. Over the long term they may not be viable, but for that generation it may be quite viable for them to carry on as a small farm.

That's just a comment.

[*Translation*]

Mr. André Bellavance: Thank you.

[*English*]

The Chair: Mr. Steckle.

Mr. Paul Steckle: Since I haven't raised this issue in New Brunswick, I need to do it.

As we're coming to the close of these public hearings on the road, there are some things that have very clearly been manifested: that we need to do things differently; that we need to take some lessons from other levels of government and other countries, perhaps, such as the United States, about how they do things—the recognition that certain programs could be perhaps deemed to be green if we did things and if we put the money forward in different ways, as Mr. Carmichael has pointed out on the biodiesel and ethanol side.

I also believe we need to take another lesson. Let me first of all start with the suggestion that we need to deem food security as important, as a policy statement from our country. If leadership in government makes the statement that sovereignty of our food supply is absolutely unquestionable, then we will find the necessary programs, then we will become creative in the way we do programming. I believe that.

I also believe that we need to eliminate ten provinces from the equation—not in terms of their input, but in terms of the delivery. We are fighting province against province. Quebec has a program called ASRA, as we all know, that can deliver money at a higher level than those in any other province in Canada, except perhaps Alberta. We in other provinces only look at that province as in an enviable position, and then of course we compete with it. Not only do we have transnational borders; we have interprovincial borders that we're dealing with.

We have to deal with these problems and eliminate them. I say once again, as Dr. Phil says, if it isn't working, then change it. Sometimes we have to start thinking outside the box we've worked in for the last many years. This is now my third time doing this, and as I said some days ago, the only thing that has changed is the colour of my hair, or perhaps the lack thereof, and the date on the calendar. We're still talking about the same things. It's time we moved forward.

Farmers want to make their money on the farm, not from the mailbox. We all want to eliminate the need for BRMs. Nevertheless, in the interim we may need them.

How would you feel about a central government delivery of programs? Consultations we have done enough of. As an example of what happened many years ago, back in the 1960s Eugene Whelan and Bill Stewart combined and brought together for the dairy community, and for the supply-managed sector as we know it today, the need for a supply management program. While it has its faults, it's been a very successful program, despite its faults. It was done with a limited amount of consultation and sort of arbitrarily put upon farmers, and those who are in it today wouldn't be without it.

So maybe we need to move from this point and start making some hard decisions. How do you feel about this one-level, one-tier-of-government delivery program?

• (1050)

The Chair: Who wants to go first?

Mr. Ray Carmichael: I'd love to respond to that one.

The Chair: Mr. Carmichael.

Mr. Ray Carmichael: That would be an immense help to our little start-up business.

My history in agriculture goes away back to the policies of our good friends in Quebec. But recently Ontario and Alberta are putting more money provincially into the biofuels business. We had a nice price model two weeks ago for our canola meal. It just took a shit-kicking when dried, distilled grains started coming east at \$100 a tonne less. Now, product for product, it's about the same as our canola meal, so that blew that one out the window.

So yes to the concept of watching what we're doing within Canada.

Also, our livestock industry in the east has taken and will continue to take a hit if our big rich neighbours to the west prop up their livestock industry with provincial programming. They will have the benefit of that cheap feed, so it's all going to start moving there. Where do we end up?

The Chair: Is there anybody else?

Mr. Kilfoil.

Mr. Paul Steckle: Yes, and I'd like to hear from all of you.

Mr. Vince Kilfoil: I have two or three points. I probably don't have the history that some of you around the table do, but I agree that what we're doing is not working. That's what some of us alluded to when we said we need a vision of where we want to go and how to get there.

It would be great to have equal access across the country to some of these programs, as Ray alluded to. But we've seen and heard of examples of the importance of regional flexibility. One area's problem might be lack of water, while another's might be too much water.

Whatever way we can deliver it, however many pillars it takes, whatever you call it, or however you want to do it, you have to come up with a vision, decide how to get there, and do it, because what we're doing is not working.

Mr. Paul Steckle: The U.S. has—

The Chair: Your time has expired, Mr. Steckle.

Did anybody else want to make a brief comment?

Mr. Atamanenko, do you have any follow-ups?

Mr. Alex Atamanenko: I have a very quick question. The idea of disaster relief as a separate component to assist primary producers has come up today a bit and throughout our trip. Also, there's the idea that to date we've had various ad hoc programs, which kick in quickly sometimes. In my very short career, in the last year, I've noticed that often there are discussions about whether it's the provinces or the feds; how much do they put in? In the meantime, farmers are waiting for some help.

Should we seriously get into this and have a program ready to go? Should we have it for natural—or as someone said in the west—and unnatural causes, and have a formula worked out with an advisory committee? The cost sharing is there. It's all ready to go, so if there is a flood today, a BSE crisis tomorrow, or something happens the day after, the money that's set aside is ready to go, so we don't have this disparity between provinces saying, well, Manitoba gave this much, Saskatchewan is only contributing that, and it's up to the feds to do 90%; and then no, they should do 60%. That's the whole idea.

To anybody, what are your thoughts on having something like this in place, parallel to what else we're trying to do in this area?

• (1055)

Mr. Robert Speer: I'll take the first crack at it.

If we look at examples where you're trying to deal with a disaster, you're far better off with a plan in place ahead of time. So if you're looking at it from the perspective of whether we need a plan regarding how we should deal with disasters, yes. Now, to go into the details of who spends how much and so on, that might have to be flexible, based on what the disaster was. You know, you have an evacuation plan for a fire at a school, or whatever. The more you have planned ahead of time, the better you can respond to the disaster and probably lessen the impact.

Mr. Alex Atamanenko: Is there anybody else?

The Chair: Mr. Carmichael, are you getting in on it? No?

Okay.

Mr. Vince Kilfoil: I would definitely agree that we need to be prepared for the disaster. If avian influenza hits Nova Scotia, New Brunswick, central Ontario, or wherever, a lot of those producers don't have the time to wait, even if they are covered under CAIS, production insurance, or whatever. Their farms are at risk the day the press release comes out.

Perhaps a way to decide about the cost sharing, who will participate and at what level, would be to set up a disaster relief catastrophe fund, administered solely by the federal government, so that you would have that flexibility and responsiveness to the problem.

The Chair: Thank you, Mr. Atamanenko.

Mr. Hubbard.

Hon. Charles Hubbard: Very briefly, we've heard some good presentations. Like question or point period in the House, maybe each witness would like to make a 30-second concluding statement on what they've presented or heard from us this morning.

The Chair: In question period, we only get 35 seconds, so that's what Charlie's alluding to.

Mr. Speer.

Mr. Robert Speer: Thank you, Charlie.

I'll make the comment that it's important for the government to have an understanding of the needs of the industry. We need a plan in place, call it an agricultural bill or whatever, so that as an industry and as government we know our roles, how we're going to respond and move forward. Certainty is very nice when you're in business. Knowing the environment you're going to be working in is probably part of the strength of supply management.

The Chair: Mr. Bettle.

Mr. Don Bettle: Thank you, Mr. Chairman.

Yes, it's important for government to have a long-term plan for agriculture. Included in that is succession planning, but just have a long-term plan with our agricultural policy, so that producers can see which direction the government is headed in. Of course, that's always up for change every three or four years. It certainly helps producers when they can look at it and say, well, at least the government's got a plan; we know where they're heading. Whether you agree with it or not, we know where we're going to be in three to four years. I think that's important.

The Chair: Mr. London.

Mr. Stephen London: I would echo what Don said, that it's great for the government to have a plan, so we can look 10 years ahead and know where we're going to be.

The Chair: Mr. Carmichael.

Mr. Ray Carmichael: I think you've listened well, based on your questioning. You've summed it up.

One thread that I want to highlight in closing is, don't make agricultural policy into a social policy to save rural communities.

• (1100)

The Chair: Good point.

Madam Cormier.

Ms. Charline Cormier: Thanks for the opportunity.

To highlight a few points, profitability is key; give renewal a broader scope to cover more issues; and the programs should be accessible, flexible, and delivered in a timely fashion. They always say repetition is key, so I'm just repeating the highlights.

Thanks.

The Chair: Mr. Kilfoil.

Mr. Vince Kilfoil: I had the privilege of sitting in on several first-round consultations on the APF. A common theme that ran through those consultations, clear across our region in the east, was that the lack of a long-term vision was hindering progress in reaching our goal of returning some kind of sustainable profitability to the primary producer.

Maybe, Mr. Steckle, you alluded to the fact that what we're doing is not working, and perhaps that lack of vision in the past is why we're still sitting around the table and talking about the same things. We need that vision, and somehow, some way, we have to return profitability to the primary producer.

The Chair: Let me just finish off with the proposed vision statement that was presented at the APF consultations, which many of you participated in. The vision for the Canadian industry is proposed as this: "An industry that is innovative in seizing evolving market demands for food and non-food products and services within an environment that fosters prosperity and opportunity for the entire value chain, creating benefits for all Canadians."

My question is, is that the right vision statement? Secondly, do you believe that the consultation round listened to your needs and was a worthwhile process? Please respond quickly, yes or no, on both cases.

Mr. Speer, I'll start with you. Is it the right statement?

Mr. Robert Speer: I had a bit of discomfort with the vision, in that I feel the agricultural sector that has been suffering the most is the primary producer. I'm not sure the vision statement puts enough emphasis on the sustainability of the primary producer.

The Chair: Mr. Bettle.

Mr. Don Bettle: I'd have to echo Bob. The major part of the margin erosion has been at the primary producer level. Through the BSE and other things that have happened, we've seen processor margins and stuff stay up the same as ever, while the primary producer lost his margin. So we have to emphasize that we need a strong, profitable primary production role in Canada.

The Chair: Mr. London or Mr. Carmichael.

Mr. Stephen London: The primary producer's margin has eroded over the past few years.

The Chair: Madam Cormier or Mr. Kilfoil.

Ms. Charline Cormier: As for your question toward the consultation sessions, from what I heard, these sessions were a lot better, had more opportunity for farmers to voice their opinions than previous consultations. I think they're curious to see the outcomes, if they were heard.

The Chair: Mr. Kilfoil, do you have anything to add?

Mr. Vince Kilfoil: I would like to echo what Bob started out with. In your vision, you include profitability for all partners in the value chain. I think the farmer and producer is definitely very important and sometimes a forgotten partner in that value chain.

You ended up by saying "for the benefit of all Canadians". Farmers are Canadians too. And so far the rest of Canada and Canadians have benefited at the farmer's expense. I'm not sure whether that's captured in your vision or not, but I think that's a very important point. Farmers are Canadians too.

The Chair: I agree with you 100%. I don't want to say we're going to be sitting around here having visions, but I think we're going to be working on developing a road map on how to move forward.

I want to thank all of you for your presentations this morning, for your interventions. It will help us form our policies and our report that we'll present to the House of Commons this spring.

With that, we're going to suspend to allow the witnesses to leave the table and we'll be back at it at a quarter after with a new set of witnesses.

We're suspended.

- _____ (Pause) _____
-
- (1130)

The Vice-Chair (Mr. Paul Steckle): In the absence of the chair, I'm going to reconvene this meeting. He may be a few moments. I believe he's doing an interview.

As we continue the session this morning, we have people with us who represent this province in various venues. We have, from the Dairy Farmers of New Brunswick, Reginald Perry, vice-chairman; and we have Reint-Jan Dykstra, the chairman. From Potatoes New Brunswick, we have Robert Gareau, executive director. From Pork New Brunswick, we have Tony van de Brand, director. From Young Farmers, as individuals, we have Jens van der Heide and Justin Gaudet. From the New Brunswick Egg Producers, we have Mike Durnnian.

So with that, we'll get our meeting under way.

As I look at the agenda, I believe we have, first of all, Mr. Perry. Is he the one who's presenting? No?

Mr. Dykstra, you're on as the first presenter this morning. You have ten minutes. We'd like to keep it within that timeframe so we can have time for questions.

I will turn the meeting over to the chair.

The Chair: Thanks, Paul.

Mr. Reint-Jan Dykstra (Chairman, Dairy Farmers of New Brunswick): Thank you, Mr. Chairman.

Although I appreciate the invitation—maybe I should embellish a little, but you probably all have the papers in front of you—I've gone to these round tables on a number of occasions and I hope this one will have more fruitful outcomes than other ones we have attended. Especially in light of the number of diseases, crises that we have seen over the last number of years, and also with the WTO talks that are under way at the moment—even though they maybe somewhat stalled—I do hope the Canadian government sees the overall picture. We cannot wait for the world to progress; we have to make progress ourselves.

So although I appreciate the invitation, it is disheartening to appear before a committee, in a long line of committees, that has repeatedly attempted to find solutions to the financial hardships that agriculture continues to face while the remainder of the agrifood business sector seems to be prospering.

I'm here to speak on behalf of 248 dairy farms that produce over 130 million litres, just over \$90 million. They take care of the delivery of the product, of which 95% is processed within the province and another 5% is directed towards markets in other provinces.

Dairy producers in New Brunswick embraced the concept of collective marketing of their milk 33 years ago. In the last ten years we have taken enormous strides to modify how we do business to deal with the fallout of the international trade rules that are sometimes imposed on us by governments for what is professed to be the greater good of humanity.

I have a little graph here. Basically, it's talking about the net farm receipts of New Brunswick. In 2005, it was \$387 million. In 2004, there was \$419 million. In 2003, \$404 million; and in 2002, \$428 million. As you can see, it is on a declining scale.

The other thing I would like to mention is what government has expended over the last number of years. In 2005, it was \$40 million. In 2004, it was \$36 million. In 2003, it was \$12 million; and in 2002, it was \$8 million.

- (1135)

Hon. Wayne Easter: Was that both levels of government?

Mr. Reint-Jan Dykstra: Both levels, yes.

The other thing that is kind of interesting is that one of the largest exports of New Brunswick is potatoes. In 2005 they had farm receipts of \$70 million, and in 2004 they had \$126 million. In 2003 they had \$101 million, and in 2002 they had \$87 million. I'll come back to the exports in a minute.

Dairy, on the other hand, is fairly stable, with \$83 million in 2005, \$80 million in 2004, \$76 million in 2003 and \$74 million in 2002. There was a steady incline. Exports—and then I want to mention them in regard to potatoes, which are the largest export product in the province—on the other hand, in 2005 were \$350 million versus \$366 million in 2004. In 2003 they were \$459 million, and 2002 they were \$389 million. If you look at that, you can see that even when the commodity price goes down, we do not necessarily export more, because when there is a glut on the world market, nobody wants your product.

It needs to be said that only about 5% to 7% of all commodities are being traded in the world. With that in mind, when only 5% to 7% are being traded in the world markets, all prices have to be adjusted according to that.

As I speak, the dairy farming community is stable. It is not healthy, not in despair, but stable. Dairy farmers continue to struggle with the impact of BSE and leaky borders that for years have eroded our market and our income. I do appreciate the steps that the Minister of Agriculture and Agri-Food has taken to plug some of these leaks; however, the race by food manufacturers, the agrifood sector, to devalue Canada's agricultural commodities to the lowest common denominator still exists.

I would like to come back and add something personal to this regarding the BSE crisis that continues on our farms. On my own farm, it had an impact in the first year of about \$65,000, a value never recaptured either through government ad hoc moneys or through anything else. The most galling thing is that the government continued to supplement supplementary imports at first and allowed the downstream agribusiness and chain stores to reap huge profits. That is the very same thing as has gone on before and is still allowed to happen.

Your committee has looked at a variety of noble measures in devising the agricultural policy framework by including sections to deal with business risk management, renewal, food safety, quality and resource protection, market development and trade, environment, innovation and science, as well as animal health. Some of the components in the framework are proactive and will assist the primary agricultural sector to deal with the encroaching demands of food safety, food traceability and society's need to have the primary agricultural sector ensure it remains as environmentally conscious as the rest of society should be.

What also should be recognized is that issues that serve the common good should also be paid for by the common good. That is the taxpayer. If they are concerned about food safety and want a system that is traceable, we will conform, but we should not have to pay for the infrastructure or for the implementation. Also, what we import needs to conform to our standards, and we should not accept the standard of the country of origin, especially if it is lower than our own.

Other components such as the income stabilization programs are also noble causes but are reactive and, in my opinion, should provide assistance only in cases of natural disasters. In reality, these programs mask the true crises taking place in the primary agricultural sector. Some of these crises stem from government's drive to have an internationally competitive food industry on the backs of the primary agricultural producer.

• (1140)

One such case needs to be further examined, and that is the situation of bringing in guest workers for the harvest seasons because we cannot find them here. The main reason we cannot find these workers here is that we do not pay sufficiently. It is not that we do not want to do that, but that we cannot, since we will not be competitive if we pay more.

The primary worker pays the price. We should do this with our civil servants. We have about half a billion Chinese who would love to move from China to a better world. We have civil servants, a tax system in Canada that makes us feel that at times we pay too much tax. Most of those taxes go to programs and, of course, to incomes to allow for civil servants. If we took 5¢ or 25¢ on the \$ of what they are making right now, I would say that of the half billion Chinese who would love to come to the west, a substantial number of those people would love to come here and they would have the credentials to do it. So the primary worker in agriculture is allowed to pay the price, but in other sectors they do not.

Over 70% of the bulk of revenue from Canada's agriculture and agrifood production comes from the domestic market. More emphasis should be put on programs to maintain farm incomes and producer bargaining power in the domestic or international marketplace. At present, three main buyers are left for dairy products, grain, and beef in Canada, and we only have two main sellers of groceries left.

All other components of the APF—business risk management, renewal, food safety, quality and resource protection, market development and trade, environment, innovation and science, and animal health strategy—should be modelled on the strategy to give all producers the right tools and regulatory framework to maintain or improve their financial position. Providing producers with these tools will not only provide a healthier primary sector, but should ultimately lead the agrifood sector to shift away from the volatility of the commodity market into high-quality value-added products. Supply management is a business risk management tool and it should never be overlooked. It should be fully included.

•(1145)

The principle of developing an agricultural policy oriented toward feeding your people first has merit as it forces the agricultural sector, from producer to the manufacturer of finished products, to reconsider its priorities and may, in time, shift the agrifood sector into more lucrative niche markets.

The following is a declaration built on this broad principle and is being promoted by the GO5 coalition for fair farming in Quebec, and I feel it merits some evaluation by this committee:

Provide Canadian consumers with high-quality, homegrown products at reasonable prices and receive a fair price from the marketplace without relying on taxpayers' dollars, favour human-scale farms that allow farmers and their families to make a decent living, preserve our heritage specifically by conserving local agricultural production, preserve our environment and our food sovereignty

—and that's the key, food sovereignty—

by favouring local or regional production that avoids costly shipping over thousands of kilometres of food from the other side of the planet.

—most food now is available within 24 hours by plane, and that means it can come from Australia quite easily—

Give local people jobs and favour economic and regional development across Canada.

One thing I would like to mention before I close is renewal. Government needs to do more to entice producers to return to the farm. Education is an excellent start, but more needs to be done.

Farming has become hugely capital-intensive and money is not easy to come by for young people. You, the government, have to come up with programs these people can tap into. The \$250,000 addition to the capital gains tax exemption is a help, but more is needed. A 50-cow milking herd plus young stock easily costs \$1.5 million to \$2 million, depending on where you live. Where does someone off the street find that amount of money?

In closing, the future is in a policy that provides the Canadian agrifood sector access to high-quality, traceable, environmentally sustainable agricultural products. This can only be achieved if our primary producer is valued by consumers, industry, and government.

Thank you.

The Chair: Thank you.

Mr. Gareau.

Mr. Robert Gareau (Executive Director, Potatoes New Brunswick): Good morning, *bonjour*, and thank you for allowing me this opportunity to say a few words. I'll try not to repeat everything you've heard this morning. I'd like to echo a lot of what Mr. Dykstra has already presented, but I'll try to be brief and hit some of the highlights.

I wasn't too sure how to approach business risk management, because I know there's a lot of work going on now to retool the programs under that subject. One concern certainly is with the National Safety Nets Advisory Committee that was set up. We were made aware only recently that the committee had been disbanded, and we're wondering why. It sounded to us as though we had good representation there, with a good group of grower representatives. We're wondering why that committee is no longer in place and who

is listening to whom as far as recommendations for the new business risk management part of the APF go.

One of the big problems we in the potato industry saw on the business risk management side was that sometimes the programs were sound and could be very helpful, but the delivery became a problem. The delivery of those programs could be improved. One suggestion we've been making is to have a regional office near the cluster areas. That would go a long way, instead of having our growers dealing directly with someone in Winnipeg. Perhaps we could look at a more regionalized office.

We also think one good way to go is through the self-directed type of programs, as we had with the self-directed risk management programs. I know that the horticultural producers in Ontario have a self-directed production insurance that, from what I hear, seems to work quite well for them. That's an area I think we need to be looking at.

We need to try to find a way to have a less ad hoc type of compensation for all these disasters that are always happening. One example I could use is that of our recent scare with the potato cyst nematode. I'm sure you're aware that the region of Quebec was hit hard by this. The ramification for the rest of the potato-growing areas of Canada is that we're being sort of driven by CFIA to go towards national testing. I think there needs to be consultation. We all passed a resolution that there needs to be a good compensation plan in place before this expensive testing and sampling is put in place, because it's going to drive some growers right out. There should be something that growers can plan for.

On the side of renewal, I agree with what you just heard. We need better programs. There needs to be a way to entice our young people to get into farming. There are many significant barriers to entry, and there has to be a way to address those.

We want programs that can make optimal use of this electronic age we're in today. A lot of the growers now have a challenge using their computers to access the Internet. This is a tremendously powerful tool for the farm, but not all rural areas of this country... Certainly in New Brunswick they're still struggling with dial-up. Having a high-speed Internet connection could make a big difference in the renewal part.

I'll treat the issues of food safety and environment together. I believe those are a high priority. The potato industry has done a lot of work in that area. You probably know that the potato industry led to the development and implementation of farm food safety programs for all the other horticultural crops. We feel we're the first out of the gate from the crop side of that, or the horticultural crop side.

The problem is that growers are trying to implement these changes on the farm, both on the environmental side and on the food safety side, but they don't see a return at the marketplace, and it's a big challenge. They see other products coming into the marketplace that don't have the same environment, and so it's really not a level playing field. We need to find a way to support those growers. When you're talking about the public good, the common good, somehow this is a good place to put some funds into. Growers are really concerned about their environment. They do a good job. They'll do what they have to do, but they reach a point where they need some assistance.

• (1150)

We believe that science and innovation are the foundation for developing the new technologies and for developing these value-added products that we always hear talk of. We've seen it first-hand with varietal development—cultivar development, for example. But we keep hearing about looming cuts to the breeding programs and how doing cultivar evaluation trials is no longer considered innovative. We see that as very innovative. It may be the best bang for the buck that we can get.

We want strong programs that provide stable long-term funding. No one is going to start a breeding program or do rotational crop studies if they don't have an expectation of some long-term stable funding. We need this to remain competitive with our major competitors, especially in the U.S. In our case, when these science and innovation program dollars trickle down to the province, we've tried to streamline that process. We have a very active grower-industry stakeholder committee, which recommends and prioritizes projects for funding. By the time we get through all the proposals, make our recommendations, and they go through them again with the provincial-federal committees, there can be quite long delays in actually accessing that funding. It's almost a perennial problem. It's planting season and we don't know if certain projects are going ahead. We could be missing some really narrow planting windows to get the trials in place. That is a key. We have to somehow get that streamlined.

The final area I want to talk about is market and trade. I'd like to put quite an emphasis on that part. That was the missing pillar in the first round of the APF. I hear that it might be included in this next generation. We fully support that. We must have strong programs for market and trade promotion. We want to establish and promote our products worldwide. We want to establish more free trade zones. We need more trade partnerships with many of these promising countries all over the world that have a demand for our products. We're continually faced with high tariffs in certain areas that are trying to buy our products. They are handcuffed by these tariffs. If we could establish more free trade zones, I'm sure we could sell a lot more product worldwide.

In New Brunswick, we seem to have fallen behind. We're losing out. Other areas are more competitive. They're ahead of us. They're doing more aggressive marketing. We need to be more aggressive. We have to make new trade deals. We have to do more promotion of our products. This would hold not just for potatoes; I'm talking about all agricultural products. We have to promote the fact that we are doing all this work on food safety and protecting our environment.

In the first round of the APF we kept talking about brand in Canada. I don't think we have done that or achieved that. We have to brand ourselves. There has to be some funds available for international marketing. That's our bread and butter. In our province, 80% to 90% of our potatoes go outside. If we don't have any programs we can access to do this promotion and marketing.... We're way behind our competitors and we've already seen the erosion of some of our traditional markets. We have to maintain our existing markets, the ones we've had success in before, and we have to establish some new ones.

Mr. Chairman, that is basically my presentation for today.

• (1155)

The Chair: Thank you very much.

Mr. van de Brand.

Mr. Tony van de Brand (Director, Porc NB Pork): Good morning. My name is Tony van de Brand. I'm a pork producer and a director on the N.B. Pork board. My farm is 25 kilometres west of Moncton in a place called Salisbury. I'm joined here by Stephen Moffett. He farms in Penobsquis, which is halfway between Saint John and Moncton. He is also on the board.

The N.B. hog industry is small but unique and has evolved from being just a producer of commodity pork. The industry's isolation from mainstream pork production, away from many important diseases, but still close to markets makes this province a producer of high-quality, high-health weaner pigs, breeding stock, and niche market hogs for markets in other provinces and the U.S. Our industry, although small, is an asset to agriculture in our province as well as other areas.

All of our producers are enrolled in the Canadian quality assurance program. The demand is high on our producers to meet the expectations of our customers. Risk management is a part of the everyday decisions made by our producers. Currency fluctuations, interest rate changes, input costs and availability, management challenges, and increasingly sophisticated customer demands are all risks. The vast majority of these risks are borne directly by producers. The question facing us today is where government can play a role in helping to mitigate these risks.

A lot of my presentation is the same as the Canadian Pork Council's, and we support their position.

One of the principles of the APF is to ensure that funds are used in an equitable manner, treating producers across commodities and regions equitably. We support this, and the government should focus on this. The current programing format does not meet this principle, where production and advance payment programs first intended for crop producers are expanded to livestock production.

We support the principle that government funding should focus on mitigating negative impacts of uncontrollable, unforeseen events, and we support that programming must conform to international trade obligations and minimize the threat of trade actions. The hog sector is no stranger to trade challenges, having experienced countervail and anti-dumping actions. Such actions are expensive to producers and create uncertainty.

The design principle that looks for producer involvement in sharing program costs is in many cases unnecessary. As noted, the majority of risks facing hog producers are borne directly by producers. Producers already assume considerable risk in production, so sharing in program costs is simply an added expense.

Moving forward on the subject of business risk management, we support the continuation of a margin-based income stabilization program. The current Canadian agricultural income stabilization program, or CAIS, has met the needs of many hog producers across the country, although improvements should continue to be made.

These improvements should include deeper negative margin coverage to 70%, basing the historical reference margin on the better of the past-three-year average or the Olympic average, eliminating the risk of government pro-rating of payments, improved timelines, and reduced administrative burden. Program payments should be considered as income in the year of the hurt, rather than when received. Predictability and bankability of the program continue to be problems. We hope the targeted advance already approved will be available soon.

We support the creation of a framework for disaster relief. It is recognized that governments will not be able to buy business risk management programs that can address all eventualities; therefore, having a framework to guide special situations will be valuable and will provide producers with confidence that assistance will be available in extreme situations. Efforts must be made to see this framework finalized.

With the launching the first agriculture policy framework, promises were made that production insurance would be extended to other commodities, including livestock. Despite work that's been done by both industry and government, we are no closer to the implementation of a suitable production insurance for livestock than we were at that time. The result is a huge gap between crop producers who have access to production insurance and livestock producers who do not.

This gap has been made painfully clear in the hog sector in the past several years, as circo virus has devastated many hog operations across the country. Without an adequate means to address the disease and no access to production insurance, many farms have gone out of business, unable to survive.

● (1200)

Disease or other production problems out of producers' control, in otherwise viable swine operations, could force producers out of business. We do not want to see this happen here in New Brunswick or anywhere else in Canada. With production insurance this problem could be avoided.

We certainly appreciate the work that has been undertaken by Agriculture and Agri-Food Canada to look at production insurance, but it's difficult to see when a viable scheme will be available.

A lack of production insurance hits producers in two ways. First, production losses are not fully covered. Second, the CAIS reference margin is not supported with production loss coverage. We want assurances that government will stay committed to funding production insurance, even if the end result could involve a private insurance tool.

With regard to enhanced cash advance programs, amendments to the agricultural marketing programs act that expanded coverage of cash advance to livestock, increased the overall limit, and increased the interest-free portion of the advance have been welcomed by our sector.

We appreciate the work of Agriculture and Agri-Food Canada to make the cash advance program more workable. However, we still find that access to cash advances for hog producers is not as favourable as that offered to crop producers. To explain, a crop producer can access the advance and hold it for 12 to 18 months. However, due to the short production cycle on hog farms, hog producers have access to the advance for only six months. In fact, we only have 50% of the benefit offered to crop producers.

In addition, livestock producers that grow grain to feed their livestock will now be at a disadvantage, as farm-fed grain will no longer be eligible for cash advances. How a producer uses grain should not be a criterion for eligibility.

The federal government recently announced the creation of a deposit-based producer account with upfront federal funding. This is an interesting development and warrants further investigation. Further information is needed on how long-term funding will be secured for the account without eroding current programs.

It is important that this savings account be available to all types and sizes of operations. Caps under the old NISA stabilization program were limiting, and did not reflect the growing size of hog operations. There are now new and varied ownership structures in place, which should also be considered.

The old NISA program was a favourite of some New Brunswick producers, especially when provinces were allocated some funds for companion programs, which, in New Brunswick's case, the red meat sector used to enhance NISA.

For producers across Canada, some program funding targeting some regions or commodities could help create a more equitable situation for farmers. One example here would be where feed costs are higher. We may have lower margins, so a program that is margin-based may lead to receiving lower support. An enhancement may be needed to make such a program more equitable.

We know very little about the aspect of the programming that is targeted to address high production costs in the recent announcements.

It is also noteworthy that where producers are involved in more than one commodity, the decline of one commodity could be offset by another commodity and make that producer less eligible for CAIS payments, while another producer with only one commodity could trigger a payment. This is a concern for some producers. However, while there have been many complaints about the current CAIS program, the whole farm program, available to all commodities, is a useful approach and should be maintained.

It should not go unmentioned that there are other business risk management elements where government could play a role, one being environmental. Producers should have support from government on mitigating environmental risks. We are improving and will be expected to improve on already good stewardship of the environment around our farms. Much of this is for the public good. Thus the costs of making changes should be absorbed by the public and not the farmer.

Another is food safety. As noted, all our producers are in the quality assurance program. Food safety is a public issue. The public should be financially involved and not place a burden on the producer.

Other elements of business risk management where government can play an important role include ensuring that agriculture works within a competitive regulatory environment, developing and promoting strong animal health protection programs, and promoting open and free trade.

In conclusion, we bear lots of risks in the swine industry. For industry to move ahead and be modern, efficient, and competitive, it must use its dollars to meet this criteria. Risks are occasional events that are impossible to budget for, and contributing to risk management is how government can help.

•(1205)

Again, business risk management should be provided equitably. These programs should be respectful of international trade rules and commitments to avoid trade action.

Thank you very much, Mr. Chairman.

The Chair: Thank you.

I understand, Mr. Gaudet and Mr. van der Heide, that you're appearing as individuals. You have 10 minutes. Who's doing the speaking?

Mr. Justin Gaudet (As an Individual): We're here to represent the young farmers who don't really have a group yet. Hopefully it will come in the near future, but for now, we don't have one.

We want to present a different point of view on this topic, as people who haven't been in the industry for as many years as most people sitting at the table here. We grew up in a completely different social reality compared to everybody else who has been in the industry for many years. I'm going to try to present more of that point of view.

First of all, if the agriculture industry is going to survive in Canada, we need young people to take over from the aging farmer population. One of the key factors is whether farming is going to be a viable lifestyle, a rewarding career choice. If you look at other industries, a lot of times you can have a much better lifestyle if you go into an industry other than agriculture. That being said, there are a lot of young people who want to go into farming. They love it and that's what they want to do.

The main thing that's going to draw them there is opportunity. Is there opportunity for a good lifestyle? Is there opportunity for growth and advancement within the industry? A big part of that is going to be the strength of the industry. If there's a strong industry, people are going to be drawn to it because they want to be in it anyway.

When it comes to taking over farms, one of the biggest problems is that the older farmers are selling and dismantling farms to fund their retirement. As has been said, it's very difficult for a young farmer to come up with the money that's needed to take over a farm. There needs to be a program so that farmers don't have to sell their farms to fund their retirement. I'm not sure how it could be done, but maybe having some sort of pension plan that would take into account funding for the retiring farmer but keeping the farm in operation with a new owner would be a way, instead of selling off the farm and the young guy being on his own to find resources.

Another aspect is education. Providing knowledge to the young farmer, or to farmers in general, is key. There's a big importance in knowing what you need to know to operate your farm. A big part of that is the universities and colleges. They need to be funded and supported quite strongly. We need to make sure that any research and any development goes through the universities. If you depend on private industry for the research and the information you use for management, a lot of that information could be biased. It's profit-driven by the companies, so how much can you trust it? There's an important need for unbiased research. The best way to do that is through government and the education system.

Another aspect is educating the public about agriculture. I think that's one area that's really lacking right now. I went to high school with 2,000 students, and I was the only farmer. Probably when most of the people here grew up, they were part of their farming community. Everybody was a farmer and everybody knew what farming was about. Even if your neighbour wasn't a farmer, he knew what was involved. But now the social reality of it is quite different, and most people don't know and don't understand. I think a lot of the problems that agriculture is facing, as far as public relations and public views are concerned, come from that lack of knowledge of the public about agriculture. I think that's a key area that's been neglected in the past that really needs serious looking into.

• (1210)

Also, about the department and the people who farmers deal with in the government, there needs to be a lot of education for them so that they know exactly how the agriculture system works. Sometimes you deal with government officials who don't come from farms and don't even know about farming. They know the politics and they know issues, but they don't understand how farming works. So that's a key point as well.

Hon. Wayne Easter: They wouldn't know a Holstein cow from a skunk.

Mr. Justin Gaudet: Another aspect is the side of regulations and food safety. Canada right now provides a lot of high-quality foods and needs to continue to do so. Canadians have been able to trust that they have a safe, high-quality supply of food, and I think that's something that we can't neglect. That's something for which we have to keep high standards, and we have to work towards getting them as high as possible.

That being said, with such a high quality of food that we provide, we can't let lower-quality foods come in from other regions of the world. If Canadians expect a certain quality of food and Canadian producers produce that certain quality of food, it's not right that we buy a lower quality of food just because it's cheaper. We have to make sure that any food coming in meets those quality standards. Those quality standards don't apply only to the final product; they should apply to how the product is produced. Are they doing it ethically? Are they doing it in an environmentally sound manner? Are they doing it in the socially responsible manner?

These are things that really need to be looked at if we're going to import food and we're going to say that food is of as high a quality as Canadian food is. Is it only the final quality that's as good, or is it how it's produced? I think that's a key issue that needs to be looked at. A lot of times the lower price comes from neglecting some of the other areas in production, like environmental standards and social standards in other countries. So that's really important to look at.

As far as government programs and funding go, they should be better advertised. Farmers should know a lot more about them. They should be easier to access. There should be a lot less red tape. Make them easier to access. Make them more visible so that farmers know how they work, where they are, and what programs they have access to. A lot of times farmers don't even know that there are great programs out there. Not enough is known about them, so farmers don't even access them.

There is also the area of research and development. Young farmers see that as very important, because it's one thing to just give money to farmers or tell farmers to become more efficient or to become better producers, but we need information. We live in an information age, and that's probably the biggest thing. You can't manage unless you have the information to manage, right? If you're running a farm, you need to know as much as possible. You need to have all the information that you can.

As was mentioned earlier, a lot of private industry does research and development. It's profit-driven for them, but we think that the government should step in and do a lot more regional research in crop development and stuff like that so that farmers have unbiased information to work with.

As well as being financially supportive to farmers, we think the government should also be the farmers' biggest supporter in other ways. If farmers are given the tools they need, they can manage to survive financially. They need the government to step in and support them in international relations—in dealing with other countries—or in policy dealings. We need strong government in that regard, to provide a strong industry. Then farmers can manage to make money if their industries are strong. We think the policy framework should be seen as somewhat of a failure if farmers have to rely on safety nets. Safety nets are important, but they should be seen as a last resort for the farmers.

• (1215)

I think I should wrap it up. Thank you for your time.

The Chair: Thank you very much.

Mr. Durnnian.

Mr. Mark Durnnian (New Brunswick Egg Producers): I would like to thank you for the invitation for coming before the committee.

Also, I'd have to say that the New Brunswick Egg Producers, the board itself, was not notified that this meeting was even taking place. Somebody had given you my name; that's how I wound up here. I'm not on the New Brunswick Egg board or CEMA or any of those organizations; I'm just an egg producer myself, so I'm not into a whole lot of this information. I had contacted them and tried to get them to send somebody, but everybody was tied up because we got the message just last week. So I'm going to read a little bit about what they gave me, and then talk a little bit.

When I think about risk management, I think of two major kinds. There's the loss of income due to price changes, and a loss of income due to production challenges such as animal disease, weather, and crop problems. Farmers face many exceptional challenges that are beyond their control. A farm business is a unique business, and the government's program should help farmers when they're hurt by factors beyond their control. Among the more obvious examples in our industry is avian influenza, which I'll talk a little bit more about.

Our industry had significant discussions with officials in the Canadian Food Inspection Agency and with the Honourable Chuck Strahl regarding the inadequacy of compensation available under the Health of Animals Act. When flocks are ordered destroyed, the compensation is inadequate, because government interprets market value to mean replacement value. So what this actually means, to give you an example, is if you have a chicken in production, they'll say, well, it will cost \$7 to replace it. So if I have 35,000 chickens on my farm, and there's an avian flu within five kilometres—my birds don't even have to be diagnosed with it—if it's within five kilometres, all my birds would be killed. I have 17,500 at one age; 17,500 at another age; and another 17,500 replacement flock. So all those birds would be destroyed, and they'd tell me they're worth \$7 apiece. And that's just for the 35,000; the other ones are worth only about \$1.50 because they're young. So if I were to get paid out compensation, you'd be looking at about roughly \$300,000 under the present program that they're trying to implement.

Now, if my barns are empty for six months before they decide they're going to allow birds back, I'd have to come up with birds that age to come in, which is hard to do. Then I'd have to wait another six months to get another age flock in there. I mean, the actual value of those birds within that year's period.... I'd lose a complete half-year production, and then half my production for another fall and half year.

Roughly, in a year I produce 11 million eggs. Now, if you break that down into dozens, you have 920,000 dozen. At a \$1 a dozen, we'll say, that's \$920,000 in the run of a year that I'm going to be out, and you're going to compensate me \$300,000 to come in and destroy my birds, even if they're not even diagnosed with this disease. That's a hard hit to take. We need some type of program that's going to address that, if they're going to do that.

As it stands now, the Canadian Food Inspection Agency is planning to conduct surveillance for avian influenza in commercial flocks. This is a disease that was found in New Brunswick probably 30 or 40 years ago. It's in wild birds. It's just the common flu. If you go over to Asia, where it's developed into a high-path flu that can actually affect humans, then that's different. Here it's still totally low path. I mean, if they go into a barn of mine, and then they destroy.... There has to be some form of compensation for that.

Moving on, we'll go to the other half of risk management, which is price decline. Fortunately, under supply management, which egg production is under, we don't have to worry about that. For more than 30 years the Canadian egg farmers have been operating in the supply-managed system where farmers produce eggs to meet the demand of Canadian consumers. Supply management promotes a steady production of high-quality egg products, which is widely recognized as a sustainable system. It's one that allows farmers to earn a reasonable living under most circumstances.

● (1220)

Talking about high-quality food, I was down in Florida a couple of months ago, and they had a dozen eggs there for \$2.80, and two and a half dozen eggs for \$1.50. The difference was that the eggs for \$2.80 had no medications, hormones, or chemicals put into the chickens. The other ones—well, who knows what was in them. Fortunately in Canada we don't have to worry about that. Everything is strictly regulated. You have different programs, like Start Clean—Stay Clean, and HACCP, that ensure we have proper safety with our food.

When the Start Clean—Stay Clean program came out about 10 years ago, we spent thousands of dollars on our farm to meet the criteria—to do the bio-security, have the step pans, change clothes every time you walk into a barn, wash your hands, and all that stuff—just so we would be qualified for the compensation. We continue to do that.

Right now, all the eggs produced in southern New Brunswick go to Amherst, Nova Scotia, to one central grain station. The main reason behind that is regulations and cost. We shut down our grain station last year because of two things. One was the regulations coming in and the high cost of machinery and meeting the HACCP conditions. As for the other one, as was already pointed out, there are two major sellers of groceries in Canada right now. They just up and said, we want to buy from one person; we don't want to buy from a bunch of people. Either get together or we'll buy our eggs someplace else. There'll be three sellers of groceries soon, because Wal-Mart is creeping up into Canada. It became number one in the United States over a 10-year period, so there's a good chance it could do quite a bit of damage here if we don't have the proper regulations put in place by government for things like this.

The next agriculture and agrifood policy should include all components of Canadian agriculture, with the primary objective of achieving growth and profitability for every sector. As a result, it needs to go beyond identifying solutions to problems. It must also recognize and strengthen very successful components of Canadian agriculture, such as supply management. It's a system that's proven to work, but you can't have it in all sectors. In the potato sector, for example, most of the potatoes are exported, so it's difficult. But there are some sectors where you could bring in regulations that would help.

Stores call food “local” now if it gets there in 24 hours. If you put food on an airplane it can be there in 24 hours, and it's called local. Maybe regulations should be brought in so the stores have to buy so much local food to actually be called local. Maybe food should have to be labelled to show where it came from—this came from Africa, or wherever.

You look at food safety too. People who grow some vegetables can't get certain pesticides and insecticides, even safe ones that are used in other countries—and we buy food that has been sprayed with these. Some countries like Argentina are still using chemicals that we banned ten years ago. They're spraying them on the food, shipping it up here, and we're buying it and eating it. That's not good food safety or good sense.

It should be noted that in the implementation agreements for the current agricultural policy framework, some provinces include very strong language in support of supply management—going as far as recognizing it as a cornerstone of Canadian agriculture policy. Supply management systems are federal-provincial agreements authorized by legislation. As such, the pillars that allow for the effective functioning of supply management need to be supported. That is why we are also asking that these three pillars—producer pricing, import controls, and production discipline—be explicitly named in the next policy framework.

●(1225)

Turning to general disaster risk or risk management, if a farmer gets hit with drought or heavy rains, or loses a crop due to disease or bugs, in order to get compensation, he has to go through two levels of government, and there's private insurance and this and that. But you still have to pay the bills as time goes on. Banks aren't the types to wait around for that. That's how they make their money. If you don't make your payments, they say, okay, you paid all this money, and now we want the farm.

I feel that if farmers can show that they're in financial distress due to conditions beyond their control, due to government program changes or government rules that changed, for example, or due to weather, disease, or whatever, as long as they can show what they were making, there should be financial aid for them immediately, under some type of program. If you can show the paperwork for it, then they should say they'll make your payments and keep you afloat.

In my own case, taking income out for six months is half a million dollars. And I still have to pay my bills. I still have all my costs. The only cost I don't have is feeding my birds, basically. I still have everything else there.

Even to feed my birds, I don't buy my feed from a feed mill; I have my own feed mill, so I still have costs there. I could have anywhere from \$10,000 to \$50,000 worth of grain sitting there. If it's going to be shut down for six months, what am I supposed to do with it? Even to resell it would be costly, to take it out. I'm talking about things like that.

The Chair: Thank you.

Your time has expired.

●(1230)

Mr. Mark Durnnian: I would like to thank you for coming.

The Chair: Thank you very much.

Mr. Hubbard.

We're going to stick with the five-minute rounds, and we'll extend to make sure everybody gets a round of questioning.

Hon. Charles Hubbard: We've certainly heard a lot of good points. The biggest problem is to bring them out in five minutes, but hopefully, around the table, we can address most of them.

Going first of all to the young farmers, most of the statistics we get indicate that farm debt is one of the biggest problems that Canadian agriculture has.

Justin, when you are the holder of a farm, you go to Farm Credit, and the debt probably becomes almost half of what the income of that farm would be. Do you have any figures on that? Have you looked at projected—? If you buy a \$3 million dairy farm with 50 milking cows, and you put \$3 million in, what do you get out at the end of it, after you spend about half of your sales covering the cost of just carrying the debt, without paying it down?

The Chair: Mr. Gaudet.

Mr. Justin Gaudet: I don't actually have any numbers. It was pretty short notice. I just found out about this a couple of days ago.

Hon. Charles Hubbard: Jens, do you have any figures on what investment would be needed and how much of the income would go toward just servicing that debt?

Mr. Jens van der Heide (As an Individual): It would be a substantial amount; I know that. Just to start off straight from the ground, it's impossible. But do I have exact numbers? No, I don't.

Mr. Justin Gaudet: I don't have exact numbers, but it's enough so that Farm Credit won't lend you money. They'll look at your situation, and they'll send you out the door. They'll say that there's no way you could even pay it.

As with my situation in dairy, you need to have something given to you by, most of the time, your parents, or perhaps you can find an older farmer who's generous enough to work something out with you so that you can gradually pay him. But as long as the farmer who's selling wants full value for his farm, a young farmer cannot buy it, in the case of dairy specifically.

Hon. Charles Hubbard: Mr. Dykstra, we've had, at least in our own province and across the country, in the last 40 years a lot of farmers coming from Europe, first and second generation. You talked about Chinese. Are you going to bring them in as farmers, or what are they going to do? Is that the next future for Canadian agriculture to look for—or Mexicans?

Mr. Reint-Jan Dykstra: When I was referring to that, Mr. Hubbard, it was more in the sense that right now we are bringing in Mexicans, Paraguayans, Uruguayans, wherever we can find them, to help with the harvest of certain fruit crops. We are bringing them in to put them in the kill plants down in Manitoba and wherever we can find them, because they are willing to work harder for less. That is why I was referring to the Chinese.

Hon. Charles Hubbard: I simply want to bring this point out. Since World War II, a good percentage of the farmers in this country have come from Britain, from Germany, from the Netherlands. And Justin in particular talks about... The Gaudet name has been in Canada for probably 400 years. Where are we going to get the people who are going to take over these farms when Justin's and Jens' people can't afford to invest in them to get started? Are there countries out there that have money?

Mr. Reint-Jan Dykstra: Well, it is not necessarily the money, because when I came, back in the 1980s, at the beginning of the eighties, New Brunswick had a program for young people to get started. They had, for example, an interest buy-down or interest forgiveness for x number of years. Those kinds of programs need to be reimplemented to help the next generation on the farm.

The other area where help is needed, as well, is this. Most producers nowadays don't have any money put aside, because what they have done is reinvest in their farms so they are large enough to continue into the near future. So in order for them to get their pensions or their retirement money, they have to take out a large sum of money. If you can move some of that money out, more tax free, it might be easier.

This morning you were talking to another group of people. Mr. Steckle was mentioning \$50,000 on a yearly basis. That would be a start.

Hon. Charles Hubbard: I'll add, just generally, in the last minute or so that I have, that we have a lot of programs in this country. You can list 14 or 15 of them or whatever. It could be 25 in some provinces. Which ones are most significant? Which should be continued? You talked about the young farmer internship program we had in New Brunswick. It's gone. What do you see? And when a program is announced, how long is it before you are able to access it? We announce a lot of things. But by the time the bureaucrats get all the red tape organized, can you use it effectively?

Does anyone want to answer?

• (1235)

Mr. Reint-Jan Dykstra: Sometimes you have to know about it. Sometimes these announcements are so wishy-washy that you don't even know about it. You finally hear about the program when it is done. I'm sorry, but some of these programs are not announced with a lot of fanfare because they don't want us to use them.

The Chair: We'll go to Mr. Moffett.

Mr. Stephen Moffett (Director, Porc NB Pork): Further to that, Mr. Hubbard, you're asking which programs are the most important. Obviously we think the safety net and business risk management is very important. If we can keep our farms profitable in the long run, obviously the banks will support us.

In this same vein, and as I've said for a long time—Years ago we had the young farmer intern program, which was excellent, here in New Brunswick. But we had other programs to support farmers who were getting started. And in response to your question earlier, a young farmer or a farmer going to borrow would do well to be able to borrow 50% or 65% of the cost of the total investment. So if an operation is \$500,000 or \$1 million or higher than that, which is very common nowadays, it takes a tremendous amount of a person's own money to get started.

We used to have grant programs, and if we don't do that anymore, at the very least we need to have low-interest loan programs similar to what ACOA does for manufacturing and processing. Agriculture used to do those kinds of things for us, but they quit doing that long ago. ACOA doesn't do it now. So there's a tremendous gap there in our industry in helping producers not only get started but even grow and become more efficient.

The Chair: Mr. Perry, answer very quickly, because Mr. Hubbard's time has expired.

Mr. Reginald Perry (Vice-Chairman, Dairy Farmers of New Brunswick): I'd just like to emphasize, again, that I think the next APF has to really target and look after the next generation of farmers. It has to help the next generation of producers take over the land.

Maybe we need a national young farmers program with an interest buy-down or with incentives to get in, because if we don't have that encouragement and the programs in place, and we miss this next generation—we've already missed one—there will be no farming in Canada. And then you'll have no food sovereignty.

The Chair: *Monsieur Bellavance, s'il vous plaît.*

[*Translation*]

Mr. André Bellavance: Thank you for your presentations.

I will begin with Mr. Gareau. What you have said about income security is similar to what we have heard from other potato producers. We were on Prince Edward Island yesterday. I have obviously met with potato producers in Quebec, mainly those at Saint-Amable, where we have had the severe crisis with the golden nematode. They are saying the same thing as other crop producers, especially regarding the need to bring back a self-managed program. We are hearing that idea more and more often.

Do you think that we should create a program similar to the old NISA, which had a risk self-management component, and twin it with the Canadian Agricultural Income Stabilization Program, which would cover major risks where the margin dropped by over 15% compared with historical levels and would include a disaster relief component?

Mr. Robert Gareau: I think that this would be the best way to look at it. Under the self-managed programs, producers would have control over some of the funding. A similar program is needed for disaster relief, when something happens that is out of the producer's control.

I think that both programs are needed and would complement each other.

Mr. André Bellavance: You are in a good position to understand what went on. On Prince Edward Island, there was the problem of the potato wart, and in Quebec, we had the problem of the potato cyst nematode. We had to appeal to the government, which finally set up an ad hoc program.

Mr. Robert Gareau: Exactly.

Mr. André Bellavance: There was no program for that.

Mr. Robert Gareau: That is why I suggested that there be a program, because we have seen the effects of establishing one. I know that this has a greater effect on the producers in the provinces; the potato wart is a problem that affects producers on Prince Edward Island.

Every time something like this occurs, we are put in a difficult situation because the U.S. border could shut down immediately. If this were to happen, no one would have access. There should be a program, even for those who are not directly affected.

• (1240)

Mr. André Bellavance: To your mind, how should such a program be financed? Should there be funding from both the federal and provincial governments? In your opinion, would this type of program require flexibility?

Mr. Robert Gareau: In the beginning, money is required, but this is a self-managed program. At some point, less money would be required from the federal government.

I believe that funds should come from the market. We do not want government to always have to shell out for producers. However, we must start somewhere. We could start with a program similar to the one tried out in New Brunswick. That was our self-managed program. It had a lifespan of two years. It worked well, but has been completely overhauled. I believe that there was enormous potential.

Mr. André Bellavance: Mr. Durnnian, I listened to your presentation closely. You talked at length about compensations paid out in the case of catastrophes. You talked about the number of chickens you owned. You undoubtedly know that egg producers are also entitled to compensation should they lose their chickens.

This compensation was significantly reduced. Are you aware of that?

[English]

Mr. Mike Durnnian: Yes, that was my reason, that it was reduced. It used to be around \$30 for a bird. Now it's down, as I said, to \$7 or \$8.

[Translation]

Mr. André Bellavance: I knew that you knew, but I understood you to say that you were entitled to \$35. In fact, this amount has been reduced substantially.

Therefore, even if you have already done so, I'd like you to talk to us about the serious consequences for producers who could feel the impact.

If I understand your view correctly, we absolutely have to establish a program that includes a component for catastrophes. Would such a component compensate for the losses caused by the large discrepancy between compensation provided previously and compensation that is now being offered by the government?

[English]

Mr. Mike Durnnian: It has to be figured out. As I said, if you can show the paperwork for the money that you're missing or losing towards your production costs—You still have to keep paying the bills. When I had said it, I said it wrong; I did understand that it used to be \$30, or whatever, per bird. That was reduced.

I don't know what type of program. If you look out in B.C., they destroyed 19 million birds. There were some farms that didn't get birds back for almost two years, and there were other farms that just closed down. They just couldn't cope with it.

This is caused by the governments, and not just our government but the governments around the world, saying, this is what we're going to do. If you're going to destroy your food supply due to government regulations, I feel that the government should fully compensate you—at least to get you back to where you were. I'm not

asking for free money or anything, but just for what they destroyed, to put it back so you can continue on, otherwise you won't be there. Your food will have to come from someplace else.

[Translation]

The Chair: Thank you very much.

Mr. Devolin, you have the floor.

[English]

Mr. Barry Devolin: Thanks for being here today. I'm an MP from central Ontario, a riding with a fair amount of agriculture in the southern half of it. I come from the northern half, where the rocks and the hills and the trees are. So I'm not a farmer, but I'm empathetic and sympathetic to the farm community and I'm trying to learn about it. I'm trying to see if there's a path through this somehow so that we can make farming viable, because at the end of the day that's what we're really talking about: creating a situation where farming is viable and you can sell what you produce and make a living at it and cover your costs.

One of the things that keep striking me as I listen in these consultations is the difference between people who are producing basic commodities versus those who have figured out a way, somehow, to increase the value of whatever it is they produce, maybe through further processing, maybe through innovative marketing, maybe through direct marketing.

The example of the eggs in Florida I found interesting. They're still eggs, right? The dozen that were being sold for over \$2, and you were getting two and a half dozen for less than \$2. And people are paying \$2.80. So I say this as a consumer. I stand in front of the milk in the supermarket and I have to decide whether I'm going to pay an extra dollar for that micro-filtered milk. I don't know. I don't know whether that's better or not, but I think there are a lot of consumers who struggle to pay for their groceries every week and there are lots of other consumers whose grocery bill is a relatively small portion of what they spend. They don't think twice about adding \$20 to their cable bill to get a bunch of pay channels, so they have the money to spend.

I think somehow we have to figure out a way to make consumers value Canadian farm products more.

Mr. Dykstra, you talked about food standards. When I buy raspberries grown in Canada, I have a sense of the food standards that were applied when those were produced, but if they're from Guatemala, I have no idea what was used there. I know in the past sometimes food standards have been used as a non-tariff barrier, and there are famous cases in Japan and Korea and other places where they just use it basically to keep things out. So I'm not talking about that.

Do you have any ideas in terms of how in Canada we can make that connection with consumers? They're not going to buy it because we browbeat them into buying it, but I think consumers will pay 50¢ more for something if they actually think it's better for them or their families.

From that point of view, perhaps, Mr. Dykstra, you could start. Do you have any ideas of how, as Canadian producers, we can communicate that to consumers so they're prepared to pay more for something that they feel is of higher value, that's produced here in Canada?

• (1245)

The Chair: Mr. Dykstra.

Mr. Reint-Jan Dykstra: Thank you for the question.

The Dairy Farmers of Canada organization has a little logo, this little white cow on a blue background, and they are trying to brand Canadian dairy products with that little white cow. The trouble is this. It makes an awful lot of sense, and Canadian beef outside Canada has had great response to their red cow on a red maple leaf, but here in Canada, unfortunately, we seem to have a situation where 25% of the population doesn't care what it has to pay for the products, and then we have 50% who are starting to look around, and unfortunately we have a 25% group of people who can afford only the very cheapest. So we have only a small market for which we can charge almost anything for a product as long as it's branded and they know the background of it. The other 50% or 75% do not really care.

This morning I was fortunate enough to sit in this room when you made the distinction about your area. You said that at one point in time you had people come to holiday in your area from Toronto, and now they all seem to be going to Cuba and Mexico. Why are they doing that? Because the value is the same.

But why is the value the same? Because unfortunately, where they have these areas in Mexico and Cuba, they are still sitting on that little tiny island, that protected little resort, and they don't see what is really going on outside, where the poverty really is. And that poverty is where we, as a western society, are going on holiday to. We are going to those resorts on the backs of these poor people. That is the one thing that we have to get through the heads of the Canadian consumers, that what we are providing here in the western world is provided on the backs of primary producers, who need to make a living. It doesn't matter how or what, they need to make a living just as much as the Canadian auto worker in one of the CAW plants, who makes \$35 an hour.

In my case, in dairy, we are calculated at \$15 an hour maximum. I have to have skills. I have to have somewhat of an education to make sure that at the end of the year I can do my tabulation that says, yes, my farm was profitable. The guys at the plant just see the wheels rolling by and don't need any skills. All they need, in essence, is a little bit of training to apply this bolt.

• (1250)

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

Mr. Atamanenko.

Mr. Alex Atamanenko: Thank you for being here.

I'm going to start out with a statement, and perhaps I can get some comments from some of you later. I'd like to specifically talk a bit about the potato industry.

Mr. Dykstra, you started off your presentation on a sort of pessimistic note, with lots of impatience.

And I'm sure, Paul, you've been doing this for years, and you know, we keep repeating these things.

I've been in this business for over a year and a half now, and we've just had hearings in all provinces of Canada, except the two biggest ones, Quebec and Ontario. I bet we've received enough information now to fix the system, even without going to Ontario or Quebec. Roughly the same ideas are going to come.

We have a tendency to say it's the bureaucrats, or why isn't it happening? I guess the country needs to have a vision, but we also need to have a will to put this vision forward. I'd like to submit that we have the information now, and somehow we need to get this moving, so that if I happen to be around next time the agriculture committee goes on tour, we won't be talking about the same thing; we'll be looking then at something different as to how we can advance this vision.

I'd like some comments on that. That's my statement for the morning. I don't usually do that.

Monsieur Gareau, I have a couple of questions on potatoes. Yesterday, Mr. MacIsaac, from the P.E.I. Potato Board, made some comments. Unfortunately, he left early and we didn't have a chance to pursue them. He said that in North America now there is some kind of memorandum of understanding and cooperation in regard to movement of potatoes. I'd like to get some idea of what's happening, because on the other hand, we're seeing, for example, here and in British Columbia, this dumping of Washington state apples. We're not having a lot of cooperation because of the sheer volume of American produce being dumped on our markets, because of those subsidies.

How is it that we can arrive at or be in the process of arriving at some kind of memo of understanding and cooperation that implies a free flow of potatoes across the border? Does this imply that we still have a chance to supply our own country with our potatoes? Could you give us some clarification on this?

Mr. Robert Gareau: Yes, I'll talk about that a bit.

We've established two groups in Canada and the United States that are called United Potato Growers. It started with the U.S. group, United Potato Growers of America. United Potato Growers of Canada quickly followed them. We were established last year. We have every major potato grower in the area as a member. The U.S. has most of the major growing areas, but not all. We have a memo of understanding with them, and we work closely—weekly conference calls, for example. Mostly we want to try to find some order in the market. It was the whole idea of maybe bringing back some regulation, bringing the supply of potatoes in line with the demand.

We were forced to be where we are today because of the sorry state of affairs. It was basically the last man standing; everybody was undercutting everyone else. We've seen a drop in demand, for table potatoes especially. We don't see that same drop for processed potatoes, but the growers don't see the revenues from the value-added part. The united effort has been focused mostly on table potatoes, although we are working with all the process growers as well. There has been a new arm formed for seed potato growers. It's an exciting new group—two groups that have formed and are working closely together. We're just getting both groups staffed and running.

We're concerned because we see what's happening with the Canadian Wheat Board and the pressure on supply-managed commodities. And here we are in potatoes, trying to maybe become a more supply-managed commodity, recognizing that it's the only way we're going to survive.

Mr. Alex Atamanenko: I'd like to pursue that. I have a potato grower in my riding in southern British Columbia. He mentioned that there has been a decrease in people producing potatoes because of NAFTA. We used to have in-season tariffs to not only protect potatoes growers.... We used to have over 2,000 onion growers; now we have half a dozen onion growers in British Columbia.

How can you do something like this when we have this big umbrella of NAFTA?

• (1255)

Mr. Robert Gareau: How can we form these groups and do these memos? I think it's the only way our industry is going to survive. The B.C. representative from United Canada has been very active and very involved. We hope this will be the solution to these problems. We have already seen evidence of the closer collaboration with our counterparts in the U.S.

The potato world is small and we know all the players. But for once, in the last few years we're seeing a common goal of trying to work together to do a better job of sharing information, understanding what the markets are. We need a lot of work just to gather our information—knowing our supplies, knowing the movement of potatoes. I'm hoping this is where we're going to get to through these organizations. Even in the situation with the B.C. growers, I think they'll see some positives.

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

Mr. Easter.

Hon. Wayne Easter: Thank you, Mr. Chair.

Welcome, folks. Thank you for coming.

We started with hearings in Ottawa. We were in Penticton, B.C., last Monday, and we've moved across the country. There were quite a number of common themes. Certainly among them, but not limited to, is a product produced in other countries, using whatever herbicides, pesticides, different safety standards, etc., that we're not allowed to use, and it's imported into this country. This has to be addressed. The whole issue of disaster assistance needs to be fairly broad, and it may include issues as a result of trade as well in terms of that component.

There are a number of areas, but I'll go to a few specifics.

To the pork producers, in your presentations you mentioned your administrative costs and timeliness programs. I think you should know that in terms of administrative costs on the Agriculture Canada side, in the last two fiscal years the administrative costs alone for government programming were \$481.9 million. If it's been spent on administration by Ottawa, it's not getting to you. It's budgeted for Agriculture and Agri-Food Canada, but you're not getting the money.

A big one is CAIS, which on average is \$108 million a year. It's not the simplest of programs for anyone. Production insurance runs from \$94 million one year to \$98 million another year. I can see it in the production insurance, because you have to field people out there, etc. It's really for your information.

Justin, you mentioned something we haven't heard a lot about. I'd like to get on the record what you're really asking for, and maybe others can give their comments as well. You said they can ship products more cheaply here because they basically have a lower price due to their environmental standards and for other reasons.

It's always baffled me why we have international trade laws that do not take into consideration environmental standards on an equal level or close to a level footing and labour standards on an equal footing. I mean, we're not only losing industries in agriculture; we're losing the auto industry, we've already lost the garment industry, and the list goes on and on. You can go to any town in this country and see industries closing due to those two factors.

What's your view on that? As part of Canada's negotiating position, should we say environment and labour have to be part of the discussion and there has to be a level playing field in those areas as well?

The Chair: Mr. Gaudet.

Mr. Justin Gaudet: It would be somewhat hypocritical not to expect that. If we're going to ask it of people in Canada, we should ask it of people in other countries. To me, it's that simple.

It's something we should look into, because it's costing us a lot of money. It's something we're working really hard for, but why should we lose out because other people don't want to do it and they can get away with that?

• (1300)

Hon. Wayne Easter: While we're meeting certain standards that are driving us out of business, they're able to export products here more cheaply, whether it's industrial or agriculture.

There may be others who want to come in on that as well.

But one other point I'd like to get on the record is that both the egg presentations and potato presentations mentioned compensation. First of all, you both mentioned CFIA getting into national testing in the potato industry and with egg producers in terms of conducting national surveillance. They're not doing it in the United States. If we find a problem, it means we have to shut the industry down in an area. Why do we make such an effort to find one? I don't care what anyone says, but in terms of BSE in the States, I believe they shoot, shovel, and bury. We make it a national issue as much as we can on the front page of *The Globe and Mail*.

I think we should give it some serious consideration, but the point is this. Before we go to national testing and national surveillance in these industries, do you believe the Government of Canada must first develop a compensation package that will compensate you for lost product, be it potatoes or egg layers? Included in that compensation are the loss of use of facilities, the loss of use of productive capacity, the impact it may have on labour in the community, and so on.

The Chair: Mr. Easter's time has expired, so please keep your comments very brief.

Mr. Garneau.

Mr. Robert Garneau: That's the way we have to go. That's why I wanted to make a point of that today. In the U.S. they don't have the equivalent to CFIA in potatoes. Each producing state has its own certification set-up. They don't have a national system like we do, so we're always going to be in that situation. We are always quick to find out stuff here and let everyone know, so it really doesn't do us any service.

The Chair: Mr. Durnnian.

Mr. Mark Durnnian: I agree there should be a compensation program if we're going to be forced to have our industry and our product destroyed. We have to be able to recover from that; otherwise the industry just won't be there.

The Chair: Mr. Dykstra.

Mr. Reint-Jan Dykstra: One thing I would like to mention in that regard is that the BSE crisis was a national initiative, and that's how it should have been. But when we talked about limiting the impact to all of Canada, there was one province that said no, that's not going to happen. The east is in this just as much as the west is into it. At the same time, that particular province then supplemented its producers twice as much as everybody else could.

Hon. Wayne Easter: That would be Alberta.

The Chair: Thank you.

Mr. Miller.

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

And gentlemen, thanks very much for being here today.

I want to talk about the last couple of points Mr. Easter mentioned. He talks about the Americans: shoot, shovel, and bury.

The bottom line is that up here we have a standard. I don't know whether our consumer really expects it or not, but it's there. We're too honest a country—and I don't use that facetiously—compared to some other countries. If you want to cut back on the monitoring that somebody mentioned, the only way is to get rid of half the CFIA. Is

that going to be acceptable to the public? Not likely. So it's probably not an option.

But a good point was made. That's why I brought it up.

Another point that was talked about here today is about trying to make it so that young farmers can get in, and Justin and Jens, there's nothing I want to see more. I have three sons, and none of them are going to farm. They are not going to take over the farm, for various reasons. They've all got good jobs. For one of them, it certainly is the money aspect. My youngest son said to me that he doesn't want to work 20 hours a day the way I have. That's a comment I've heard.

There are a number of factors, but getting back to why I bring this up, if government in some way funds and makes it easier for people to get capital, young guys and young ladies like you, the next thing is that every business in the country is going to stand up. The argument for that is that you can say we're doing it for food security, but it is still going to be a hell of a sell to the rest of the public. So if there are any general comments on how we sell that, I'm open to them and I think everybody around this table is.

Another thing that has been fairly prominent in the west, and certainly here yesterday and today, is about one government body dealing with agriculture. The problem there, and I'll use my own province of Ontario, is that there'll be hell to pay. They don't want to let go of it. Danny Williams, I am quite sure, is not going to let go of it without a fight. So that's a problem.

The only way we can achieve this is that, first of all, you have to have a federal government that will say, yes, they will do that. But secondly, we need the industry to fight alongside and say to the provinces, "Look, we've had enough of this dual thing. You can't get it right; it takes too long, too much red tape. We need you to help us."

My question to you is this. If that is decided at some point, will each one of your commodity groups stand beside the government and lead that fight? If you're going to have 10 provinces dealing with it, then you don't have one plan. The way I see it, unless I'm missing something, it has to be the federal government. So I leave that open for comments.

• (1305)

The Chair: There are key questions there. One is on selling this to the public and the second is selling the idea of a central federal ag program or ag department.

Mr. Moffett.

Mr. Stephen Moffett: Mr. Miller, I'll comment on the issue of how you sell it to the public.

You fellows talked at the earlier session quite a bit about whether we get our money from the marketplace or from the government, and every farmer would say they would prefer to get it from the marketplace, obviously. But that said, we're here partly because we're concerned that our competitors around the world, or wherever they be, are also getting government subsidies. We really do need to have a level playing field, so I don't think we need to be too embarrassed about that. But I think the way we need to sell it to the public is to stand up and talk about our industry a little bit more and about how important it is.

I talked earlier about the primary producer, how capital intensive it is and how difficult it is to run an operation, how prone we are to risk and fluctuations in our income. I think the point I'm trying to make is that normally we would say that how goes the farmer, so goes the nation. Farming is such a basic part of our economy. We often say that every job you create on-farm creates seven jobs off-farm, and obviously the converse: every farm we lose, we're going to lose seven other jobs. Right?

I think governments do participate in the economy in various ways, and through agriculture is one. My preference would be that they didn't have to participate as much, but the reality is that they do because of what goes on around the world. I think we need to present the case that we're a basic part of the economy, and if we lose agriculture, we lose a lot of other things besides agriculture.

That's one question.

The Chair: Mr. Perry.

Mr. Reginald Perry: On the selling to the public or the concept of farming, I think Justin hit it very well in saying that we as an industry and government have to educate the Canadian consumer as to where our food supply comes from, our food sovereignty of this country. Any country that depends on an outside source to feed its country is really putting itself at risk. So we have to make sure people are aware that they should value food security.

An initiative for that would be a program to get the next generation on the farm, like a young farmer program, whether it be interest loans or whatever. But I think that's how you can portray it to the consumers, as a way to garner food security.

Mr. Larry Miller: Wouldn't you say, though, that the industry has been trying to do that? If we've talked about that for years but somehow we're not getting that message through, are we doing it wrong?

The Chair: Just a quick response.

Mr. Dykstra and Mr. Gaudet.

Mr. Reint-Jan Dykstra: With regard to selling it to the public, I don't think the public really cares where their food comes from, in general. They may prefer Canadian products. I think we have to sell it more to provincial governments.

You mentioned that you come from Ontario. In Ontario you have three counties that have a greater output in agricultural commodities than the three maritime provinces together. So if, for example, the federal government says it's going to concentrate on the Maritimes a little bit more, the first thing you will hear is, "What about me, my province?" So you have to sell it to the provincial governments rather than to the general public.

• (1310)

The Chair: Mr. Gaudet.

Mr. Justin Gaudet: I think one major aspect of this would be to put this in the education system at the primary level. Education about food should be as important as math or reading. It should be a basic thing that everybody learns, right from the get-go, to build an appreciation for it.

The Chair: Thank you.

Mr. Steckle.

Mr. Paul Steckle: Since I'm sweeping up today and I'd like to be very positive in concluding, I think we really need to assess where we've come from and where we want to go. I don't think any of you really addressed the issue that Mr. Miller raised, which I've been raising for a long time, and that is that we resort to a single-delivery government program. That doesn't preclude provinces' being involved in leading up to programs, because provinces differ from each other. But simply put, we can't have this fighting between provinces. There is one United States Farm Bill—only one—and they have 50 states.

I started farming in 1965. I was born in 1942. If you do the math, you'll find that I'm soon going to be drawing the brown envelope. But having said that, there have been three generations, almost four generations, that have come along since I first came to be a part of my community. Those people, when I was a young man, were perhaps one generation removed from the farm. Today they are four generations removed from the farm. They really don't care, as you said, Mr. Dykstra, where their food comes from.

So I think it's incumbent upon government and farm agencies to work together and to work very closely. That's why I want to reduce government, so that we get the message out to Canadians that we stand by our Canadian people in terms of our food supply and recognizing the importance of it, and that we will stand by our farming community so that we have farmers for the future. That is simply where I believe we need to go.

When we look at what we've been doing, we've been reducing the trade desks throughout the world. We've been reducing our impact in terms of doing bilateral agreements. I think we have to get out there and take some lessons from the Americans, not only in terms of our delivery of programs but in terms of being aggressive. We have a generation of people out there today who think we should free-range our chickens, that we should loose-house our hogs. That's at a tremendous cost, and little do they realize or understand the impact of the lessening—and perhaps the bio-security of doing agriculture on those terms. They don't understand it.

So whether they understand it or not, I think we have to fight back. If we're going to sit back and try to educate, it's not going to happen in my lifetime, and it won't happen in your lifetime, even for you young gentlemen.

I'd like to think that you would leave today thinking that there will be governments in the future that will care about agriculture enough to provide programs. I was able to borrow money at 5%, but I went through that 22% period. Let me tell you, it wasn't easy. I still have that feeling when I see an envelope come from the bank. I remember those letters coming. They don't contain the same information today, but let me tell you, it's not a good feeling.

I can only encourage everyone to stand together and stand firm and be committed, because I really wonder why you guys want to farm. I don't want to leave it at that, because I think it's wonderful that we have young people who want to continue with the business of farming.

I'm concluding with just some of these comments, but in Abbotsford we did put forward recommendations, because we were there for hearings. That's in response to your question, Mr. Durnnian, about why we're not supporting the industry in terms of compensation. We have recommendations that do support your view. We have to act upon them.

If there is time for a comment, fine. If not, those are my thoughts as I leave you today in Fredericton.

The Chair: Does anyone want to touch on any of the points Mr. Steckle has raised?

Mr. Durnnian.

Mr. Mark Durnnian: I agree with having a federal policy. That would eliminate the fight between the provinces. But with the federal policy, you have to have an office in every different region.

Mr. Paul Steckle: Absolutely. There's no question.

Mr. Mark Durnnian: That's right throughout the whole country.

The Chair: Is there anybody else?

Mr. Moffett and then Mr. Dykstra.

Mr. Stephen Moffett: Just to follow up on this issue of equity across the country, as you know, it's one of the things that we've really been pushing and we're very concerned with. When we spoke about this before, I was in the national office. I have a different hat on today. I'll speak from the New Brunswick point of view.

It has been one of our biggest concerns for a long time. We come from a smaller province, and a smaller province implies a smaller budget. I'm not being critical of anybody in our provincial government, but there has not been the same kind of money to support agriculture as there has been in Quebec or Alberta, not to mention all the provinces. In the other provinces, there is more money to support agriculture than there is here.

In fairness, I have two kids who are interested, and I ask myself why they would want to go into agriculture. Quite frankly, obviously I think there is a future in agriculture. People are still going to have to eat. I started not long after you did, and there were certainly a lot of challenges then, and there are a lot of challenges now. I have faith in agriculture as an industry. I think we're going to move forward, and I think that we're going to face every bit as many challenges.

I think the onus is on us to try to provide a system for those young people to get in, and to find ways to finance them. Also, as you mentioned, there are bilateral trade agreements and the WTO. We

haven't had a chance to talk much about that, but there are some major issues that we need to deal with. I certainly wouldn't say they're insurmountable.

• (1315)

The Chair: Mr. Dykstra.

Mr. Reint-Jan Dykstra: Thank you, Mr. Chairman.

In terms of our having to do the bilateral, no question; we can't wait for the WTO, no question. We have a host of products that we can sell to other parts of the world.

There's one other thing I wanted to mention—I had it written down here, but I didn't read it because of the time—about the Department of Agriculture itself. I happened to be there in the department at lunch hour one day, and you can see it's just like a beehive down in the cafeteria. But when you look over the crowd, you see it's all young people who have never been exposed to agriculture, who most likely have no background in agriculture and probably no education in agriculture. They are just there to push pens.

That perhaps sounds negative, but that's not how I mean it. The thing is that we have to expose these people to agriculture and we have to educate them in agriculture. That is when we get maybe a broader feeling in the department for what is needed in the country. I've seen that from my own background. We were exposed to an awful lot of history with regard to World War II. That was tremendous. My grandmothers, my mother, and my sisters still have cellars full because of that exposure. Here you only have the fridge full for one day. And that is the big difference.

Mr. Paul Steckle: Exactly right.

The Chair: Thank you, Mr. Steckle.

I just want to follow up on that, because I think it's a good point—

Go ahead, Mr. Gareau, very quickly.

Mr. Robert Gareau: I'd just like to comment on what was said there.

I think we have a lot to look at. Take the U.S. Farm Bill; I had the opportunity to live and work in agriculture for eight years in the U.S., and I saw it first-hand. There are still a lot of people there who are taught and told repeatedly that every farmer in Canada gets a new tractor every year because we're heavily subsidized. Well, somehow there has to be.... We could look at their model there and we could do a lot better work.

But one department for agriculture could be a real challenge. I'd love to see it, but I could see a lot of people being shipped over there.

The Chair: I agree with you on that. I don't think Alberta, Quebec, or Ontario will ever give up their departments of agriculture, even though we may want to address it.

On the point you raised, Mr. Dykstra, that in Canada we haven't gone hungry, a few people will remember the dirty thirties. We had new Canadians, second- and third-generation Canadians who came from Europe and who went through World War II. People who've come from Africa and who went through the famines there understand it. But most Canadians don't appreciate that fact.

Americans seem to get it. Even though they have a history that's similar to Canada's, they seem to get it. They have a large population and they have to keep people fed. They invest in it heavily.

Some of the comments that were made today are similar in line to what we've heard across the country about APF pillars, that we should be incorporating supply management, or at least that in the three pillars supply management has to be worked in as part of the business risk management. We've heard that we want a pillar on trade and marketing, and having stronger bilaterals. If WTO can't address our situation or our issues, then we need to be out negotiating as many bilaterals as possible. Where I see a bit of a disconnect...

Actually, regarding some comments that you made, Mr. Gareau, about working with your American counterparts, are you essentially looking at a North American supply management model? And how do you see that meshing with the broader perspective of being a trade commodity?

• (1320)

Mr. Robert Gareau: I see it fitting in perfectly well. For instance, table potatoes are being put on the table market in the U.S. Our big clients are in Boston and New York. That's where our potatoes are landing. So it makes perfect sense for us to work with the states that are supplying those markets in the U.S. as well.

Are you talking about international trade, beyond—

The Chair: Yes. Historically you guys have been sending potatoes to—

Mr. Robert Gareau: Historically, yes, we've sent seed potatoes to certain markets. We're at the risk of losing those markets because other countries are more aggressive, doing more work, and signing these trade agreements with these countries. There's a lot of potential in the developing world for our table stock, our processing potatoes, and our seed potatoes.

The Chair: And this is true across Canada.

Mr. Robert Gareau: Yes, sure.

The Chair: I'm from Manitoba, and we produce a lot of potatoes here, including in my riding.

I appreciate everybody coming in. It's a busy time of year, with people itching to get out on the land, even though there's still a little bit of snow out there in the bush. I appreciate everybody taking time to give us your insights to help us formulate our final report.

The witnesses are now free to go.

We do have one point of order that Mr. Easter wishes to raise.

Hon. Wayne Easter: The national CAIS committee is meeting in Ottawa, and I'll just read you something from a young producer from Prince Edward Island who went on this committee with the best of intentions—and it has happened again. It's no wonder we have a problem with advice to the government. I guarantee you that the minister knows nothing about this yet. But here's what the producer said in his letter to the bureaucracy in Ottawa:

It definitely still boggles my mind why these meetings continually get booked during the busiest time of the year for farmers. I do believe that almost every farmer across the country is either planting the middle of May or is about to. How many times do we have to explain this before somebody listens? We just went through about four months of slower times on the farms and now we have a meeting called during planting. I joined this committee because I hoped I could learn a lot and also contribute to at least some of the planning for the future of agriculture in this country. This will be the third meeting I will miss because they were either called in the fall when farmers are harvesting or in the spring when they're planting.

These guys have argued this point, and I've argued the case of these fellows before. I think we need, with the support of the committee, a letter from you as chair to the minister and the deputy minister saying this is unacceptable. They should have a conference call to the producers on that committee and find a date that's convenient to producers across the country so they can be there.

The bureaucrats can be there any damn time at all, even on a Sunday night, but it's always planned when farmers are busy. That's absolutely unacceptable. So I'm suggesting that you write a letter suggesting that the meeting has to be called at a time that's convenient to producers.

The Chair: Are you making that a motion?

Hon. Wayne Easter: Yes. The date of the meeting is May 15.

The Chair: I didn't realize that was the date. I know that producers were trying to get this meeting back in March.

Mr. Larry Miller: I'll second that motion, Mr. Chairman.

The Chair: We have a motion by Mr. Easter, seconded by Mr. Miller, that the chair of the agriculture committee write a letter to Minister Strahl, copied to the deputy, instructing him to find a way to include the producers in this upcoming meeting on May 15 for the National CAIS Committee—

Hon. Wayne Easter: It's basically to find a date that's accommodating to producers.

(Motion agreed to)

The Chair: For the information of committee members, next week on Tuesday we have main estimates. We will have the minister for the first hour and department officials for the second hour. On Thursday we will have the CFIA at the committee to deal with a broad range of issues.

The meeting is adjourned.

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