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Chair

Mr. James Bezan

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• (1530)

[English]

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

We have the Honourable Chuck Strahl, Minister of Agriculture and Agri-Food. Welcome, Minister. We're always glad to have you here to talk about the issues of the day, and of course the main estimates, which we're dealing with right now.

Joining the minister we have Deputy Minister Yaprak Baltacioglu. Welcome, Deputy Minister. I understand that you're fairly new in the job but no stranger to the Department of Agriculture. We're really pleased that you have taken this new position with the Department of Agriculture.

We're also joined by Pierre Corriveau, who is the assistant deputy minister, and from the CFIA, François Guimont and Gordon White. Welcome, gentlemen.

With that, Minister, I will turn it over to you so that you can make your opening remarks.

Hon. Chuck Strahl (Minister of Agriculture and Agri-Food): Thank you, Mr. Chair.

Good afternoon, everyone. It's good to be back. I appreciate the committee's invitation to be here today.

I want to thank you as usual for your hard work and dedication to agriculture. I think it goes without saying, but I'll say it anyway, that I believe this committee is one of the most active committees in Parliament, and there's a lot of passion for the agricultural sector here around the table. I appreciate that, as do farmers and the agrifood industry across the country.

I would also like to recognize the valuable work this committee has done in examining the independent review of the operations of the Canadian Grain Commission and how it's governed under the Canada Grain Act. That's valuable work for the grain sector. That was a very useful report. Parliament, producers, and Canadians are going to be beneficiaries of that work, so I do appreciate that specifically. It was an in-depth study, and it will be very useful, obviously, to guide us as we move forward.

For my opening remarks today I'll update members on the progress we've made on a number of important files since we last met and talk a little about future directions, and of course answer your questions.

Through budgets 2006 and 2007, the government will have provided a total of \$4.5 billion in new money for the sector over five years. That's over and above regular funding levels in existing programs for farmers. We're working with the provinces and territories to deliver funding for farmers, including \$500 million per year for five years that will go towards farm programming, nearly \$1 billion to fix the CAIS inventory method and negative margin problems. Our recent announcement of \$1 billion for farmers' savings accounts and cost of production support is broken into \$600 million earmarked for the producer savings account and \$400 million to help address cost of production.

I'd like to speak about that \$600 million in a moment, but as for the \$400 million, earlier today I announced that cheques will begin to flow in June, and the bulk of the money will be delivered by the end of October. The initial payment on that \$400 million will be based on 2.36% of a producer's net sales for 2000 to 2004. If any funds are remaining, final payments will be made in December, and in the future we are committed to up to \$100 million annually that will be paid into the producers' savings accounts to address increasing production costs.

While working to meet farmers' immediate needs, we're also very concerned about helping the next generation of farmers stay actively involved in agriculture. In budget 2007, we've increased the lifetime capital gains exemptions for farmers from \$500,000 to \$750,000, which will help facilitate the transfer of the family farm from one generation to the next.

We've also taken action on biofuels. In support of farmers in rural Canada, we've announced \$500 million over the past four months to help producers in rural communities to seize new market opportunities in the agriculture bioproduct sector through our biofuels and bioproducts initiatives. This \$500 million includes \$200 million for the eco-agriculture biofuels capital initiative, which I officially launched last week, to help finance the construction or expansion of transportation biofuels production facilities and to help producers get involved in these projects.

There's also \$145 million in science and innovation under the agricultural bioproducts innovation program to support new and existing research networks and to encourage the development of clusters in areas of the bioeconomy where greater benefits can be generated from collaborative research.

There's another \$134 million toward the agri-opportunities program, which focuses on the commercialization of new agri-based products, processes, and services.

There's \$20 million in the biofuels opportunities for producers initiative, which is double the previous allocation due to the strong uptake right across the country; and \$1 million to support folks wishing to form coops as a way to take advantage of opportunities associated with biofuels and other value-added activities.

So combining these investments will help producers capture new opportunities for profitability, and they will help advance our country's agricultural sector as a whole in the areas of health, the environment, and the bioeconomy.

In addition, budget 2007 allocated \$2 billion to foster the production of renewable fuels across Canada, and while that's not all in our department, that \$2 billion initiative has been well received across the country by organizations and industries that realize that this allocation is going to go a long way towards starting that viable renewable fuels industry.

Under marketing choice for grain producers in western Canada, we are moving forward on our commitment to allow marketing choice while maintaining, of course, a strong but voluntary Canadian Wheat Board in barley. We said we would consult with farmers first. We've done that through the barley plebiscite. Barley producers have spoken, and the government is listening and acting on their behalf. More than 29,000 barley producers participated. The majority of those farmers, 62%, have asked for choice in marketing their barley.

● (1535)

This result is consistent with the Wheat Board's own polling, which shows that the majority of growers favour choice in barley marketing.

So we have our marching orders and they come from the farmers. We intend to move forward decisively with changes to the Canadian Wheat Board regulations.

Those draft regulations are now available for public comment. We plan to consider comments and develop the final version of the regulations in the coming weeks, with a view to making marketing choice a reality for western Canadian barley farmers by August 1, 2007.

For wheat, we promised to consult producers in a plebiscite before taking any action. That was a promise we made earlier this year. I have no plans to do that this year, but before there are changes made to wheat and how it's handled we will be consulting farmers in a plebiscite at some future date.

Trade negotiations have been in the news again lately. Internationally we continue to stand up for our producers and our processors. We're working hard at the WTO negotiations on agriculture. We want to make sure that our agriculture and agri-food industry can compete effectively and successfully in the international marketplace. It goes without saying that Canada has much to gain from a successful outcome in Geneva. For Canadian agriculture to thrive we need to achieve an ambitious result, and we need to strengthen the rules that govern agricultural trade.

We're continuing to seek substantial reductions in trade-distorting domestic support, as well as significant improvements in market access and the elimination of all forms of export subsidies. Canada will continue to work constructively with other WTO members to achieve progress in the negotiations and aggressively advance Canada's interests.

Even if the near-term prospects for the Doha Round remain unclear, Canada has been clear about one key point. As we move forward in these negotiations we are going to continue to seek an outcome that benefits all of Canada's agriculture, and that includes both export-oriented and supply managed industries.

The government will also continue to ensure that Canada has a strong overall trade policy strategy going forward, including regional and bilateral trade negotiations that serve our commercial interests.

We also clearly understand the enormous value that the supply management system brings to those sectors that have chosen to market in this way. That's why the government has supported supply management, both at the WTO negotiations and here at home.

● (1540)

[Translation]

For example, we have made the changes that were needed in order to control dairy product imports. Following the announcement by Canada's new government on February 7, 2000, the process for amending our milk protein concentrates agreements has now been officially initiated. Negotiations under Article 28 of the General Agreement on Trade and Tariffs will be held over the coming months.

On another topic, we announced that the Canadian Food Inspection Agency would be establishing a regulatory process for cheese composition standards. The process is underway and draft regulations will be submitted shortly.

[English]

We are also working as promised to replace CAIS to make business risk-management programming more responsive, predictable, and bankable for farmers and to be better able to help them respond to rising costs.

Three weeks ago in Winnipeg we had some very productive discussions with the provincial and territorial ministers on the issue of developing new business risk-management programming, including a margin-based element, a disaster framework, production insurance, and a savings account program arising from consultations with the sector.

Provincial ministers expressed appreciation for the federal \$600 million kickstart to the accounts, which they agreed would replace the top tier of the income stabilization element of the former CAIS program. This is contingent on working out the details with our provincial partners, but I'm optimistic it will happen. We made good progress on this, and we are working to finalize the details of the new savings account at our annual meeting coming up in June.

Over the past year, we've been working with the provinces, territories, and industry, and we have responded with significant improvements to the margin-based program. We've reached an agreement in principle on a disaster relief framework, and we're working to expand production insurance. Taken together with the proposed savings account program, which will include a federal cost of production component, this represents the federal government's proposal to replace CAIS.

Let me take a minute to relate to you the improvements that have already been made to the business risk-management programming, particularly the margin-based element.

At the request of industry, in keeping with our commitment in budget 2006 in response to recommendations from industry, we've improved the inventory valuation adjustment for 2003, 2004, and 2005. This was an investment of \$900 million, and final payments are now going out to producers.

We expanded the eligibility criteria for negative margin coverage to better cover viable farms with deep losses. This commitment of \$50 million in federal funds, which is \$80 million with the provincial contributions, will provide assistance to even more farmers.

We've made interim and targeted payments available. We've improved deadline flexibility. We've made electronic filing available. We've developed an electronic calculator. We've made some other changes that you may want to ask questions about. But all in all, we've made some good progress.

We fully agree that work remains to be done. As I mentioned, our government is working with the provinces and territories to work on a new suite of risk management programs in 2007 that will better address the needs of Canadian producers.

I met with the Auditor General yesterday to discuss the report. She singled out the CAIS program in her report, which you may have seen earlier today. We fully agree with her recommendations. We've already taken action on many of these recommendations and will address the others shortly.

When this CAIS program was first developed and it first came out, there were plenty of warnings from industry and from the then-opposition that the CAIS program would not work in the way it was originally designed. We said it was too complex and it would not deliver in the way it should.

Since taking office, we've been working with the provinces to replace CAIS. It's already a much different program to what it was in 2004.

As I mentioned, through changes to the components of BRM to a disaster relief framework, improved production insurance, a new margin-based program, and a farmer savings program, we believe we

will have farm financial programs that are simpler, more predictable, and bankable, which are all things identified in the AG's report.

In the bigger picture, of course, all of the reacting to and acting on the AG's recommendations will make this part of government more effective and accountable to the industry and to Parliament.

I also want to touch on CFIA as an important part of this portfolio. The Canadian Food Inspection Agency has celebrated its 10th anniversary. Over the past decade, the agency has successfully used its resources to face many challenges. As a result, we have an inspection and regulatory system that has an excellent reputation at home and internationally. The agency has worked hard to build solid relationships with its federal and provincial partners, which also strengthens the effectiveness of our system.

Since I've been minister, a lot has happened at the CFIA. It has successfully managed several high profile events related to food safety and human, animal, and plant health. Anthrax in western Canada and golden nematode in Quebec are only two of the pests and diseases that the CFIA has dealt with over the past year. The CFIA uses its resources to effectively deal with these pests and diseases so that domestic and international confidence in our system is maintained.

A testament to this high level of international confidence is the fact that Canada has been recommended for official recognition by the OIE as a BSE controlled-risk country. It's a very important resolution that many on this committee would know.

Another example of international confidence in the CFIA is the designation of 13 of our CFIA laboratories as OIE reference labs. Again, it's the highest compliment we can be paid.

● (1545)

While it always must respond quickly to emergencies, its budget also allows the CFIA to develop and implement long-range strategic initiatives so that we continue to have a safe food supply and a healthy animal and plant resource base.

Areas of strategic work include new inspection approaches in food safety and a contribution to international science-based standard setting. The agency will be looking at ways to increase compliance with its regulatory objectives and alternative approaches to achieving regulatory outcomes.

For example, the CFIA wants to make inspection and enforcement more consistent across the country. It's also looking at ways to improve food safety standards and compliance in the non-federally regulated sector.

Steady growth in global trade will open new markets to Canadian exporters, which is good news. However, this can also present challenges by making it more difficult to contain pests and diseases. With respect to diseases like avian influenza and other threats, its resources allow the CFIA to always be working on ways to prevent disease incursions or to deal with them effectively in the event of an outbreak.

Just as an example, in the area of prevention, the CFIA is collaborating with the Canada Border Services Agency and Foreign Affairs on the program called “Be Aware and Declare!”, which is targeted at international travellers. By raising awareness and influencing human activities, this campaign will help reduce the number of harmful pests and pathogens carried into this country.

During the last 10 years, the CFIA has played an important role in the life of our country. The foundation of a proud legacy is being built.

I'll close with a longer-term perspective and say a word about the process we've embarked on with the development of the next generation of agriculture and agrifood policy, one that will help the sector meet the challenges of the new millennium.

As a critical first step in that process, federal, provincial, and territorial ministers agreed to conduct a series of in-depth consultations with Canadians. Over the past four months, we have completed two rounds of very comprehensive consultations, first with industry, and then broadly with farmers, processors, and others, including members of the public.

I'd like to thank the over 3,000 participants who engaged in a dialogue, either in person or online, from across the country in the agriculture and agrifood sector and among the general public. Collectively they offered many innovative suggestions on how to move forward with the next policy framework, which will enable the industry to remain prosperous in the years ahead. We have now asked officials to develop the framework based on what we've heard in those consultations, and to continue working with industry as they move forward.

I'd like to acknowledge as well, Mr. Chair, the work of this committee in gathering input on the agricultural policy framework during its recent travels across the country. I note that many of the issues and ideas—not surprisingly, I suppose—are similar to what we have picked up in our consultations on the next generation process. I look forward to this committee's recommendations and as well your reflections on the feedback received.

Mr. Chair, that is an overview of what we've been doing and where we're heading. Once again, I want to thank the committee for its hard work and its dedication to advancing all things agricultural and agrifood.

I would be happy to take questions at this time.

I am pleased, Mr. Chair, to welcome my new deputy to the table. Yaprak Baltacioglu came over in March of this year. She is replacing Len Edwards.

Len Edwards has moved on to Foreign Affairs. I would like to thank Len for his dedication to the sector.

I welcome Yaprak aboard. I know you'll find her very professional and supportive of the good work done here in committee. She is very knowledgeable, has fit in very well, and has been busy across the country already in support of the work that the department is doing and that you are doing as well.

We also have here François Guimont, the CFIA president, and various officials who can provide any background you may need.

I look forward to your questions, and thank you again.

• (1550)

The Chair: Thank you, Minister Strahl.

I just want to remind members that the minister is here only until 4:30. We're going to do five-minute rounds so that we can get as many members as possible in on the first round of questions. Questioning should be related to the main estimates or to the minister's opening comments.

With that, Mr. Steckle, you're up first.

Mr. Paul Steckle (Huron—Bruce, Lib.): Thank you very much, Minister Strahl, for being here today, and for the officials being here.

I'm going to spend my short time talking about one program, specifically the Canadian farm families options program. It's part of the program you've put forward, a most recent program in fact.

We closed out our tax year yesterday, and most people have prepared their tax forms and submitted their numbers. Just a week ago, we find, the program that was introduced last year was changed—a very unusual time for a program to be changed.

When I look at the numbers, I see \$550 million as a start to the program. Over two years, the accounting costs, I think, were deemed to be about \$170 million, which left about \$380 million in the program for actual delivery to farm families. What I see on paper here is that as of April 22 about \$142 million had been delivered, leaving about \$238 million yet to be delivered.

I'm wondering first of all why the program was changed at this late time in the program. It would be like suggesting to people, after they've made their RRSP contributions, that they're not valid contributions for that particular year.

In Ontario, 3,129 applications were received. When you apply the numbers as I've been given them by an accountant, we would find that besides the \$29 million delivered to the program in Ontario, another \$9 million was further delivered to the accountants.

So I'm not sure whether this program was designed and created for farmers or whether it was designed to help defunct farmers who are actually taking on a second job as accountants to subsidize their industry.

Basically, that's the premise of my question. I have other questions as well.

Hon. Chuck Strahl: In general, the Canadian farm families options program was a program we developed last year. We announced it as a two-year pilot project. We wanted to see if it would meet some of the needs in the agricultural sector, specifically for farmers who didn't have a net income over \$25,000.

We deemed that to be low, of course, and thought that this program might be useful not only to give them some much-needed cash, but also to help them with business planning and with skills development to help turn the corner. Obviously, with that kind of low income you can't stay in the farming business, so we're trying to help them find ways to develop those skills, and business planning, and so on that would help them develop into long-term viable businesses.

On average, the program paid out last year to farm families about \$9,900 for a family that qualified. There were about 15,000 people who qualified for this program. I think it did some good. It filled the gap in a year when we had particularly low farm income. As I mentioned, the average family that qualified ended up receiving almost \$10,000; the average individual almost \$8,000.

So I think it did some good, and people who are in the program will be allowed to continue in it until the end of this pilot project. Of course, I hope they will continue to take advantage of that other programming that will help with the second part of it, which is not just the cash, but the skills development and other ways we can help them, and so on.

The reason it was cancelled, frankly, is to respond to both industry demands and demands by members of Parliament.

I have to tell you that I did not receive one supportive letter from any member of Parliament on this program, not one. I did not receive one supportive signal from a national farm organization, not one. What they did say is that they wanted more funds to go directly to farmers, wanted it to be transparent and predictable, and wanted something to address the cost of production.

So what we're doing is winding down this program in response to those demands. We are coming up with a farmers' savings program—it will be, of course, much larger than this farm families program—and a cost-of-production element as well.

• (1555)

Mr. Paul Steckle: But it doesn't address the concerns of the farmer who planned his year-end based on this program; who made certain business decisions knowing that if he made those decisions at the right time, he would be able to benefit from the program.

Now we have all this money left over. Was there not some assessment and evaluation done on this program before it was introduced? Or was this one a fly-by-the-seat-of-your-pants kind of ad hoc program?

What does the Auditor General have to say about this, and what does Revenue Canada have to say about it, given that there's going to have to be a review of and amendments made to some of these tax returns that have been filed?

This is not a debacle that is over yet; it is just beginning.

The Chair: Your time has expired.

Mr. Strahl, a quick response.

Hon. Chuck Strahl: I don't think the Auditor General has anything to say on this because she hasn't been asked to look into it.

Originally, on this program we thought that up to 19,000 people would apply. It turned out 17,000 applied. So we weren't far off. It wasn't a debacle. It was very much in the order of what we thought.

I think the program did serve a purpose and does serve a purpose. I think in the evaluation that will come at the end of this second year, we'll be able to have a good analysis of it. It is a pilot project; it was announced as a pilot project.

Clearly, what farmers said to us, what industry leaders said to us, and what members of Parliament said to me was they felt this money would be better spent—and it's not like it's going into a bank account—on a farmers' savings program and a cost of production element for two things, and then a series of other programming that we will announce over the next few weeks that will specifically help farmers and farm communities.

The Chair: Thank you, Minister.

Monsieur Bellavance.

[*Translation*]

Mr. André Bellavance (Richmond—Arthabaska, BQ): Thank you, Mr. Chair.

Thank you for being here with us today, Minister. In your presentation, you alluded to milk protein imports. We have worked long and hard on this, to achieve the results we now see. However, there are other import-related issues, concerning preservation of the supply management system, that are very important.

A variety of Quebec producers' federations have recently held a number of annual general meetings. Because I attended several of those meetings, Mr. Strahl, I would like to tell you what was discussed there, in particular concerning poultry imports.

According to the Fédération des producteurs de volailles du Québec, your government has agreed to an 8.7 million kilo increase in poultry imports, which allows for 8.4 per cent market access instead of the present 7.5 per cent. With 7.5 per cent access, Canada is one of the top ten importing countries in the world. Those imports are possible because of the rule that an imported product containing less than 87 per cent chicken is not considered to be chicken, and so is not subject to the tariff quotas.

I do not know whether you have heard about the chicken coming from the United States. The chicken is put in a box and rice is added to it, and once it enters Canada the rice is removed. This means that the chicken is not subject to tariffs. The Fédération des producteurs de volailles du Québec is calling for Canada to make imported products containing more than 20 per cent chicken subject to customs tariffs under Article 28 of GATT.

My second question deals with Quebec dairy producers, who are concerned about chocolate milk imports. We have already had the whole tale of the butter oil in ice cream, a battle we lost, I would remind you. Last year, milk chocolate sales rose by 11 per cent in Canada and Quebec. The Fédération des producteurs de lait du Québec is calling on the federal government to make imported dairy products subject to customs tariffs, including chocolate milk and flavoured milk.

I would like to know whether you are prepared to agree to these requests today.

[English]

Hon. Chuck Strahl: Thank you for that list. I think most of them apply to supply-managed industries, and are obviously always a concern not only to me but to the Minister of International Trade, who often has to handle these trade issues in his portfolio.

On the poultry imports, I know I have had requests from the poultry industry that they would like us to use article 28 when it comes to dealing with these poultry imports, especially when it comes to the 13% rule and so on that applies to the poultry imports. There are several problems with that.

Article 28 is a sledgehammer of an instrument to use on trade policy. Governments have always been very reluctant to use article 28. Ours was the first government since I've been in Parliament, in many a year, to use article 28 to reclassify milk protein concentrates. We've started that initiative, as we promised the dairy industry we would. Our application has gone in to the WTO. We're expecting comments from them on that. But it is a pretty serious step when governments use that. We're prepared to use it. We're doing that, and we're following through on our commitment.

Article 28 doesn't apply to the United States. We have a NAFTA agreement that covers our trade arrangements with the United States, so much of the concern of the poultry industry is concern about U.S. imports, and that's a different issue from article 28. It can't be handled the same way. It's not a matter of reclassifying it under article 28, because it just doesn't work the same way.

So while I understand their concern about that, it can't be handled, in our opinion, the same way. Also, with the quantity of imports on the poultry side, as I do on whether it's beef imports, poultry imports, or you name it, I encourage farm organizations to sit down together with these panels the trade minister has put together to give their input into that decision-making process.

As we debate this and figure out what the right levels of import are, I encourage the poultry industry to sit down on those committees that have been put together by the international trade minister to get their input in on that, and that's the most effective way to influence the process.

My understanding is that the change is roughly 0.6%. I believe the difference on the imports this year over last year is less than 1%, and I don't think that's a draconian amount. Again, if they want to influence things moving forward, then the best way to do that is to sit on the panel and give advice to the Minister of International Trade, so that when all of us get together to make those decisions they're part of that process.

On the dairy side and chocolate milk, I've been of course seized with a couple of other issues on the dairy side lately, one of them being the use of article 28 and making sure that we get.... CFIA's been busy pulling out the lines of milk protein concentrate, how much we've imported, getting those numbers down pat. Also, there's the whole idea of milk compositional standards, which is another issue, and they're ensuring we have that process in hand and that we're moving ahead with it as well.

I have had correspondence on the chocolate milk concerns, as I have on other things from the dairy industry, but frankly, I've been working primarily on those first two issues, the article 28 and the compositional standards. We've been consulting with stakeholders and doing our part to make sure that proceeds properly.

The other issues, and I know there's always a series of issues.... We meet regularly with the Dairy Farmers of Canada, with the processors, and others to determine what's the best path forward, but right now I think we'd best get these first two things in order. That has been the priority of the milk industry, and I think that's what we need to get done first.

● (1600)

The Chair: Thank you.

Mr. Miller, you're on.

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

Thanks, Mr. Minister, for being here today, and ladies and gentlemen.

Mr. Minister, I wonder if you could maybe give us an update on your meeting with the provinces last month and on some of the things that came out of that. Were there any further discussions taken on changes to the CAIS program? I wondered if the long-term disaster program was discussed with them at all.

Also, the SRM deadline's coming up here in July. Basically, I'd like to know, are all the provinces on board and ready to go?

I'll start with those, anyway.

● (1605)

Hon. Chuck Strahl: Thank you, Mr. Miller.

We had a good meeting. I think the co-chair of the meeting, at the post-meeting press conference, said it was the best meeting he had been at in his time as agriculture minister. I thought it was a very productive meeting. We addressed all those issues you had raised.

In the communiqué, the provinces agreed to move ahead with a replacement of CAIS with four elements. They agreed with a disaster framework. They have not agreed with the funding formula for that disaster framework. So the framework is there, how it's going to work, what's covered under the framework, and so on. Some provinces are hesitant on the 60-40 split we have put forward as a funding proposal under that, but the disaster framework has been agreed to.

They've agreed to enhance the production insurance side of things. This is important. I think in Ontario alone, there are about 40 pilot projects on better production insurance under 40 different commodities that we want to add to PI. That's going to be an important part of the underpinnings for future BRM programming, because if we can get some good programming for what used to be considered maybe more exotic—some greenhouse issues, some cattle or other sectors—if we can get a good PI system the industry says is useful, and it can be part of the way forward, the provinces are very keen on that, and of course we'll pick up our share. We're paying for part of these pilot projects right now. They're very active both in Quebec and Ontario and across the country, but those two provinces specifically have been very active in promoting pilot projects to expand the PI prospects.

They've also agreed to this new... There's a margin-based component to the BRM programming, and then they've also agreed to this farmers' savings plan. Of course we're going to kick-start that with \$600 million from the federal government, federal-only money. But then it will replace what was the top tier of the margin-based program and it will go directly into farmers' savings plans.

So all those things I think are demands that we have had from the industry, from the national CAIS committee, from the CFA, from UPA. It's been broadly told to us and reconfirmed today in the AG's report that the current system was not working as it should have. The improvements we've made in the last year and the improvements agreed to at this federal-provincial meeting are going to help us have a better set of programming to replace that.

Something that would be of interest to the committee, I think, is that there's a growing interest in what the provinces are calling "regional flexibility" in programming. Again, that's undefined as yet, but what's come up repeatedly in these consultations on the next generation of agriculture policy is the need to have more regional flexibility. The way to address problems in Ontario is quite different from in P.E.I., for example. So there's a growing demand for regional flexibility, and we're working with provincial officials right now to come up with a definition of that before our June meeting, I hope.

Mr. Larry Miller: Minister, I think you should note that in our last two weeks when the committee was travelling across the country, that was very evident in almost every area.

Hon. Chuck Strahl: Thank you for that. If you can give me details of that as you put your report together, that would be useful for me to hear as well. We heard it from the provinces. We're hearing it from the industry. We're all hearing it from the farmers. I think we're detecting a common theme here, as they say. So your input on that would be useful.

The final thing is on the SRM deadline—it is coming up. That feed ban enhancement was announced last year. It's moving ahead for July 12, I believe it is. Mr. Guimont made a presentation to the provinces on how that's going. It does appear to be coming together well in all regions of the country. As you know, we have a program, we have an \$80 million packet of money from Agriculture Canada to help the industry and the provinces make those transitions.

We've signed agreements with most of the provinces now—Alberta, British Columbia, Ontario, New Brunswick, and Nova Scotia—and we have agreements in principle with the other

provinces more or less ready to sign. So that \$80 million will go to help make the transition. It's all on track for July 12. But of course the impact is starting to be felt even in May, because the renderers and so on are starting to make their decision on what can go into feed products in advance of cleaning out the system in anticipation of that July 12 deadline. But it seems to be coming together. Everyone is a little nervous, because it's a big change, but they've had lots of notice and they've been working very productively.

I think you had another meeting last week. Mr. Guimont did with the industry as well, and I believe it's on course. It seems it's come together in time in every province.

• (1610)

The Chair: Thank you.

Mr. Atamanenko, the floor is yours.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): Thank you very much, Minister, and thanks to all of you for being here.

I'm going to fire two or three questions at you, Minister, and hope you'll have time to answer them.

First, on the draft regulations and barley, how close will you be monitoring the situation as it plays out with the Wheat Board? We've been on different sides of the fence here. If it doesn't work out according to plan and the Wheat Board, for one reason or another, isn't able to continue marketing barley, and farmers aren't benefiting from the market—maybe not this year but next year—are you going to be monitoring this closely and then maybe reassess the situation?

Second, it came up a couple of times in our tour that some people were concerned about what's happening at the WTO negotiations. On the one hand you mentioned that you would like to sign a deal at all costs, and on the other hand we're protecting supply management. Some people asked whether that kind of takes the rug out from under our feet so we have no bargaining power. How can we reach a compromise, if we're not prepared to give away anything in supply management, and then sign a deal?

The third question is about tobacco farmers. I'm just wondering if there's anything in place to finally give them an exit strategy that will not cost—according to their proposal—the taxpayers any money? Are there any high-level discussions currently planned to get this done once and for all?

Hon. Chuck Strahl: Thank you for those questions.

The draft regulations on barley, as you know, have been published now, and I expect to get some public comment over the next month on those. It is our intention to move ahead, of course, as the regulations have spelled it out. Obviously we're monitoring the situation overall. Again, as you know, we've been on different sides about where we want to end up. We want to have more marketing choice for barley. That's what the plebiscite told us that farmers want.

I've urged the Canadian Wheat Board to consider ways they can be part of this in a marketing choice environment. Other marketing boards seem to thrive in a marketing choice environment. I believe there are lots of farmers who want to use the Wheat Board. They have first-class sales people and a network of producers and buyers around the world that I think sets them in a very good place to take advantage of those assets, human resources and others.

I talk frequently with the board chairman, their executive group, or the whole board when I can. Obviously we work closely with the industry and I get input from them on an ongoing basis, and we will continue to monitor the situation closely.

On the WTO negotiations, I don't think I did say anywhere along the line that there's a deal at all costs. What the Minister of International Trade has said, and I would echo, is that it's inconceivable that we would not be in the WTO. It's hard to imagine that Canada, out of all the countries in the world, would say that we are going alone, that the rest of the world is all together but we're out of step. It's simply inconceivable to me that we would be out of this. We're an exporting nation, not only in agriculture but in many, many ways, and being outside of the WTO is inconceivable, I must say. But the deal-making that goes on is a little bit like making sausages: it is a messy business, and it goes on and on and on.

Clearly, what we see, even in the paper that was released yesterday, is that Canadians continue to have influence in generating ideas at the WTO with our negotiators. You folks have had Steve Verheul in here before, and I'm sure you'll have him in again. Steve and his team are among the best in the world, so their ideas keep cropping up in every one of these statements on how issues can be handled, complex issues that are very difficult for both emerging and developed nations to handle. Canada's hand is in that often. You can see it in some of the language and some of the ideas.

However, it is true that we have, as we all know, both offensive and defensive interests at the WTO. We very much want more market access, and we're very aggressive on reduction in domestic support and elimination of export subsidies. We want to beat down non-tariff barriers to trade. We want all this and we want a very aggressive package. However, like all countries, we also have defensive interests. In our case, our sensitive product interests tend to be in supply management—not exclusively, but mostly—and we make no bones about it. All countries have both offensive and defensive interests.

It makes it a complex negotiation, but all countries are in this in some way. Some might say "I don't want to reduce my domestic support but I'd like more access". Those countries have to be in the negotiations, as are we.

What we're not prepared to do—and I don't see any national organization encouraging us to do this—is to throw one sector overboard for the sake of another. I simply don't see that. That was clear even at the Cairns Group meeting when the CFA, for example, had to disagree with the other farm organizations from the other countries involved in the Cairns Group and have a dissenting report, if you will. Well, we ended up in the same way at the ministers' level. The other ministers came out with a report saying we like what this is saying, but we have to take note that we don't agree with statements that say we should eliminate sensitive product protection.

●(1615)

This is a balancing act, and it goes on all the time. It's a very difficult thing, but all countries are faced with these sorts of debates and we simply have to make sure we are there doing our part to advance the entire sector.

The Chair: Thank you, Minister Strahl.

Mr. Atamanenko's time has expired.

Mr. Easter, you're kicking off our next round.

Hon. Wayne Easter (Malpeque, Lib.): Thank you, Mr. Chair, and thank you, Minister.

Minister, yesterday I gave you a letter outlining the areas where we're very troubled by some of the decisions you've made and the lack of background reasoning for those decisions. I hope we can get some answers on the background material.

First, on the farm families options program, it really shouldn't matter whether you're getting letters of support on that program or not. On December 31, in good faith, farmers made decisions to do sound financial planning with their accountants, believing they could draw out of that program. After the fact, on April 20, you changed the rules of the game. That's absolutely unacceptable. They used all legal means possible—optional inventory adjustments, capital cost adjustments—and now they're being put in a financial rut as a result of your decision. Some of them promised their bankers that money would come out of the farm families options program.

I would ask you to seriously reconsider the decision to cancel that program. I think you may find that the Government of Canada is in a difficult legal position as a result of jeopardizing farmers' financial planning.

Second, you did compliment the committee, and we appreciate that, but Mr. Minister, we differ very strongly on the barley vote. There's no question about that. You and the government showed absolute contempt for this committee and for Parliament by ignoring a vote that instructed you to hold a vote based on clarity. You should admit that the vote you held on barley was basically an absolute fraud. There's no question about it. The activities of you and your parliamentary secretary parading across this country putting gag orders on board members of the Wheat Board, and the list goes on—you've heard me raise them in Parliament—to get the doctored result you got at the end of the day.... You really have 13.8% support in terms of getting rid of the Wheat Board, which will be the end result.

On that question, I'll say this to the department. Your tabling in the *Canada Gazette* looks more like a political document than a professional document. I think that professionally the department should be concerned about the way that is tabled in the *Canada Gazette*.

You don't mention that you're in effect collectively taking \$52 million annually out of farmers' pockets as a result of the loss of single-desk selling. You do say you're worried about the cancelling of contracts. And you should be worried about our international reputation.

You said at the beginning of this meeting today that you're going to eventually move forward with wheat. How can international buyers have any confidence in terms of doing business with the Canadian Wheat Board if you go down that avenue or they have to cancel contracts in the future as a result of your government's actions? Is the Government of Canada going to compensate the Canadian Wheat Board, which flows through to farmers, as a result of any legal challenges, losses of contracts, etc., for your imposing on the Canadian Wheat Board that they change their marketing procedures effective August 1?

• (1620)

The Chair: Minister, please keep your response short, as Mr. Easter's time has almost expired.

Hon. Chuck Strahl: There are several issues here. I'll go through them as quickly as I can.

Obviously changing the CFFOP program wasn't done lightly. The 15,000 people who were in the CFFOP program last year will continue in the program this year. They will be able to follow through as originally planned with the program in its second year, and then we'll evaluate it at the end of that.

It is important to note, of course, that while we have changed the CFFOP program, within two weeks or so we added an extra \$1 billion in new spending for farmers, including a farmers' savings plan that will put \$600 million out and put \$400 million on the costs of production side. That will make the CFFOP program pale by comparison. Six times as much money is being spent on those new programs as there was in the CFFOP program. There are improvements; there's more money being offered and available to all these farmers and more, and more money to boot.

On the issue of the Wheat Board, as you say, Mr. Easter, we're going to disagree, and that's fine. I understand there are different political positions, and that's as it should be. We campaigned on this in the last federal election. It was front and centre on our brochure that we would like to have more marketing choice for western Canadian grain farmers. We asked a question—it's almost identical to another question you asked me in the written thing.

This is from the 2006 Canadian Wheat Board annual producers survey. They asked the questions—well, here's their summary. The summary from the Wheat Board says that on barley, just under half preferred dual marketing, 46%, and then 19% want a totally open market. That's up three points from last year, and that's from the Wheat Board's own survey. In other words, it's the majority of people. It's exactly consistent with the plebiscite—that's not surprising, I guess—and exactly consistent with polling data that I saw last fall. I don't know if it was Ipsos Reid, but it was an independent pollster.

Barley farmers want choice on marketing their barley. It's interesting to me right now; I have no complaints, or very few complaints. I shouldn't say none, because philosophically people who want the Wheat Board will want it come hell or high water, I think, but what I'm not hearing is a groundswell of support from people asking us to please put them in the barley pool and give them less money right now. What they're saying is, "Free me up right now, and I can finally make a killing in the barley market. Finally I can get the money that I should have been getting all along. Finally, after

begging for such a long time, I'm going to get a return on my investment and all my risk."

Under this system barley producers are finally going to get a lot more money for their barley, and they are thankful for that. They're ready to move on that. Even the people who say they supported the Wheat Board are reluctant right now—let's face it—to ship it to the Wheat Board, because if you ship it to the Wheat Board right now, you'll get less money than you will on the open market. They are reluctant to do that, not because of questions that we've raised or anything else, but that's a decision they have made; they're voting with their pocketbooks. Farmers finally are getting a return that they deserve on their investment. We've all said farmers should get their money from the marketplace; this is finally a chance for them to do that. I'm pleased as punch for these guys.

To people who say we should intervene in some way and stand up for international grain companies, which is basically what you're saying, I'm saying it's time to stand up for the farmers. Farmers finally are going to get the bang for their buck that they have long deserved and have pleaded for.

• (1625)

[*Translation*]

The Chair: Mr. Gourde, you have five minutes.

Mr. Jacques Gourde (Lotbinière—Chutes-de-la-Chaudière, CPC): Thank you, Mr. Chair.

Minister, I would like to congratulate you on the year I have been working with you. You care a great deal about agriculture, which is facing some major challenges.

I would like to talk about the possibility of using biodiesel in agriculture. Will the biodiesel plan that has been submitted to the Department of Agriculture and Agri-food have a positive impact on the climate and on rural Canada?

[*English*]

Hon. Chuck Strahl: Thank you. That's a good question.

I think if there's one thing that excites farmers across the country, it is this possibility that they see in the biofuels industry. There is, of course, big excitement among canola producers on the biodiesel side. There are corn producers on the ethanol side. There are wheat producers and an increasing amount of interest in the whole potential for cellulosic ethanol production across the country.

Everywhere I go, I think people understand that there is the possibility of having a domestic made-in-Canada ethanol and biodiesel system. In other words, we would not just be importing cheap imports, but would actually have a domestic made-in-Canada industry. Also, they see this very much as an opportunity for rural redevelopment, because these plants are going to be dotted across the country, and they'll tend to be, of course, where the supply is available, which is in rural country, farm country. The prospects of that excite farmers and obviously excite me as well.

We've announced several programs. One of them, the BOPI program—biofuels opportunities for producers initiative—which I mentioned, has been oversubscribed, so we added an extra \$10 million to it so we can make sure every applicant gets consideration. This is to allow farmers to get in for business planning purposes and to do some site analysis or whatever they might need to do in order to develop a viable business plan. So we're giving money for that, and we had to increase that, because it's been a very popular program.

The second program we announced is about more than biofuels, but certainly it's part of the whole biomass innovation program, which is basically to give farmers, producers, and processors money to help them develop all kinds of opportunities from biofuels to biocomposites, bioplastics—you name it—anything that adds value to basic commodities. Under that program another \$145 million would be available for farmers and processors to come together to find ways to move that forward. Again, I'm hopeful that's going to help us develop those new products.

We also have another program that's similar in size and that will help take those products from the idea stage to commercialization. What happens too often in Canada is that we get lots of good ideas that come up to a certain point and all of a sudden they stop, and they never get into commercialization.

What we want is for farmers to be able to say we have the idea, we developed the product, and everybody wants it. We get a patent and then there is no commercial value. So we have to get commercial value out of that. That's another \$135 million program.

Then there's the eco-agriculture biofuels capital initiative. It's an equity program for farmers specifically for biofuels plants and the equity position in that. Under that program, if farmers have as little as 5% investment in a biofuels plant, that plant will get a per-litre subsidy, if you will, an incentive, as an equity position to develop the plant.

As the percentage of farmer involvement increases, the amount of per litre incentive also increases. So the more farmers you get involved—or if you can get a co-op involved in a biofuels plant—the more money there will be from the government to help them take an equity position in that plant.

We announced that last week. The Canadian Renewable Fuels Association, the Canola Council of Canada, and other folks who were at the meeting said they were very pleased with the way it was designed. It's going to allow farmers—and you have to be a farmer, that's the deal—to take equity positions in these biofuels projects.

Finally, of course, we have a \$2 billion program that's for the biofuels industry generally, and that's split into two pieces. One is just a per litre incentive—20¢ for biodiesel, 10¢ for ethanol—to make plants that will produce competitively with the Americans, to help them get on their feet and to make a made-in-Canada biofuels industry. It's \$1.5 billion.

The second part of it is \$500 million that will go specifically for kind of the next generation of ethanol production, which the scientists tell us is likely going to be cellulosic. So wood fibre cellulose, switchgrass, straw, and other bio-products that used to be

waste products can now be used for the production of ethanol and biodiesel.

• (1630)

We have a \$500-million program, and that will go across the country again, not just for grain production but for all of these other types of production. A region of the country that's not into corn, for example, might want to grow sweet potatoes, switchgrass, or who knows what. This program is specifically to get them up and going. My hope is that eventually we'll transfer from a grain-based biofuels industry into more of a cellulosic one. Then we can use our grain for other more value-added products.

That's the list of programs to help make that industry viable.

The Chair: Thank you, Mr. Minister.

It is 4:30, and I know that you have other things on your agenda. We will suspend, allow you to depart, and let the rest of our witnesses come to the table as quickly as possible.

Hon. Wayne Easter: We have a question for CFIA, and I see that nobody on the list is from CFIA. Can somebody stay?

The Chair: We'll have them here on Thursday.

Hon. Wayne Easter: But we have a person here who needs to ask a question today. Surely the president could stay for 15 minutes.

The Chair: Is that possible, Mr. Guimont, to answer one question? We'll do that after we suspend.

Thank you, Mr. Minister.

We're suspended.

• (1630)

_____ (Pause) _____

• (1635)

The Chair: I call the meeting back to order.

Mr. Gaudet.

[*Translation*]

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

I would like to make one short comment. It find it inconceivable that the Minister meets with us so infrequently. If he is not able to set aside an hour and a half, so that each member of the committee can put questions to him, at least, there is a big problem. His presentation and his brief were very good. He might just as well have sent it to us, in French and English. He spoke for 25 minutes and I was not able to ask any questions. In future, Mr. Chair, if the Minister agrees to meet with us but we cannot all ask him questions, I would rather he stay home, as simple as that. Ordinarily, I am very conciliatory and I can adapt to a lot of different situations, but this afternoon, that was a little much. Thank you.

• (1640)

[*English*]

The Chair: Thank you, Monsieur Gaudet. Point taken.

We can make the request to call the minister back at a later time. We'll have to check to see if his schedule is available and make the request that he stay for the entire meeting the next time he appears, if that's the desire of the committee. I can appreciate that.

We're going to continue with our rounds. I don't think anybody has any opening comments. We're going to continue with the minister's comments as the opening comments.

Monsieur Gaudet, you're up for the Bloc Québécois.

[Translation]

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

I am going to ask you my questions. I note that you are all assistant deputy ministers, acting or otherwise. What is the vision for agriculture at present? My preamble will be quite simple. At National Defence, they make plans 10 years in advance. I have been in Ottawa for four and a half years, and there has never been any clear vision for agriculture. How can this be?

If I listen to the Minister, there are so many programs that they are coming out our ears, but not one is designed for farmers. What is your vision of agriculture, as there is for the environment or any other aspect of society? What is your vision? We have had problems like avian flu, BSE, droughts, floods and the golden nematode. These are obstacles.

How can it be that we are not able to do as the Americans do and give our farmers the same kind of subsidies that the Americans or the European Union give to their farmers? How can it be that we in Canada are not able to do the same? For four and a half years, I have been hearing the same song, sung by everyone I meet. Now I want an answer, if you are able to give me one, naturally.

[English]

The Chair: Who wants to handle that question?

Madame Vinet.

Ms. Suzanne Vinet (Assistant Deputy Minister, Strategic Policy Branch, Department of Agriculture and Agri-Food): Thank you, Mr. Chair.

[Translation]

Obviously your question is very broad. The vision is reflected in the agricultural policy strategic framework that is now in place. We have initiated consultations with the sector so that we can update the strategic framework, and we are discussing the vision for agriculture. While we work to ensure development in agriculture, through our strategic framework, we are discussing this perspective with producers. The Minister clearly wants the next strategic framework to reflect a profit-oriented agricultural sector that enjoys the benefits of many innovations. It will have to include the kind of programs that will lead to production that benefits producers in the long term and meets the needs of society. The current strategic framework incorporates a range of programs, and that is what we are now working on for the next strategic framework.

Mr. Roger Gaudet: The reports we have received say that fiscal 2007-2008 will be a key year in that it will be devoted to developing the new agricultural policy and new programs. Implementation is scheduled for 2008. That is actually my question. Are you starting to

prepare this for 2008, today? We are almost there, and you have nothing concrete. This seems to me to be a real problem. I am wondering whether agriculture really counts. This is our raw material, in Canada, and still it seems to be adrift. You have no programs. I am very dissatisfied and that is what I would have told the Minister if he had stayed. I hope that my comments will be taken back to him. I have nothing to add.

• (1645)

[English]

The Chair: Does anybody want to follow up on that comment?

Thank you.

Mr. Devolin.

Mr. Barry Devolin (Haliburton—Kawartha Lakes—Brock, CPC): Thanks, Mr. Chair.

I have a couple of questions.

Since the BSE crisis, everyone realizes that beef farmers were impacted and there was a program introduced to compensate beef farmers for some of their losses. But there are other producers, and I'm thinking in my own riding in central Ontario, dairy producers as well as sheep farmers, who were also side-swiped. They're in the business of exporting breeding stock out of Canada. I wonder what has been done, or if anything is being contemplated to be done, to compensate dairy farmers and sheep producers, who also lost millions of dollars as a consequence of BSE.

The Chair: Does anybody want to respond?

Mr. François Guimont (President, Canadian Food Inspection Agency): I can take a stab at this.

First, before I speak, I should introduce Dr. Gravel, since this is a bit impromptu, and Krista Mountjoy, who is the vice-president of the programs at the CFIA.

On the issue of beef, cow, sheep, and compensation, the responsibility of the CFIA is when there is action to be taken and we need to depopulate, or we need to essentially put down animals as a result of a quarantine illness or something that fits the parameters of our regulation and legislation, compensation will be paid. So there's a schedule for that, and compensation is paid. So that's one point.

In terms of what I would call resuming market and movement of species—sheep, goats, cattle—as you know, there's a rule right now, so there's movement of cattle to the U.S. Hopefully, we're going to get a second rule, which will remove the limitations in terms of age, the cattle that can move down. More recently, over the last couple of months, we've been working at putting in place a regulatory regime between Canada and the U.S. that will facilitate movement of sheep and goats, as an example. So I'm not addressing the issue of compensation per se, but we're talking here about efforts that the CFIA and the minister have put forward in resuming better market access, both to the Americans, frankly, and Canada. These things are milling their way through the system.

Some regulatory authority is needed, and things of that nature, but we've been proactive at this, and frankly we've been doing this with the industry. The industry is aware of that and has been very supportive.

Mr. Barry Devolin: So what I take from that is that there's nothing dealing with compensation for losses to date, but that there are some efforts being made, given that the markets are still closed, to open them up at some point in the future. Is that a fair comment?

Mr. Andrew Marsland (Assistant Deputy Minister, Market and Industry Services Branch, Department of Agriculture and Agri-Food): I think that is a fair comment.

In addition, there have been a couple of programs to assist both the ruminant sector other than the beef sector and the non-bovine sector, both in terms of sustaining the genetic quality of the herd and in market development. We can provide details of those as well, and in the past also, programs that have applied to the dairy sector as well as the beef sector in the suite of programs. So there has been some assistance provided, particularly in the market development side and on the genetics, preserving the genetic quality of the herd as well, while these industries face these problems.

Mr. Barry Devolin: I have a quick question to do with the CAIS program.

It's my understanding that CAIS was introduced as a five-year program. If somebody unilaterally wanted out of it, it was a two-year clause and we're in the last two years of CAIS. It's my understanding that the provinces, and particularly my province of Ontario, wanted to maintain CAIS and were not agreeable to getting rid of CAIS and bringing in another program. I'm just wondering if that hurdle has been overcome and whether the federal government is getting cooperation from provincial governments to come up with a replacement for CAIS.

Ms. Nada Semaan (Assistant Deputy Minister, Farm Financial Programs Branch, Department of Agriculture and Agri-Food): Actually, CAIS is part of the APF, but it is a statutory program, so you are correct that it would take any one of the parties two years. They would have to identify in advance that they want to remove themselves from it.

As to the federal-provincial ministers, when they first met in terms of talking about a replacement for CAIS, and as they consulted with industry, a number of industry members identified that they did want a margin-based program as a component of a new suite, but that wasn't enough.

So there has been a lot of progress with federal, provincial, and territorial ministers, especially in the last meeting, as the minister just mentioned, to replace CAIS with not one program, but a suite of four programs: the first one is a producer savings account for the top tier; then a new margin-based program, which pretty well covers a lot of new features to the margin base; then an enhanced production insurance program; and then a final area, which is the catastrophic disaster program to take care of other costs that the other three programs do not cover.

There's been a lot of progress. Right now we are working with the federal-provincial-territorial officials and we are going to present recommendations to ministers in June for the next APF.

● (1650)

The Chair: Thank you.

We'll go to Madam Bennett.

Hon. Carolyn Bennett (St. Paul's, Lib.): Thank you very much.

My question is for the department, but mostly for the Canadian Food Inspection Agency. The pet food problem seems to have woken a lot of us up. Now that you're before the committee, it would be appropriate to ask you to go over the kinds of regulations we have, whether it's for wheat gluten or any other imported additives to the ingredients in pet food and human food.

How do we make sure that what was intended for pets, if it happens to be eaten by humans or happens to feed the animals that feed humans, is regulated? How are you regulating that? To the same point, when people see things they think are made in Canada, how do they know the ingredients didn't come from somewhere else that has totally different regulations?

Mr. François Guimont: Thank you for the question.

I'll give you a bit of an overview as to how it works. I'll start with pet food, then I'll drill down to where we are. I think that's probably of interest to the committee in terms of this issue as you've expressed it. I'll use analogies instead of boring you with acts and regulations.

The CFIA has a responsibility for pet food as it relates to animal health. If we know that pet food can turn out to be an issue vis-à-vis cows, pigs, and things of that nature, there is a line of responsibility for the CFIA. That's the first thing.

Second, we have a responsibility, as well, for export certification of pet food. That's the reality, and it goes like this. Let's say that an importing country wants us, being Canada, to make sure that the pet food from Canada going into that country meets certain requirements. We will CFIA-certify it against those requirements. It's not unique to pet food. Certification of exports is done by the CFIA on a whole bunch of commodities. It can be beef and things of that nature.

We don't have what I call a regulatory framework for pet food for pets' sake, in the sense of the health of animals as pets—dogs, cats, reptiles, tortoises, or things of that nature. I'm not passing judgment on whether it's a good idea or a bad idea. The regulatory structure has not been there.

This is when we work with pet food: if there is a livestock issue; if there is a pet food certification purpose, for export; and if there is a human health component. That is when, and I stress this, a pet food issue in Canada can be connected to a human health issue. Take treats, for example. Treats, we know, from the work we have done, can be contaminated with salmonella. We know that the treat in question can be handled by a young person. If a kid, or even an adult, for that matter, touches the treat to be given to the dog or the cat, and there's a possibility that the person will touch his or her face afterwards, then we will act. We have the power and responsibility to act. We can recall.

If it's for the pet's sake, for a pet's health, we don't have a recall capacity. We don't have a regulatory capacity, and that's just the nature of where we are right now.

Hon. Carolyn Bennett: If I'm reaching into the bag to get the dog food out and throwing it into the bowl, that doesn't count, but if it comes marked as a biscuit, it does.

Mr. François Guimont: As I was explaining, if there is a potential relationship between the pet food in question and salmonella or another contaminant that can be a human health hazard, we will contact Health Canada and explain the situation. Health Canada will say that they think we have grounds to do a so-called level one, level two, or level three recall.

Level one implies a potentially serious health impact. That gives CFIA the technical scientific advice for us to proceed with that recall. The connection would be a human health connection. It would not be, to be clear, because of kidney failure in a dog. It's unfortunate, but that would not be a trigger for us at the current time.

• (1655)

The Chair: You have about 13 seconds left.

Hon. Carolyn Bennett: Would the old Bill C-27 have covered that?

Mr. François Guimont: I'll defer to Mr. Gravel, who is more familiar with this bill than I am.

Mr. André Gravel (Acting Vice-President, Programs, Canadian Food Inspection Agency): The proposed Bill C-27 was not addressing a pet food issue but would have given the agency more power on imports. There was no provision in Bill C-27, as introduced, that gave regulatory authority to the agency to control pet food. It created enabling powers for the agency that may have been used to draft regulations, but there was nothing specific on pet food.

To build on what Mr. Guimont mentioned, the agency intervened in a couple of cases with a recall of pet treats—pigs' ears, as an example—that were contaminated with salmonella. But it was strictly on the basis that these things were seen as a health hazard for humans.

The Chair: Thank you.

Mr. Anderson.

Mr. David Anderson (Cypress Hills—Grasslands, CPC): I still want to follow up a little bit on those issues. There seems to be more of a public concern about food safety in terms of import of food. I'm just wondering, what is the strategy for the future, as far as the CFIA is concerned, in terms of dealing with agrifood imports that are coming from countries that may have lower standards than we do? What's your specific strategy for dealing with that?

Mr. François Guimont: Thank you for the question.

Frankly, I want just to go back to pet food, because it's a case in point that points in the direction of imports coming from other countries, even if it's pet-related. When we were made aware of that situation by our U.S. colleagues, we just spoke about the regulatory structure not being present, but we were very alert in case the wheat gluten in question that was contaminated by melamine might have

found its way into the human food supply. So we were, essentially, very much up to speed as to what was happening.

We have a border lookout. The terminology implies that any wheat gluten coming from China is stopped at the border, and essentially we hold and test it to make sure there's not a presence of melamine. So we did that.

As this thing progressed, we moved from that level specific to wheat gluten, which was the original story, and we kicked it up as we heard about rice gluten, and then we heard about a corn gluten issue in South Africa, if I remember. So we went from wheat to a lookout with the CBSA on corn, rice, wheat—obviously—and soy, if I remember, just to make sure that the basket was as broad as possible, again working in tandem with the U.S.

More recently, we've kicked that up further to vegetable protein concentrate, which can have more than gluten. Essentially what we've done is a lookout, hold, and test. Not only have we looked now at melamine as a potential contaminant, we have a broader suite of tests carried out on those inputs—that's what I call them. So that's what we've done.

Now, about your question more specifically, as you may imagine, in the organization and in the United States, probably worldwide, people are watching and they're asking, "How do we wrap our minds around this?" In CFIA we're going to be creating a relocation of resources to take a broader approach to looking at where major sources of inputs or foods are coming from other countries. We always take a risk-based approach.

We're going to give, for the larger volumes and the higher risk, and we're going to do some tests, essentially. We are doing that in our run-of-the-mill operation. We work through a number of projects for inputs or imports that we're getting from other countries, but now we're going to go to a higher level, with more effort, to carry out that sampling. Obviously inputs coming from China are an example, but it can be other countries as well.

Again, it's not necessarily about one country. It's about where is the largest source of food supply coming into the country, and taking what I would call a country profile, based on risk, volume, and potential pathways and inclusion into our food supply in Canada. So that's the approach we're taking.

Frankly, this action plan that I'm talking to you about is something that we're fleshing out as we speak. That's what we're doing right now. This issue is being looked into in a very serious fashion.

The Chair: I'll just remind committee members that we do have CFIA back in here on Thursday. We don't have people from the department back on Thursday.

• (1700)

Mr. David Anderson: I'm going to change my direction a little bit, then.

Organics are a constantly growing part of the agricultural industry. In my area right now, particularly, it has to do with organic grains. Farmers are coming to us and saying they want to be able to market their own grain. The Wheat Board does not market it for them. They would like to market that and have the freedom to do that.

I found it interesting that organic farming is not mentioned in your document on plans and priorities. I'm just wondering, how does organic farming specifically fit in the government's plans and priorities? Where do you see your role in that?

Mr. Andrew Marsland: Thank you for the question.

We view the organics sector as an important part of the sector in terms of the market development possibilities it offers. We recently set up a national organics value chain round table. It recently had its second meeting, and it's setting out a work plan for the industry in terms of the issues the industry needs to address. Obviously, we'll be dedicating resources to support that round table and following up on the proposals it comes forward with.

As you know, recently, the—

Mr. David Anderson: Can I ask you one question as you're talking about that? In the past, organics have been typically at a premium in the marketplace. In some areas now there are enough of them being produced that their prices are coming down to where they're not that far off from the regular products.

When you're doing your planning, do you plan that they will be at a premium, or are you planning that they will be a regular part of the marketplace?

Mr. Andrew Marsland: I think typically people have talked about a 20% growth rate on premiums available to organics. That probably differs by product and so on.

One of the strengths of the round table and what we hope to come out of it is the kind of exercise we've seen in the other round tables. They have looked at the market opportunities, the challenges and the opportunities, and have developed industry strategies, which we would then support, to take advantage of those. One will be scoping out the market, looking ahead over the next few years, and seeing if those premiums are projected to continue and so on.

From the two meetings we've had with the national value chain round table, it's clear there's a lot of optimism in the industry. But it's a new industry, and the sector doesn't have some of the depth we see in other parts of the sector in terms of understanding the outlook towards the medium term.

The Chair: Thank you.

Mr. Atamanenko.

Mr. Alex Atamanenko: Thank you, Mr. Chair. I'll get to CFIA on Thursday then.

The Chair: You're on.

Mr. Alex Atamanenko: Okay.

We've talked about vision. It has come up over the last two weeks that we've been touring the country, this whole idea of food security in Canada, of buying Canadian, of comparing with the U.S. institutional program and encouraging institutions to buy Canadian produce. There's also food security vis-à-vis open market and globalization; some people have concerns. In the work you've been doing, and looking into the future, how has this entered into the overall planning of securing a food supply in our country?

I'll just open that up to anybody.

Ms. Suzanne Vinet: Thank you, Mr. Chair.

We've been holding consultations since late 2006. We've been hearing a lot of the same thematic areas, if you will, or the same issues that you've been hearing. Certainly the whole idea of giving importance to the domestic market has been a prevalent idea.

As we're evolving the work along with the industry in terms of developing the next framework, we're going to be looking at some of those key areas, including how to better connect the knowledge of the consumer with what's being produced in Canada. We have to understand that about 70% of what Canadians consume is produced in Canada. There's already a high degree of correlation between what Canadians eat and what's produced in Canada.

So we obviously have to do a much better job of sharing information collectively—not just governments but industry as well, working together with provinces and the industry—and making sure there's a better understanding of the food system in Canada, looking at the kind of initiatives we have in place that will assist the industry in sharing that information with the sector, and doing more branding in terms of Canadian products and Canadian product attributes.

All of these ideas are being taken fully into consideration. We've just finished two large rounds of consultation across the country. We've received input from over 3,000 farmers and stakeholders who have a direct interest in the sector. We're just in the throes of reflecting on this information. As we prepare to make recommendations to ministers on how to move the framework, we are taking into consideration a number of these points that have been raised.

• (1705)

Mr. Alex Atamanenko: So apart from just sharing, there is perhaps the possibility that we'll have a “buy Canadian” program—in British Columbia we had “buy B.C.”, and then it was kind of scrapped—with the idea that there will be a shift from our federal government, not only through this sharing but also through a definite and specific program, to encourage Canadians to buy Canadian products.

Ms. Suzanne Vinet: We have not yet made decisions as to what specific programs there will be, but there is certainly currently an initiative on branding Canadian products.

We'll have to evaluate how much further to take this, what kind of changes are required as part of the work we're doing with the industry and the provinces, and the best way to advance the interests of the sector.

Mr. Alex Atamanenko: Thank you.

The Chair: Thank you.

Mr. Hubbard.

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

Going by my sheet, we have six assistant deputy ministers here this afternoon. Are there more than that? Do we have all the assistant deputies here?

The Chair: I believe there are five at the table.

Hon. Charles Hubbard: But the sheet lists six. Are there more than six?

The Chair: Does anybody want to respond to that?

Hon. Charles Hubbard: It may be difficult to answer, but somewhere there must be a book that tells us how many there are.

If we go around the country, all the farm groups seem to be short of money. They think the government is good, but there's never quite enough to meet the vision of the needs they seem to have.

Along with that, whether or not it's this minister or the previous two or three ministers, every minister says this is the greatest amount of money they've ever put into the agricultural community.

Mr. Chair, it's only a yes or no answer, but can anyone provide this committee with an answer?

The big problem is that they allocate money, but it never seems to get there. I noticed even the minister today said he'd put so much money on the table. But does it ever leave the table to get to the farm?

Who among all the assistant deputies has the closest connection with the farm community in approving the cheques that go out?

Nada, is it you? I don't want to put you on the spot, but last year how much money did you write in cheques to the farmers of Canada? What's the ballpark figure?

Ms. Nada Semaan: Thank you, Mr. Chair.

Thank you for your question.

When in terms of last year, the fiscal year or the calendar year?

Hon. Charles Hubbard: In the government, we operate from April until the end of March. How much money went out in the year 2006-2007?

Ms. Nada Semaan: Actually, in CAIS alone, over \$1.1 billion went out. Production insurance was over \$500 million. For grains and oilseeds, from the calendar year of April to April and not before that, it was over \$350 million. The other part of the \$755 million went out earlier in the previous year. For CITI payments as of April 2 of this year, over \$640 million went out. The options program, as the minister identified, was over \$141 million. The farm income payment program, the leftover from that program, was almost \$3 million.

Hon. Charles Hubbard: I only have five minutes, but what does it add up to? How much money went directly to farmers?

Ms. Nada Semaan: Directly, in terms of direct payments out of these programs, it was a little under \$3 billion.

Hon. Charles Hubbard: Was any money sitting there that never went out on the basis of the budget for that year?

• (1710)

Ms. Nada Semaan: CAIS and production insurance are demand-driven programs. For example, the budget for BRM is \$1.1 million. Every year CAIS has exceeded its budget.

Production insurance has had a steady increase in terms of indemnities paid out to it. The grains and oilseeds payment actually paid out \$754.2 million of the \$755 million. There's very little left and it is still required for some appeals that are currently taking place.

For the CITI payment, we are now in the middle of paying for 2005, and we expect all payments to be out on that one.

On the options program, as the minister had identified, we expected to spend about \$170 million. We spent \$141 million. This was based on the number of applications we received and those that qualified.

Hon. Charles Hubbard: You referred back to some money that was somehow planned for 2005.

When I look at the program activities in terms of the source being the Agriculture and Agri-Food report on plans and priorities, it seems that about \$1 billion less is planned for 2008-2009 as opposed to 2007-2008. The figure then gets even smaller for 2009-2010.

Mr. Chair, could we have someone give an answer to this committee on how much money the Department of Agriculture and Agri-Food actually paid out over the last 10-year period, since 1996 or 1997 until the present?

As I said, every minister says there's a lot of money going out. The farm community certainly appreciates it. But when we travel across the country, there's always the question about where the money is.

In effect, you're saying some of the money that was planned back in 2005 is only getting out now. Is that what I heard? You referred to one program where they had apparently set aside money in 2005 and it's just been paid out now. Is that correct?

Ms. Nada Semaan: I'm not aware which program you're referring to. I'm sorry.

Hon. Charles Hubbard: How far does the money lag behind the programs? I guess that's what I'm asking. How far does the money lag behind, from the time the minister announces until it eventually gets out to the farm community?

The Chair: Mr. Hubbard, you're out of time, so let's have just a response to that final question, please.

Ms. Nada Semaan: As an example, on the day the options program was announced, the application forms were on the Internet and we actually received our very first application, and within five days we had a payment for the options, as one example. That was a good news story.

The cost of production program was just announced today, and we expect payments to start flowing in June. We are moving on this as quickly as possible.

Thank you very much.

The Chair: Thank you.

Monsieur Bellavance, you have the last questions before the bells ring.

[Translation]

Mr. André Bellavance: Who looks after the Canadian Farm Families Options Program? You do? Okay.

It seems that this program was started without the provinces and farmers being consulted first. Is that right?

Ms. Nada Semaan: A number of analyses were done before that program was created. People in the agricultural sector told us that it was difficult for them to use the renewal programs without getting funds to manage their businesses. This program was created in response to requests from the industry. Because it was already provided for in the budget, we had to wait for the budget to be tabled before announcing it.

Mr. André Bellavance: You say there was no consultation. I can assure you that the Quebec Minister of Agriculture at the time was very surprised when this program was announced. Today we see that the program is going to be terminated, again with no consultation.

The rules have been changed. I am seeing a lot of ad hocery in the management of this program. I have the impression that when the program was started what they had in mind was wanting to help the poorest producers. The reaction was that this was not what had been asked for. Still, no one can refuse \$500 million dollars going to the poorest producers.

According to your figures, about \$140 million was spent last year under the Canadian Farm Families Options Program. I would like to know how much money you plan to spend this year. Is the \$500 million allocated to this program really going to be spent?

• (1715)

Ms. Nada Semaan: First, this program is a federal initiative, so the provinces make no financial contribution to it. However, the Government of Quebec was consulted because that is who manages the renewal program. It also had to be asked to provide funds for the direct option.

This program is a two-year pilot project. It is in its second year. When the program started, we thought there were 17,000 producers, but in reality there were 14,000, a significant drop for evaluation purposes. The fact that some people are participating in the program in the second year will mean that we can do a complete analysis and get information to use for the future agricultural framework.

Thank you.

The Chair: You may ask one final short question.

Mr. André Bellavance: Has the \$500 million been spent?

[English]

Ms. Nada Semaan: No, as the minister has said, it is now a little over \$300 million. There'll be \$203 million from the options program that will be redirected to other priorities in the agricultural sector.

The Chair: Mr. Miller will have the last turn in the fourth round, for the Conservatives.

Mr. Larry Miller: Thanks, Mr. Chairman, and thanks to everyone here for being here today.

I'll follow up a little on what the minister was talking about. He talked about some of the changes in the CAIS program after the discussions with the provinces.

One thing he didn't clarify, unless I missed it, was the timing of it. How soon do we expect most of those changes to take place, Ms. Semaan?

Ms. Nada Semaan: Should we get direction from the federal-provincial ministers to move with it in June, we are hoping the producer savings accounts program can be ready by 2008. However, the \$600 million that the government announced would go out sooner than that, so that we can kickstart the program faster.

Speaking on the margin-based program, as the changes have been identified we have been incorporating as many as possible. As you know, the inventory evaluation payments have gone up, but also, the changes have already occurred for the new margin-based program, so that it is done in P1, P2. Negative margin for 2006 was already implemented.

We are looking at a number of changes, such as structural changes, and as they come in, we're looking at them potentially for 2007. So we are looking at implementing them in 2008 for the 2007 program year.

As to the enhancements to production insurance, for those programs, as the minister said, a number of provinces have taken the frameworks that were developed over the summer quite aggressively. In Ontario alone, over 45 crops are being reviewed now, in pilot projects across Ontario. For livestock insurance, Nova Scotia and Quebec are looking at programs even potentially in 2007, but in 2008 for sure, and there are a number of other programs that are being looked at for 2008.

We have funded and have done studies for both poultry and swine for production insurance as well. The swine report is coming out this year, and we're hoping to do it fairly shortly.

Finally, there's the disaster framework. We have authorities in place for the federal government to react very quickly, should a disaster situation happen. As the minister said, we got agreement for the framework; it's the funding that is still being discussed. We are hoping that will be resolved in June. At that point, it will be available immediately, if a disaster situation happens.

• (1720)

Mr. Larry Miller: Thank you.

Just on the number of new crops in it, something we heard a lot while travelling across the country is that there were certain crops that didn't qualify. I think this should satisfy a lot of producers in that regard.

Another thing we heard quite a bit in our travels across the country concerned companion programs, and I didn't get a chance to ask the minister about this.

First of all—and I don't expect you to totally answer for him, but I think you can answer it from the staff side—will any kind of suggestion come forth to the minister from the department on companion programs? Will they be allowed, and if so, how might they be set up?

Ms. Suzanne Vinet: When the minister referred to there seeming to be a common opinion evolving that we should be looking at some form of regional flexibility, it is in that context: that the minister and ministers from the provinces are trying to look at what kind of flexibility we could bring to an agreement that would cover national objectives.

There was very clear direction from federal-provincial-territorial agriculture ministers that they wanted a focus on national objectives with some kind of regional flexibility. It's in that context that we've undertaken discussions at the federal-provincial-territorial table, and also in listening to what farmers' ideas might be around this.

Mr. Larry Miller: One of the complications I see, one that was certainly pointed out in our travels, is that starting to fund one region differently from another is what really complicates things. Can this regional aspect be accomplished while staying reasonably within those realms?

Ms. Suzanne Vinet: Yes, that's right.

We've just started doing the work in terms of what kinds of principles we might attach to this. One of the very important considerations, for example, has been making sure we don't attract countervailing attention from the U.S. So we have to be careful how we design programs.

It's attaining the right balance between national objectives, flexibility in the region to reflect different regional realities, our local reality, yet take into consideration Canada's advantage in terms of trade obligations, for example. So the definition of this is what we're working on with the provinces and the territories, and still receiving input from the sector.

The Chair: Thank you, Mr. Miller.

I want to get clarification on the comment that Madam Semaan made about the livestock production insurance that's being looked at in Quebec and Nova Scotia. When we had the Manitoba Agricultural Services Corporation at committee in Manitoba, they commented that the delivery for livestock insurance was going to be a no-go. They didn't see how they were going to be able to implement it. Now, this is one of the issues we did bring about as a government, saying that it was going to be made available across the country. So how do we make this possible, when we have some provinces saying they're going ahead with it and other provinces saying it's going to be almost impossible?

Ms. Nada Semaan: Thank you, Mr. Chair.

Production insurance, as you know, is a provincial jurisdiction. However, what we have been doing, and as we did find, when we create the frameworks and when we create capacity for learning from other jurisdictions, it's facilitated other provinces to take on....

For example, in terms of the livestock mortality insurance that is now being looked at both in Quebec and Nova Scotia, Quebec had done quite an extensive amount of homework on that. They shared all that data with the provinces and said that this way, you can move a lot quicker.

In addition, one thing I failed to mention is that as well as provincial production insurance, there's a private risk shared management insurance program whereby we work with the industry in terms of finding ways they can insure themselves.

As part of this initiative, the Livestock and Poultry Council in Ontario has developed a very extensive project for livestock production insurance that is private production insurance. This one is now ready for pilot. In Ontario, it's gone through all the phases. It was funded from the PSRMP and it's looking quite.... It's got fantastic possibilities.

We're bringing these types of good-news stories to the provinces. We get the data, the homework they did, whether it be through CFIA in terms of creating the capacity for the reinsurers, and we use that. They can take that and make it a lot simpler to deliver in their own province.

That was how Ontario was able to take over 45 commodities. They based it on the British Columbia acreage loss and the Quebec acreage loss. It would have taken them years to do this if they had to start from scratch. But by being able to use other jurisdictions' learnings, we were able to move it quite quickly.

● (1725)

The Chair: I want to thank Nada Semaan, who is the assistant deputy minister for farm financial programs; Andrew Marsland, who is the assistant deputy minister for market and industry services branch; Suzanne Vinet, who is the assistant deputy minister of the strategic policy branch; Marc Fortin, who is the assistant deputy minister for the research branch; Pierre Corriveau, who was with us before, acting assistant deputy minister of corporate management; and Graham Barr, who is pinch-hitting today for Steve Verheul, chief agricultural negotiator, negotiations and multilateral trade policy directorate. I want to thank all of you for taking time out of your schedules to be with us here today.

With that, we'd better get in for votes.

We're adjourned.

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