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Thursday, May 3, 2007

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Chair

Mr. James Bezan

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• (1535)

[English]

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

We continue to deal with the main estimates. I believe we'll have votes on the main estimates at the end of the meeting today.

We have the CFIA here for a few specific questions. They were gracious enough to spend time with us at the last meeting, and we really appreciate their being here today.

We welcome back to the table André Gravel, executive vice-president; Gordon White, vice-president of finance, administration, information and technology; Dr. Brian Evans, chief veterinarian officer; and Krista Mountjoy, the vice-president of programs.

I welcome all of you to the table.

Do you have any opening comments you want to make before we get into questioning?

Mr. Gravel.

Mr. André Gravel (Executive Vice-President, Canadian Food Inspection Agency): Yes, I do, Mr. Chairman.

Good afternoon, and thank you very much. I certainly appreciate the opportunity to appear before the committee.

My name is André Gravel, and I'm the executive vice-president of the Canadian Food Inspection Agency.

As you are aware, the CFIA has a regulatory responsibility at the federal level to safeguard food, animals, and plants. The CFIA recently celebrated its tenth anniversary. For a decade, the CFIA's work in safeguarding Canada's food, plants, and animals has been contributing to the health and well-being of Canada's people, environment, and economy. The regulatory and inspection regimes we oversee have had a beneficial impact on international confidence, which is the basis for trade.

[Translation]

Since its inception some 10 years ago, the agency's capacity and profile have grown and developed. It has become the subject of greater interest and importance. The CFIA is the largest scientific regulatory agency in Canada. In order to be objective, credible and justifiable, its decisions must be based on the best-available scientific knowledge while taking a balanced approach to other factors that are inherently linked to public interest.

A number of factors must be considered in managing risk, including social, economic and environmental concerns and possible impacts on stakeholders and consumers. The agency takes a stringent approach to risk management due to the unforeseen nature such contingencies.

[English]

We have an excellent international reputation for the quality and competency of our science. For example, the OIE—Office international des épizooties, or World Organisation for Animal Health—has designated several CFIA facilities as OIE world reference laboratories for avian influenza and BSE. In fact, the CFIA laboratory system includes 13 of Canada's 17 international reference labs.

The remarkable expertise of our staff underpins our domestic and international reputation. The CFIA has more than 6,000 employees across the country working for Canadians. Since it is our tenth anniversary, I'd like to take this opportunity to mention a few of our achievements over the past ten years.

When BSE was found in Canada in 2003, the CFIA responded quickly and effectively. We've since launched a comprehensive, multi-faceted strategy to eradicate BSE from this country's cattle population. This has resulted in sustained domestic market confidence and unprecedented international market recovery.

• (1540)

[Translation]

So far, more than 150,000 animals from the populations at risk have been tested under the national BSE monitoring program. The strengthening of the animal health feed ban, which will come into force on July 12, 2007, will help us to stem the spread of the disease and will step up the eradication of BSE within the bovine population.

Thanks to these measures, and to other means that have been implemented to control the spread of BSE, it has been recommended that Canada be officially recognized by the OIE as a country with a controlled BSE risk. This should be made official later this year. This recognition clearly demonstrates that other countries are confident in Canada's efforts to monitor BSE, as well as our commitment to protect public and animal health.

[English]

As many of you are undoubtedly aware, yesterday the CFIA announced Canada's tenth case of BSE. This finding does not pose a risk to food safety or public health, nor does it have implications for Canada's BSE status. Canadians and the national cattle herd are protected by a suite of interlocking BSE control measures. Guided by the OIE and informed by an international panel of experts, Canada has moved to strengthen its process since BSE was detected in May 2003.

Over the years, as more cases have been found, the reactions have become more moderate and the caution for industry minimized.

[Translation]

The CFIA is also involved in fighting avian flu. In 2004, the CFIA, along with its provincial counterparts, investigated an increase in a highly pathogenic strain of avian flu in British Columbia's Fraser Valley, and managed to confine it. Staff from across the country took part in this rapid intervention which involved a wholesale slaughter of all of the animals in the infected facilities and the preventive destruction of neighbouring birds.

[English]

Highly pathogenic avian influenza can have dramatic consequences for both animal and human health, so we do not take lightly the threat posed by possible re-infections or the re-emergence of new strains. For this reason, the CFIA is supporting and promoting improved biosecurity in commercial and backyard flocks. It is expanding surveillance measures and enhancing response activities across the country.

CFIA staff have also worked to combat invasive alien species, which have the potential to cause extensive economic hardship and environmental damage. Examples of invasive alien species that have been found in Canada include emerald ash borer, ground spruce long-horned beetle, and Asian long-horned beetle.

There is, of course, a high interest in food safety on the part of the public. A recent survey done for the CFIA indicated that a strong majority of Canadians, 82%, agree that the Canadian food safety system is among the best in the world. Also, 78% of respondents agreed that the Canadian government has done a good job of informing Canadians about relevant food safety issues, and 74% of Canadians are interested in receiving information about food recalls.

Around the world and in Canada, people have high expectations for food safety.

[Translation]

In the fall of 2006, we issued a number of health risk alerts related to food. These included alerts relating to salmonella in chocolate, toxins produced by clostridium botulinum in carrot juice and salmonella in spinach. The high number of recalls demonstrates that the system is indeed working. The problems are quickly identified and the agency is meeting the expectations of Canadians.

The CFIA also reacted recently to detect the golden nematode which was destroying potato crops in a region just outside Montreal. Upon close surveillance, we were able to set up a regulated region and designate four satellite sites—in other words, smaller regions

that were not directly adjacent to the regulated area—covering a total of about 4,700 hectares in order to stop the spread of the nematode.

In March 2007, the Animal and Plant Health Inspection Service, of APHIS, from the USDA, imposed compulsory analyses on imported seed potatoes. Therefore, as of March 21, 2007, all seed potatoes exported to the United States must include a soil analysis and must be free of the potato cyst nematode.

With respect to the potatoes that have been shipped under this requirement, the CFIA, in conjunction with the stakeholders, reacted quickly to take the required soil samples and carry out the analyses. As this was all done very efficiently, there were very few impacts on trade.

• (1545)

[English]

These are but a few of our achievements over the past years. Our report on plans and priorities looks to the future and the impacts that the CFIA will continue to have.

Our five priorities, as outlined in our report on plans and priorities, are: improving regulatory compliance; continuing our high state of preparedness in response to Asian influenza and other zoonotic plant diseases and pests; supporting the agenda for innovation, competitiveness, and productivity; moving forward on key regulatory initiatives; and continued management of the CFIA corporate agenda.

In view of these priorities, we will, among other things, be improving regulatory compliance using measurable targets. We know that results-based management and accountability remain a key priority for government, so with realistic targets and performance measures now in place, we can find ways to increase compliance. We want to make inspection and enforcement more consistent across the country.

[Translation]

We are committed to constant improvement, and we want to work with our provincial and territorial partners to upgrade our health safety standards and ensure regulatory compliance in the food sector that is not covered by the federal program. This is a growing sector which imports large quantities of food products. We want to ensure that they take the right approach to managing risk.

With respect to zoonotic diseases, which can affect both animals and humans, we must remain vigilant and ready to act. The public and media interest can wane over time, but the CFIA is constantly on guard to protect public and animal health.

The CFIA program and services' budget has gone from \$571 million in the 2006-2007 main estimates to \$587 million in the 2007-2008 main estimates. This is a net increase of about \$16 million. This amount will be used for new resources, including readiness to fight a possible outbreak of avian flu or a flu pandemic, and for the organic product program. This will be offset by the implementation of the expenditure review committee reductions and the sunseting of resources related to the BSE animal health feed ban.

[English]

The 2007-08 main estimates budget of \$587 million is further increased by \$52 million in the report on plans and priorities to reflect 2007-08 planned spending of \$639 million. This increase is due to expected funding for slaughterhouse inspection and the renewal of sunseting BSE feed ban resources.

Global trade and international travel make it more challenging than ever to protect the food supply and safeguard human, animal, and plant health. We will continue to work to successfully protect Canada from these threats.

Thank you very much. The agency is now open for questions, Mr. Chairman.

• (1550)

The Chair: Thank you very much.

I want to remind all members that immediately following the question and answer period we do have votes on the main estimates, and we also need to talk about future business and potential travel.

With that, Mr. Easter, you're first on this seven-minute round.

Hon. Wayne Easter (Malpeque, Lib.): Thank you, Mr. Chair, and welcome, folks.

I want to say at the beginning that your survey shows that Canadians can indeed take pretty good pride in the Canadian Food Inspection Agency and what it does, and I think your poll showed that. I think we would agree that you manage to protect the integrity of our system; we do have one of the safest food supply systems in the world, and you're to be congratulated for that. However, there is a problem. We've just completed two weeks of hearings with this committee, and certainly primary producers feel they're bearing too much of the cost in terms of inspections and maintaining the integrity of the food system.

You may or may not have this information, but can you produce for us any comparisons with—and it's complicated—especially our major competitors to the south in terms of what they have to pay in inspection fees and costs, really basically from field to plate, as compared with Canadian producers? We know those fees, to a great extent, are GATT green. Certainly we on this side of the table believe the government should be moving in a direction of covering those costs that are GATT green. Do you have any of those kinds of comparisons, either on the tip of your tongue or that you can table with us at a later date?

Mr. André Gravel: Mr. Chairman, thanks for the question, and thanks for the compliment on how well we do in protecting the Canadian public on food safety issues.

With respect to the issue of cost recovery, Mr. Chairman, the agency has been in the business of recovering part of its costs since the early nineties. At the time, the agency—it was not the agency then but the Department of Agriculture—got its budget amputated by roughly \$50 million and was requested to compensate for that with cost-recovery fees. We did that at the time, and pretty well all sectors that the agency was dealing with were charged a certain amount in cost-recovery fees.

At the time, at their highest proportion, the fees came to roughly 20% of the agency's costs, but from 1993, let's say, to 2007 the agency was subject to a freeze on cost recovery; therefore, there's been no increase in fees. We feel that at this point in time they represent a little less than 10% of our regular costs. In fact, we haven't increased them, but overall, if you look at the percentage, they have actually decreased.

When we did the cost-recovery exercise and started negotiating with different industry sectors in the early nineties, we did some comparisons with the United States for some of our programs, the majority of programs that are related to exporting. I remember looking at the meat hygiene program as an example and comparing what the U.S. charged and what we charged. Even though the services we targeted were not necessarily the same as on the U.S. side, we found there was a degree of equivalence between their fees and ours overall.

We can provide the numbers. I don't have them with me today, but we can do this if you want.

Hon. Wayne Easter: Please do.

If fees from farmers are only covering 10% of your costs, could you include in that calculation you're going to give us what the administration cost is for collecting those fees? I wouldn't be surprised if the farmers are just employing people to do the administration and this is not gaining you a whole lot in terms of your overall structure.

I know that with potatoes from Prince Edward Island, for instance, the various fees from CFIA on a truckload of potatoes cost as much and sometimes more than the transportation to get the truckload of potatoes to Toronto. That makes our industry non-competitive.

There's another point I wanted to raise, and maybe this is a question for the parliamentary secretary, Jacques. The previous Parliament had introduced Bill C-27, and it was noted at the time that there was opposition to the bill from the opposition—and that's normal—but it was seen as a very important piece of legislation for streamlining the system. In fact, it would have made us more cost-competitive by increasing our ability in terms of border inspections and harmonization with the United States and other countries.

I don't know whether you're in a position to answer, because I think the direction has to come from the government, but certainly it was a piece of legislation that I still maintain and believe is necessary. I don't know whether you can answer, André, or whether the parliamentary secretary can answer on behalf of the government, but I'd like to know when we can expect to see legislation that will update all the various acts of CFIA and the animal and plant health acts and so on and get us up to modern times, because it didn't get through the last Parliament.

•(1555)

The Chair: Just for your information, Mr. Easter, Monsieur Gourde is the parliamentary secretary for natural resources, not agriculture.

Monsieur Gravel.

Hon. Wayne Easter: He is in the inner circle, so he should know some answers.

Mr. André Gravel: I can make some comments from the agency's standpoint about Bill C-27. Bill C-27 would have allowed the agency to obtain a little bit more power for enforcement. It was about harmonizing the agency's powers for enforcement purposes, and it would have given us some more authority for imports, as an example, and other things. It was considered to be a good piece of legislation.

When the agency was created, we inherited a bunch of acts that have enforcement capacities that are different according to each piece of legislation. Bill C-27 would have allowed us to harmonize them, and it would have given us a little bit more authority on biotechnology, as an example, and other things.

The agency can function without it, but it would have been an improvement.

The Chair: You're out of time, Mr. Easter.

We'll go to Monsieur Bellavance.

[*Translation*]

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

Thank you, Mr. Gravel, for your presentation and for being here today.

You are right in saying that the large number of recalls demonstrate the usefulness of the Canadian Food Inspection Agency in ensuring our safety as consumers. We agree on that. I'm wondering, though, whether or not measures of some kind could be taken at the border before our safety is put at risk.

There have been a number of examples recently, some of which you have mentioned. You didn't mention the melamine found in pork, and I understand that you can't list every product. However, these cases come on the heels of the spinach and carrot juice scares. All of these products are imported into Canada, primarily from the United States. This is a relatively new problem.

When products such as these are imported into Canada and are the subject of a recall, whether it be US pork, spinach or carrot juice, it is obvious that the recall will impact the sales of Canadian or Quebec products, because consumers will be wary.

Will it be possible to sign some type of bilateral agreement with the Americans to step up border inspections before issuing a recall? Have there been discussions with any other countries?

Mr. André Gravel: Thank you for your question.

It goes without saying that the agency is also concerned about imports. A significant proportion of the commodities that Canadians consume come from several countries. It is clearly the agency's

responsibility to ensure that these commodities are safe and that they meet Canadian standards.

Depending on the commodities, for example fish and meat, the agency has an inspection system that allows for visiting establishments in foreign countries. Our risk-reduction measures include intervening in the countries of origin. Regardless, with respect to meat and fish, we review the inspection systems and the plants of foreign countries.

Furthermore, we inspect a significant quantity of commodities a second time when they enter the country. Just how often we do that depends on the results obtained during inspections at the time of importation. For example, if a commodity imported from the United States is re-inspected and subsequently rejected, then anything coming subsequently from that plant will clearly be subjected to more stringent inspections.

The agency does not claim to be able to check all commodities coming into Canada. We proceed statistically and on a risk basis. Our assessment is based on the risk profile of the country of origin of these commodities and on the intrinsic risk profile of the imported commodities.

For example, fresh fruit and vegetables coming from the United States, spinach in particular, were identified as being high-risk commodities. Fresh ready-to-eat salad mixes coming from the United States are also high-risk commodities. Our inspection of these products is much more stringent in terms of bacteria assessment.

Several years ago, the agency also established a re-inspection and sampling system on some commodities for the purposes of detecting chemical residues. We mentioned the case of American spinach and E. coli and salmonella contamination in chocolate, but there are also commodities that have been contaminated by chemical residues that are finding their way into Canada. The agency samples these commodities systematically and randomly but also targets certain commodities coming into Canada.

Can we check everything coming into Canada? No. No one could have foreseen that melamine-contaminated products would enter the United States and be used in cattle feed. However, to the extent that the agency is made aware of a situation quickly, then it acts very quickly to reduce the risk.

Imports are a priority for us.

•(1600)

Mr. André Bellavance: It's quite difficult, even for you. That's why I come back to traceability. Commodities come from everywhere. Green peas come from China and they look fresh, and, for example, processed pork from the United States is imported into Canada. Cucumbers are also processed here. Once these commodities have been processed, they only have to be packaged in Canada in order to be able to write on the packaging that they're from Canada.

You stated that you go to the countries of origin to do inspections. It seems to me that I have heard testimony in this committee from agency officials to the effect that the agency lacked resources and could not go out in the field to monitor products that are used, for example, the pesticides that are used on fruit and vegetables in India but that are prohibited here, in Canada. There are even some pesticides that are allowed in the United States but that are prohibited here. Once a commodity comes into the country, the consumer buys it and sees written on the packaging that it comes from Canada. However, that's not true. During our travels we laughed, even though it wasn't particularly funny, when a producer told us that he had seen olives that came from Quebec! It's hard to believe that olives can grow in Quebec.

Do you feel that a lack of resources is to blame? I realize that you go to the countries of origin, but what can be done to improve your procedures?

Mr. André Gravel: Mr. Chairman, with your permission, I would like to ask Ms. Mountjoy to elaborate in answering that question. I will make some additional comments afterwards.

[English]

Ms. Krista Mountjoy (Vice-President, Programs, Canadian Food Inspection Agency): *Merci, monsieur Gravel.*

What I can do at this time is give you a sense of the rules that govern the labelling of products that can be described as products of Canada and the rules about describing the country of origin.

Statements such as "made in Canada" and "product of Canada" can be applied when the food is manufactured in this country. But as we recognize, these statements do not necessarily mean that all the ingredients used in the production of that food are domestic.

The Canadian Food Inspection Agency applies standards, and they come from Industry Canada, in assessing a declaration that claims Canada to be the country of origin of the goods that have incorporated foreign raw materials or components. And these rules are that the last substantial transformation of the goods must have occurred here in Canada and that at least 51% of the total direct cost of producing or manufacturing the goods is Canadian.

For example, peanuts that have had their shells removed and have been roasted, oiled, salted, and packaged here in Canada could qualify to be labelled as a product of Canada. And I think you used the example of olives.

Some Canadian-produced foods are not required to indicate that they are Canadian. However, we do have a requirement for some imported agricultural products to indicate the country of origin. For example, imported dairy, fresh fruit and vegetables, and meat and fish, if not from Canada, must indicate the country of origin.

• (1605)

The Chair: Thank you.

We'll go to Mr. Miller.

Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC): Thank you, Mr. Chairman, and thank you to our witnesses today for coming. I appreciate that.

There's just something, Mr. Chairman, I feel I should note. Bill C-27, I think it's very fair to say, probably would have passed in the last Parliament if there had been a little more protection in there for grassroots producers. I think that was one of the main stumbling blocks in opposition, and I think that needs to be noted.

There is a question I need to have answered. Going back to the contaminated feed out west, that rendering plant, obviously, wasn't complying with the 1997 feed ban. How long do you think that practice was going on? I mean, did they ever comply? You know, it opens up some questions. I hope they were complying at one time. Have we any idea of just how long they obviously weren't? I don't know who wants to answer that.

Mr. André Gravel: I can provide the preliminary answer, maybe.

The issue of compliance with the feed ban of 1997 is a key factor in the elimination of BSE. The agency never had any illusion, when it implemented its feed ban in 1997, that it would take care of all infectivity in all females in all rendering plants and all that. That's why we've introduced a second part to the feed ban, which is the removal of SRM material from the feed chain so you actually remove it from the source. Then you don't have to worry about cross-contamination within the system.

Now the cases of BSE that Canada has in fact demonstrate that there was, at the time the feed ban was implemented, some infectivity in the system, which has probably been distributed to some farms. We think it's low infectivity, given the age of the cows we've noticed so far. The latest one is 66 months old, so for us it means a low-infectivity dose. Hopefully, with the new measures, the agency predicts that in 10 years' time, within a decade, we shouldn't be seeing any more cases of BSE.

Now, having a surveillance system that works, we will find some BSE cases. In any country that has a system of surveillance that is based on risk we will find cases of BSE.

Mr. Larry Miller: And I don't dispute that at all, Mr. Gravel. In fact, as a beef farmer, I don't like to hear of cases, but as a consumer, I also know that the process is working and that we're keeping these animals out of the food system—and that's the way it's meant to work.

Going back to this other issue, though, are you implying that the rendering company wasn't in the wrong at all here?

Mr. André Gravel: I didn't say that. For the record, that's not what I said.

Mr. Larry Miller: No, I'm glad you didn't.

Mr. André Gravel: What I said is that there is infectivity in the system and that there are many opportunities for cross-contamination at a feed mill.

Mr. Larry Miller: Would you not agree, though, that this wasn't cross-contamination, or it certainly doesn't appear to be?

Mr. André Gravel: Brian, do you want to make comments on this?

The Chair: Dr. Evans.

Dr. Brian Evans (Chief Veterinary Officer, Canadian Food Inspection Agency): Thank you, Mr. Chair, and thank you, honourable member, for the question.

I think it's important to recognize that the 1997 version of the feed ban did not prohibit a rendering plant from handling ruminant material. The regulation was designed to ensure that what was processed did not find its way back into the feed system. So again, as with any regulation, it requires everybody at all levels of the system to be doing their part. To say that the rendering plant was somehow non-compliant by having rendered animals is not the issue.

The issue then becomes, how were products derived from that rendering and how were they segregated and separated? And then further down the system, in fact, at the commercial feed mill level, were they dedicated to separating those materials? Trucking, transportation, contamination, and storage issues, all of these factors, have obviously contributed—not just in Canada, but also globally, as Dr. Gravel has indicated—to why every country with BSE cases and with appropriate surveillance has shown animals born after feed bans and has moved to enhance measure.

But having said that, as a result of the investigations—and obviously we're very early in the investigation of the most current animal and we've not had the opportunity to look at the feed records of the producer and trace them back to source. What I think is very important in doing the investigation, as in previous investigations, is that if non-compliance is found, we have the tools to deal with it. There can be administrative monetary penalties and there can be prosecutions. There is a suite of enforcement tools that have been brought to bear in the past and that will continue to be brought to bear in the future.

•(1610)

Mr. Larry Miller: Okay, but the one thing that needs to be spelled out clearly, so that it's on the public record, is whether this was an accident or deliberate. You're either pregnant or you're not. There is no grey area in there; it's one or the other.

Mr. André Gravel: We're not pregnant, Mr. Chair.

Some hon. members: Oh, oh!

Mr. Larry Miller: No, no, I wasn't implying that!

What I need to know is, was this an accident? From what I gather, I don't believe it was, but I need to hear it from CFIA.

Dr. Brian Evans: Certainly, as I say, we will have that degree of rigour in the investigation and we will come to a determination as to whether it was—

Mr. Larry Miller: So you're not sure.

Dr. Brian Evans: —complicit or whether it was an accidental cross-contamination. As I say, having just confirmed the results yesterday, we are now just engaging with the producer. We anticipate that it will take us two to three weeks, as other investigations have done, to get to a determination of how contamination got from point A into this animal's food ration.

Mr. Larry Miller: Taking this further, there were a lot of innocent producers with cattle out on feed—some from my riding, as you may or may not be aware. I guess there is nothing in law that really gives CFIA the power to force the insurance companies of the rendering

companies, or what have you, to address the financial losses that some of these people have, because they can't move their cattle to Ontario, for example, from the west. But regardless of that, CFIA can still apply pressure.

Do you feel that CFIA has done everything within their powers to lean on these people, if I could use that term, to straighten up with these farmers, and this kind of thing?

Dr. Brian Evans: As the honourable member pointed out, there's accountability across the entire production chain. That's been well recognized, as has the success of our programs. I wouldn't want anybody to walk away saying the success of BSE is based on CFIA. It is based on producer participation. It's based on every component of the production system doing its part.

We have, as you have pointed out, identified over the past period of time, as we've increased our degree of vigilance with additional resources looking at compliance with feed bans—and in fairness, with the full support of some of the industry sectors, which themselves have identified that they had a problem, that a mistake had been made, which led to restrictions being placed on various animals for a period of time until we could ensure traceability, for our future surveillance purposes, but also to meet our international certification obligations....

In the vast majority of those cases, it's been our experience that those companies have come up to the plate and have entered into a settlement with the producers affected. It hasn't been 100%. Negotiations are under way to try to resolve those that haven't been done.

CFIA feels that although we don't have the legislative authority, as you say, to jump in and make it mandatory for these companies, we are able to point out to them that beyond the economic impact directly on the producer, who are their primary clients in use of that product—and they have an obligation to meet that marketplace need—they are also creating other economic disadvantages for other components of the Canadian industry, whether in feed exports, whether in meat exports.... It's not always just the live animal component.

What we have been trying to do is facilitate a collective pressure to come onto these organizations, saying that they have to stand up and do the right thing. It's also important for the international community to see them stand up and say, "We've taken responsibility for this and have addressed it."

The Chair: Thank you, Mr. Evans.

Mr. Atamanenko.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): I'd like to also echo Wayne's comments and thank you for the work you do. It's not easy in today's day and age. Thank you for being here.

I'd like to pursue, Madame Mountjoy, country of origin labelling.

Just so that I understand clearly, if we have fresh apples that come, hypothetically, from China that are ground up and made into apple juice concentrate in Canada, then we have to identify the fact that this product is, at least in part, from China. Am I right?

By contrast, if we get powdered concentrate from China that comes in and is mixed in, and I buy apple juice from concentrate, because it's made in Canada, is it okay just to label this product "made in Canada", because it isn't fresh produce coming in?

Did I understand that right? Do you understand my question?

• (1615)

Ms. Krista Mountjoy: Thank you for the question, Mr. Chair. I'll just clarify and restate.

Imported agricultural products are required to indicate the country of origin, and those would include fresh fruit and vegetables, as the honourable member has suggested.

If those incoming products are processed and there's a substantial transformation that occurs here in Canada, if 51% of the direct costs of producing or manufacturing the goods is Canadian, then the product can be labelled as "product of Canada". The agency draws its requirements from those of Industry Canada.

Mr. Alex Atamanenko: That's the main criterion, then, the cost, and not so much.... But if they came in and only 49% was Canadian, would they then have to be labelled "product of China"?

Ms. Krista Mountjoy: They would not be eligible to use the "product of Canada" designation.

Mr. Alex Atamanenko: So it doesn't matter whether the original product comes in a fresh state or in a concentrate state; it all depends on the cost. Am I understanding that right?

Mr. André Gravel: Mr. Chairman, it's the value added that may change the status of a product. If somebody brings a pork carcass into Canada, as an example, and takes the belly out, cures it, smokes it, and then makes bacon out of it, then obviously the value added to that product means it becomes Canadian product.

Canada is not alone in applying these types of guidelines. It's very hard to define whether it's 49% or 51%, as you indicated, but generally speaking, we consider that if there's a substantial processing of the product, then the value added component means it's a product of Canada.

It would be illegal to bring, as an example, fresh apples from China and remove the packaging, repack them in a new box and call them products of Canada. That would be illegal.

Mr. Alex Atamanenko: Then, to pursue this, I'll take a hypothetical case. If we have a product, whether in concentrate or fresh form, coming in from a country that has different safety practices and where different chemicals may be used—different safety standards—and that product is then used and transformed in Canada, and over 51% of the cost is Canadian, that product can be classified as a Canadian product. Is that correct?

Mr. André Gravel: Mr. Chairman, the issue here is that the ingredients or components coming to Canada have to meet Canadian requirements. If there's a chemical in the product that is not allowed in Canada, then obviously that product cannot be used as an ingredient in a composite product or for further processing.

Mr. Alex Atamanenko: We are told, for example, by farmers in the food industry, or other people, that we can import fresh produce from other countries that have different standards, and they can use

different chemicals that we can't use here, yet we import the produce to eat.

I don't understand.

Mr. André Gravel: I mentioned briefly, earlier, that the agency has a residue monitoring program. Canada uses some pesticides that the U.S. doesn't use and vice versa. Our residue monitoring program targets a broad variety of pesticides. In some cases we find pesticides that are not approved and are not allowed in Canada, and if such is the case and if the maximum residue limit is exceeded, that product is not allowed entry.

Obviously, we're not testing everything, but we have a monitoring program that plans the risk, looks at the product, and makes a decision on the basis of what is acceptable or not.

Mr. Alex Atamanenko: I have a second question. I hope I have enough time.

We touched briefly on Tuesday on pet food. It is my understanding that CFIA is responsible for pet food when it's for animal health such as livestock. It's also responsible for the export of pet food from this country. But there's no regulatory framework for pet food that is for domestic cats and dogs and other animals. Yet now there is a border lookout for gluten from China to be stopped and tested, for wheat, rice, corn, and soy, as a result of what happened.

I would like to know exactly where we are with respect to controls and regulations on pet food. I will probably get better answers here from the experts than if I raise it in the House.

• (1620)

Mr. André Gravel: I will not make comments on that, Mr. Chair.

However, with pet food, the agency has a responsibility for import as it relates to ingredients and whether the ingredients can cause disease in livestock. If Canada is importing, for example, beef from a given country to be made into pet food, we issue an import permit that will be on the basis that the country of origin does not have major animal diseases that can be transmitted to livestock in Canada.

That's what it means; that's what our role is. We're looking at the ingredients as they come in to make sure we're not bringing foreign animal diseases into the country. That's what we do on imports.

On exports, there are countries that demand certification for export purposes that the ingredients have such and such characteristics, or that Canada is free of certain animal diseases. We will provide that certification on a cost-recovery basis.

For safety and security standards for pet food, the agency is not involved. There is no regulatory framework that frames the quality and wholesomeness of pet food. There is none.

Mr. Alex Atamanenko: Okay. Is the possible transfer of this into the human food chain through the gluten something that could happen, in your opinion, from your experience with the deaths of the pets? In your opinion, would it be a good idea to start the process to have more regulation?

The Chair: Give a short reply, please, because Mr. Atamanenko's time has expired.

Mr. André Gravel: In the case of certain ingredients such as wheat gluten or rice gluten and such types of products that can be used both in human food and pet food, the agency will pay special attention, because clearly there can be cross-contamination. An ingredient could be imported for pet food purposes and through some illegal manipulation find its way into the food chain. We want to make sure that doesn't happen here.

The Chair: Thank you.

Mr. Steckle, kick us off on the second round of five minutes, please.

Mr. Paul Steckle (Huron—Bruce, Lib.): I want to thank you for coming.

I think in the past we've had a pretty good history of getting good information from you people. I think we've all been made proud of the way the CFA has handled our food with the security system in this country.

But we're approaching a deadline of July 12, and this has disturbed a number of people in the processing industry. I had a small processor call me just yesterday. This man is running to a deadline as of next Monday because there comes a cut-off point where you can't deliver anymore and he has no place to put this product. What kinds of provisions are we making for those plants that do not have and have not been able to find provision?

It's not necessarily their fault. These are rules that we've brought into play. These people want to continue. In this case it's organic meat, so obviously the volumes aren't that great. He may not have the 50 acres in which he can put up a composting site. Are we going to give the exception to time because we are going beyond a timeframe?

We're going beyond limits. We're going beyond criteria that the Americans have not set for themselves. And they haven't asked us to do it; this is something that's self-imposed. What kinds of provisions are there that I can tell my constituent and other constituents across this country on that matter? I think we have to take some immediate action on that.

Mr. André Gravel: Mr. Chairman, I'll ask Brian Evans to answer.

Dr. Brian Evans: Thank you, honourable member.

Certainly we do recognize, as we've testified before this committee on previous occasions, the challenges of the implementation of the enhanced feed ban. I believe we've gone to great lengths to try to work with the industry and the provinces as it relates to the disposal issue, in particular as they have that primary lead responsibility on disposal. Again, as I think we introduced during our testimony, there is a dedicated task force. We are prepared to look at case-by-case assessments to deal with the particular small

producer or the small manufacturer issue to see what resolution can be achieved.

On the regulations...I'm not sure I would use the phrase "we self-imposed them" from the context of wanting to impose them for no reason, but certainly the reality remains and was well documented the last time I think that there has been a collective acceptance that we need to do everything possible to meet the implementation date. The economic and market recovery for producers, our categorization internationally, which speaks to consumer confidence and international confidence, are intimately tied to the will, as we've talked about, across the entire production chain—political, industry, private sector, and public sector—to put in place the measures that will be necessary to accelerate BSE eradication.

With the small abattoirs or small producer scenarios, again, there was the six-month window of extension that was put in place. Really, they were obliged to do segregation of the product, but there are opportunities to look at alternate ways of disposing of that product. It does not necessarily place the burden on the small producer to build a facility to deal with the composting. It can be moved under permit to other facilities, or it can be contracted to do that type of work for landfill and other purposes. That was certainly part and parcel of the efforts of the portfolio through Agriculture and Agri-Food Canada to work with the provinces on a funding initiative where the provinces themselves would step up and work with the industry groups to put provincial capacity in place to do that.

With that particular instance in mind, to the honourable member, I'm sure we'd be prepared to have our task force leader meet with you or your constituent and engage to ensure their case is being assessed either directly by us or in concert with the province to deal with the disposal issue.

● (1625)

Mr. Paul Steckle: Perhaps the constituent didn't fully understand, but I think his understanding is that there would be no removal off the property. Whether he understands there would be a permit allowed...but what would the permit cost? Again, another cost assessment. We don't want to go down that road if we don't have to, but I think I need to be able to go to my constituent. What constitutes a small plant and what constitutes a large plant? These are things that I need some answers on before next Monday.

We need to be able to find some resolve. My office is certainly prepared to work with you. I don't want to resolve all my constituency issues here, but I think I'm not alone. We all have constituency issues like this. We have brought this to bear and we should take responsibility for it. I'm looking to you for some guidance between now and next Monday.

Do I have more time?

The Chair: No, no, you're out of time. I'm sorry, Mr. Steckle.

A clarification on what Mr. Steckle was saying. These small plants are dealing with SRMs. What if they are not a CFIA client? What if they're actually a provincially inspected plant without a CFIA relationship?

Mr. André Gravel: It's the same issue, Mr. Chair, whether or not they're provincially inspected. The member for Ontario's plant is probably a provincially inspected plant. The regulations apply to them as well. In that case, though, the agency is intervening with the province, in partnership, to resolve these types of issues.

I've instructed the task force to speak on a weekly basis with provinces to address these specific problems that are arising. As far as a large segment of the industry is concerned, I think they pretty well know what to do, but the small players' issues need to be addressed as well, because if we want our SRM removal feed ban to be effective, all that stuff has to be taken out of the feed system, whether it's small or large. With the cooperation of the provinces, we're moving to address these specific issues, case by case.

The Chair: Is the task force on CFIA also looking at new technology that's out there? I know there are a couple of technologies, one in Ontario and one in Manitoba, that are very close to commercialization that could actually handle a lot of this SRM material in a more efficient manner.

Mr. André Gravel: Yes, Mr. Chair, the agency is fully open to that. We've been really plugged into these new types of processes.

The Chair: Monsieur Gourde, it's your time.

[Translation]

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

With respect to the inspection fees charged by the agency to producers, you said earlier that these amounted to 20% of the total. Do you believe that over the course of the year, charges will decrease, remain stable, or increase? Are processors obliged to pay for part of the inspection costs as required by the agency, or these costs assumed exclusively by producers?

•(1630)

Mr. André Gravel: Thank you for your question.

Since its creation in 1997, the agency has had to freeze service charges. Therefore, there was no increase between 1997 and 2007. When the agency set up a cost-recovery structure, all sectors that receive services from the agency were targeted. Therefore, costs incurred are recovered not only from producers, but also from processors, exporters, importers and so forth.

Generally speaking, all sectors that benefit from the agency's services are subject to cost recovery. It is not our intention to increase costs.

Mr. Jacques Gourde: Last December, the Government of Canada published new regulations on organic products. I believe that the Canadian Food Inspection Agency will now be responsible for certifying goods and ensuring compliance with new standards.

How much of the operating budget will be set aside for this responsibility? How will Canadian farmers benefit from agency product certification, as opposed to certification by a third party?

[English]

Mr. André Gravel: Mr. Chairman, I'll ask Gord White to answer the question on the cost.

Mr. Gordon White (Vice-President, Finance, Administration and Information Technology, Canadian Food Inspection Agency): Mr. Chair, the budget for the organic regime has been established at \$2.7 million, and that's the amount of money we would be investing as an agency to cover that regime.

[Translation]

Mr. Jacques Gourde: How will Canadian farmers benefit from certification given by the agency, as opposed to certification by a third party? Is it absolutely mandatory for the agency to grant certification, or can this be done by a third party?

Mr. André Gravel: Mr. Chairman, pardon me for not having fully answered your question.

In fact, certification is not provided solely by the agency. Of course, the CFIA is open to having third parties ensure certification. The agency has put forward draft regulations that set standards for the organic food sector and allow for third parties to provide certification. Agency funds will be used to monitor the third parties that oversee the certification process.

Obviously, from an international trade perspective, the agency's recognition of an organic system and federal regulations mean that some products may be exported. This is why the agency decided to involve itself in this matter.

Mr. Jacques Gourde: Thank you.

In an effort to make their farming operations profitable, several farmers are now turning to niche markets and specializing in an array of regional products.

Can you tell me how a move to update labelling regulations would give our producers the tools they need to seize the opportunity of marketing regional products?

Mr. André Gravel: Mr. Chairman, that is a very good question, albeit one that is difficult to answer. I know that in many cases, regulations are viewed as hurdles to technological development and market access. As it goes about its many activities, the CFIA does its utmost to not hinder innovation. However, in the case of certain products, our job nonetheless is to ensure that these products are healthy, safe, and properly labelled. Therefore, we have to monitor these new products, but in such a way that we are not preventing development nor access to new markets.

Generally speaking, if we talk to people working in the industrial sector, many stakeholders view the regulations as beneficial, providing them a way to obtain certification and access to international markets, and to obtain recognition from the Canadian public that food products are safe. It's a bit like a double-edged sword. On the one hand, we don't want to hold up product development, but on the other hand, our mandate is to ensure product safety. This mandate must be honoured. Therefore, we try to work as efficiently and effectively as possible.

The Chair: Thank you, Mr. Gourde.

Mr. Bellavance, you have five minutes.

Mr. André Bellavance: I'd like to come back to the discussion we had earlier about gluten. Is the product that contaminated domestic animal feed the same product found in contaminated U.S. pork? Are we talking about the same thing?

• (1635)

Mr. André Gravel: From what I've been told by our American friends, indeed, melamine was the product that had contaminated the gluten used in pork feed, and recently in poultry feed in the U.S. Therefore, the ingredient was either used alone or in domestic animal feed and introduced into the cattle feed chain. This practice is illegal in Canada. In Canada, we cannot feed pork with the same feed used for cats and dogs.

Mr. André Bellavance: Judging from your answer to Mr. Atamanenko's question, procedures were somewhat lax. I wouldn't say that there was laxness from a legal standpoint, but in point of fact, there was no accountability in terms of checking domestic animal food. Therefore, we could still see more incidents like this in Canada.

Mr. André Gravel: Indeed. In fact, the minister asked the agency to explore regulatory options for the pet food industry. Several options are currently being considered. Pet food manufacturers are responsible for pet safety. Therefore, it is clearly not in the interest of pet food manufacturers to poison their customers. They are concerned for their reputation, and in many cases, as the minister has said, U.S. regulations have not prevented the contamination from occurring in the United States.

Therefore, regulations are not necessarily a panacea. We must proceed carefully in delegating responsibility to industries and ensure that governments will indeed meet their obligations in terms of product verification.

Mr. André Bellavance: Sometimes, for economic reasons, in cases of self-regulation, industries opt for the least expensive choice possible, regardless of where products may come from, what the supply sources may be and level of food safety, etc. Sometimes, risks are taken. That is precisely why the agency exists. As I see it, just because we are dealing with domestic animals doesn't mean that we should let down our guard. But you are right in saying that there is no magic solution to all of this. Other contamination cases may occur, but I think that we can learn from these unfortunate incidents and perhaps adjust our own ways of doing things.

Mr. André Gravel: I agree.

Mr. André Bellavance: In the case of the US pork, we have to understand that the case of melamine-contaminated pork has no bearing on our own animals. Our hogs is not fed with that feed. This wasn't a problem in Canada.

Mr. André Gravel: No.

Mr. André Bellavance: Does the agency take steps to ensure that these types of products are not found in the feed fed to our hogs and other animals? How can you be certain of that?

Mr. André Gravel: In fact, when Mr. Guimond appeared two days ago, he said that as soon as the agency was made aware of the problem of contaminated melamine from China, quality control tests were carried out on all imports. Products coming from China were targeted, and not only those which were imported by the manufacturer concerned, but products imported by all manufac-

turers. The alert was then broadened to include all vegetable protein derived from rice, rice gluten, wheat gluten, soya, etc. We acted as soon as the new products arrived, we also carried out retrospective analyses to check all imports received over the last six months from China and to determine how these were used in food for human consumption or in cattle feed. Our investigation did not uncover any problems similar to the ones experienced in the United States. As I said, you have to remember that in the United States, small animal feed was fed to cattle. This is how the contamination spread.

• (1640)

[English]

The Chair: *Merci.*

Mr. Devolin.

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

Thanks for being here today.

I'm sorry I was a bit late. I'm dealing with a bit of an issue in my riding today. I hope I'm not asking something that someone covered before I arrived.

During the past couple of weeks the committee travelled across the country doing hearings. I participated in the eastern swing last week. One of the issues that we often hear about is how we can help our farmers become more competitive internationally, how we can cover some costs—we, meaning Canada—for our farmers to help them in that regard.

For example, one suggestion that came up at different times was that the cost for things like the CFIA, rather than being on a cost-recovery basis that the producer pays for, might be the kind of cost that, if paid for by the government, would make our farmers more competitive, and it would not precipitate trade challenges to Canada that we were somehow subsidizing farmers. I appreciate that it's a public policy issue.

That being said, you would be familiar, I would think, with your counterparts in other countries. I'm curious, from your experience with our trading partners, the United States and European countries, in terms of the kind of work that you do, how are your counterparts in those countries paid? How are those costs paid? Are they covered by the farmers or are they covered in another way?

Mr. André Gravel: Mr. Chairman, as you will remember, I provided some element of an answer to that question already. I've mentioned that the agency will be providing to the members of the committee a comparison of cost-recovery cases in Canada and the United States.

But to answer your question in two words, it varies, depending on the commodities. For example, we charge for meat inspection on the basis of inspection stations. If we have five inspectors there, there will be a certain amount of money that we'd recover on the basis of their presence in the plant. In the States, they recover, over time, at a rate that is an actual rate.

When we implemented cost recovery in 1993, we looked at the overall cost to the different sectors in the States and in Canada, and we did not see that Canadian industries or producers were disadvantaged, comparatively speaking. The measures are different, but the overall cost was compatible at the time.

Mr. Barry Devolin: Okay.

Several of my colleagues have been asking questions around issues of food safety and foodstuffs that are being brought into Canada and further processed, questions around standards in other countries.

What I'm trying to figure out is that somewhere there's an overlap in jurisdiction between what the CFIA would do and what Health Canada would do in terms of looking after food safety for Canadians. I'm wondering if, in your view, that situation is clear. Is there a need for that to be reviewed? Is there a need for that to be structured in a different way? Are there things that are falling between the cracks?

We've heard the examples of the Chinese cucumbers that become Canadian pickles. There are the olives, and you used the example of peanuts.

But also, you were saying you were concerned that certain meat products coming into Canada may have a disease that could be passed on to other Canadian animals—and that's an agricultural connection. But in terms of how that links to human health, do you manage all of that? What is Health Canada's role? Is it structured the way it should be now?

Mr. André Gravel: Mr. Chairman, this is a good question too. In fact, the agency was created in 1997 to avoid some of these overlaps between federal departments in terms of jurisdiction over the food safety issue.

The agency's mandate involves food safety at the delivery end and animal and plant health from a policy and delivery perspective. What it means is that for food safety, Health Canada develops standards, and the agency's responsibility is to make sure that these standards are implemented. So from that standpoint, there is no Health Canada inspector going around looking at food plants. The agency does that.

Health Canada has also been given the responsibility to oversee how the agency does its inspections. So from that standpoint, I think we're in good shape.

When I started, way back in 1972, I was a veterinarian in a slaughter plant. The manager of the plant saw a procession of inspectors. There was one from Health. He had us. There was somebody from CCA. This is all gone. There is only one presence now in the federal sector in terms of food inspection, and it's us. I think we're in good shape from that standpoint.

•(1645)

The Chair: Thank you.

Mr. Hubbard.

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

First of all, on cost recovery, you would need about a 10% increase in budget if there was no cost recovery. May I ask, then,

whether the cost recovery comes back to you or it comes back to Treasury Board? Is it your revenue or is it their revenue?

Mr. André Gravel: Mr. White will answer this question, Mr. Chairman.

Mr. Gordon White: Thank you, Mr. Chair.

It's about 10%—you're correct—on our base budget. We have the authority in the food inspection act to re-spend those revenues, so that money comes back to us and is re-spent for purposes of food inspection. So it's built into the budgets of our inspection activities.

Hon. Charles Hubbard: So in essence, then, the \$500 million—nearly \$600 million—includes or excludes that 10%?

Mr. Gordon White: It includes it right now. What you see in the main estimates is what you're being asked to vote on as part of our appropriation.

What we've been given authority for is to collect \$55 million annually on top of our appropriation, which we use for budget purposes to carry out our inspections.

So our budget is a little bit higher—\$55 million higher.

Hon. Charles Hubbard: If a company, we'll say Atwood Pet Food, were to run an ad for farmers with swine or poultry, advertising that they have pet food for sale for those who have their own processing plants on-farm, would that be permitted or not?

Mr. André Gravel: No, Mr. Chairman, that would be illegal. Pet food cannot be fed to livestock in Canada. It's illegal.

Hon. Charles Hubbard: Where is the CFIA when you see this word “food”? When you go into the grocery store, there is a lot of food that you really have no control or little control over—processed food, which is apparently regulated by the provinces. I'm thinking of bread, for example. I want to ask a question on bread, because of our grain farmers. We go to the grocery store, and I don't think we have much control over bread.

I'm always concerned with the life expectancy of bread. They are apparently putting ingredients into bread that will allow it to sit around for maybe two weeks before it becomes crusted. Who controls that formaldehyde—I think it is—or formaldehyde product that is injected into bread?

We see the same with apples. They take apples now, and they can do something to the apple to make it fairly fresh for a long period of time. You see it in other products to increase the life expectancy, the edible life.

It's amazing to think that you can put a loaf of bread on a shelf on a supermarket here in Ottawa and it can sit there for two weeks and still have a date that hasn't expired. As a consumer, who do I worry about? Maybe Mr. Evans is going to answer that question, but who controls it? Is it a good product?

I opened a piece of bread today that I got at a local restaurant. I opened it, and it was mouldy. I took it back and said, “Are you selling mouldy bread?” The answer was, “Oh my, we just got that from the distributor”. But it is a product that we have to be concerned about.

André is getting worried.

Mr. André Gravel: Mr. Chairman, the honourable member looks very healthy.

Hon. Charles Hubbard: That's today, but tomorrow....

Mr. André Gravel: Obviously the food safety system in Canada is relatively safe.

To be more serious, all food manufacturers in Canada are subject to the Food and Drugs Act and regulations, which has standards that allow certain ingredients in certain products. So if a loaf of bread includes a product to increase its shelf life, it will have been reviewed and approved by Health Canada as a non-threat to the food safety system.

For apples, they use a controlled atmosphere to reduce the aging of apples. This is not really something that is added to the apples. It's the atmosphere in which the apples are kept that makes a difference.

There is mixed responsibility for it. The provinces have some responsibility for what we call the non-registered sector. Something like bread, for example, would be in a non-registered sector. From that standpoint, the province has the overall responsibility to ensure that what's offered to consumers in that province meets the requirements.

If there is a problem related to an ingredient that is not allowable because it's an allergen or a bacteria and the product needs to be recalled, it's the agency's business. So we oversee action taken to remove products from the market, and the province has the overall responsibility to ensure that stuff that is not necessarily registered by the feds meets the requirements.

• (1650)

The Chair: Mr. Shipley, you're on.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you very much, and thanks for coming today.

After July 1, are we going to stop pet food containing products from hogs and chicken that have been fed SRM from coming into Canada?

Mr. André Gravel: Brian, do you want to answer that?

Dr. Brian Evans: Currently, July 12 is the implementation enforcement date. The United States have already made adjustments to their program to ensure that feed sources coming into Canada are fully compliant with our food system inspection requirements as they relate to SRM removal.

That was incorporated back in 1997 in the original food ban requirements. There was an adjustment made to ensure that what was being imported by Canada from the United States was in full compliance.

Mr. Bev Shipley: Excuse me. Does that mean they will not have any SRM products in them?

Dr. Brian Evans: That's correct, as it relates to feeding ruminant animals. Again, part of that requires us to continue to be vigilant. You made specific reference to pet food that could potentially contain SRM from the United States. That product could not be imported for use in Canada if it had any relationship to ruminant feeding.

As has already been pointed out, reconstitution of that type of product—because of previous adoption of legislation that deals with other diseases like foot-and-mouth disease—does not allow swine and susceptible species to be fed that type of product, even if it's reconstituted.

Mr. Bev Shipley: You said that a good percentage of the food we consume in Canada comes from other countries. You mentioned a maximum residue criteria. What does that actually mean? Does that mean the maximum residue criteria we are certified to use in Canada is on the product, or is there an extension that there's a maximum residue criteria on products that are not certified by our industry to use in Canada?

Mr. André Gravel: The maximum residue limits are standards that Health Canada is developing related to pesticides, antibiotics, heavy metals, and those types of contaminants. They apply to a product that is imported or produced in Canada. So an apple coming from New Zealand or elsewhere, for example, would be tested for pesticides, and the limit for certain pesticides in the food and drugs regulations would be applied.

If it contained a pesticide that was not allowed in Canada, it would not be approved. If it contained a pesticide that was allowed in Canada but exceeded the maximum residue limit, that product would not be allowed either.

Mr. Bev Shipley: So what you're clarifying for me, then, and that's what I'm trying to get a handle on, is that there is not any product that comes into Canada, of a food or a grain that is imported into Canada, that has been applied with a spray or a product that is not certified in Canada.

Mr. André Gravel: Really, I cannot provide the committee with that level of assurance. What I can tell you is that we're going to be testing for all these products, and if we find them, we'll reject them, but we're not testing, obviously, every shipment of every food product that's coming to Canada.

• (1655)

Mr. Bev Shipley: I'm gathering from that then that actually there is product that comes in on which sprays or pesticides have been used that are different from the products that are certified for us as producers in Canada. Would that be a true statement?

Mr. André Gravel: It may be, but if we find out, we'll remove it.

Mr. Bev Shipley: Okay. Then, to do that, you say that you inspect a lot. How much is a lot? Is it 1%, 10%, or 50%?

Mr. André Gravel: Well, in some cases it's 100%. In the case of meat products, as an example, every animal that is slaughtered in Canada is seen by one of our inspectors or one of our veterinarians.

In the case of canned tuna, it's about 5%. It varies depending on the commodity we're talking about, and it's done on the basis of relative risk of that commodity representing a threat to human or animal health.

Mr. Bev Shipley: Do you know what our inspection rate is in percentage terms in comparison to our largest exporting nation, the United States?

Mr. André Gravel: I think it's pretty well parallel in terms of what we do for the majority of commodities. Our approach is based on international standards and so is the States.

If you have a very specific question about a given commodity, we can look at it, but generally speaking we're about the same.

The Chair: Thank you, Mr. Shipley.

Mr. Atamanenko.

Mr. Alex Atamanenko: I'll go back to pet food.

If I understood correctly, Dr. Gravel, you mentioned that CFIA is now exploring the possibility of introducing some regulation in the area of pet food.

I would like to know what the timeline might be on that. If that in fact is happening, would this be similar to how you control livestock food, and if that's the case, how is this done? How is the inspection done, and would we then see a parallel process for a bag of dog food as opposed to a bag of horse food?

Mr. André Gravel: Mr. Chairman, the honourable member is way ahead of the agency in terms of his thinking. The agency is at the stage of looking at some options in terms of looking at how we could be potentially controlling pet food.

Some of these options involve the agency delivering pet food regulations. Some options would involve a third party delivering inspection on our behalf within the regulatory framework established by the agency.

We're not yet at the point of saying this is how it's going to be done and it's going to be equivalent to animal feed or not. We're at the very early stages. In terms of timeframe, I would rather not put a date on the table because it's too early.

Mr. Alex Atamanenko: Just out of curiosity, how do you regulate the livestock food that comes into the country? How is that done?

Mr. André Gravel: The feed is regulated by the agency in the same way as other commodities, on the basis of establishing whether a country is meeting our regulatory requirements or not. We look at the country itself and determine whether on the basis of its animal disease status what type of product it can ship, and then for the majority of feed shipments that are coming to Canada, an import permit is required. Then we decide whether we're going to be inspecting that or skipping it and inspecting the next one. It's on the basis of relative risk.

Mr. Alex Atamanenko: Thank you.

In regard to BSE, this case that has been discovered in a dairy in British Columbia, what happens now? In whatever happens, does this put into jeopardy the fact that we're trying to open up the border over 30 months? Does that push us back? Are we still continuing? I'm just very curious as to the whole process now that we've found one.

Mr. André Gravel: Dr. Evans, please.

Dr. Brian Evans: Thank you.

As has been indicated in previous statements by Dr. Gravel, it is fully anticipated that our surveillance system will continue to find singleton animals as we move towards eradication. The restoration

of our market access is based on that recognition by other countries who have come to Canada, audited and assessed our system, and looked at the controls from a feed and traceability perspective. To this point in time, with specific reference to the most recent scenario, which was confirmed yesterday, there has been no movement at the international level whatsoever. The international community, not unanimously but progressively, is coming to the realization that with the measures already in place, the finding of these animals has no impact on the safety of our products for certification in accordance with international standards. We would prefer it was unanimous, but it's not.

Internationally, we are seeing movement away from a knee-jerk response to the finding of another case of BSE. Because of the long incubation period of the disease—on average four to seven years—to this point in time all the animals detected in Canada were born prior to 2002. We've had no animals born in the last five years, based on our surveillance system. The international community is looking at saying you can continue to find those animals that were already out there; we want to be assured that the robust and vigilant nature of your measures are in fact continuing to manage that at the effective level so you can meet your international certification obligations. As I say, we've not had any reports from any of our posts abroad or any of our trading partners that the finding of this case in any way has changed their thinking about the credible efforts that Canada has made and the transparency it has brought to the international community.

● (1700)

The Chair: Thank you.

Your time has expired, Mr. Atamanenko.

[Translation]

Mr. Rodriguez.

Mr. Pablo Rodriguez (Honoré-Mercier, Lib.): Thank you, Mr. Chairman.

Good afternoon everyone.

Of course, I have a question, André. I always have questions. How are you?

What is the point of origin of the majority of our imports of food commodities? For example, what percentage of these commodities comes from the U.S., the Americas, Asia and Europe?

Mr. André Gravel: The relative percentage of imports?

Mr. Pablo Rodriguez: Approximately.

Mr. André Gravel: Generally speaking, most of our food products are imported from the United States. Specific products such as fresh fruit and vegetables are imported from Chile and certain Latin American countries.

Mr. Pablo Rodriguez: Do you have any specific statistics, or did you not bring them with you?

Mr. André Gravel: I did not bring them with me, but we can tell you exactly which country exports what product to Canada.

Mr. Pablo Rodriguez: Do you have a black list of recalcitrant countries, a list of countries that cause more problems than others?

Mr. André Gravel: We have a list of certain types of products considered high risk, products that come from certain countries where plant pests, residue or animal diseases may be present. We do not have a black list of countries from which we refuse all imports. We act according to the type of product exported to Canada, and to the degree of risk associated with the production process.

Mr. Pablo Rodriguez: Does your mandate also cover the inspection of alcohol, wine and similar products?

Mr. André Gravel: That's correct. It extends to those products, from the standpoint of product safety and labelling as well.

Mr. Pablo Rodriguez: I see. I'm wondering how you are governed by the provisions of the free trade agreements signed with other countries. For example, in the case of NAFTA, there are specific rules concerning free trade. How do you reconcile your desire to establish regulations and your obligation to allow the free circulation of goods? For example, do you encounter a problem when you try to prohibit the entry of a certain product? Do you often get into a debate over treaty obligations and so forth?

Mr. André Gravel: In the case of the Free Trade Agreement between Canada and the United States, the overriding objective is to foster the free flow of goods between the two countries. The fact remains that standards are different in some cases. We then must ensure that animal diseases present in the United States do not spread to Canada. Therefore, sometimes the agency will move to restrict the free flow of certain products. Generally speaking, when we are dealing with standards, and with a country such as the United States, our role, first and foremost, is to facilitate the movement of goods.

• (1705)

Mr. Pablo Rodriguez: Sometimes, one has the impression that these are protectionist measures. We can't act directly, but we can act indirectly by imposing specific standards. I'm not saying that this is being done here but, there is indeed a perception.

Moving on to a different topic, in your presentation, you said that you had five priorities as outlined in the Report on Plans and Priorities. The second priority states that the CFIA will remain ready to intervene in the case of a bird flu outbreak.

What would your role be, with respect to the bird flu?

Mr. André Gravel: We have a major role to play in the fight against the bird flu. We are the main stakeholder in this issue. For example, in 2004, when there were outbreaks in British Columbia, it was the agency that took steps to ensure the outbreak was contained and ultimately suppressed.

In some ways, our role is to also prevent the bird flu from making its way to Canada. If there is an outbreak of bird flu in Canada, we are responsible for suppressing it. As such, we truly have a front line role to play where this matter is concerned.

Mr. Pablo Rodriguez: You say that these priorities will allow you to improve regulatory compliance by establishing measurable targets. For example, in the case of bird flu, I imagine that there really isn't a measurable target.

Mr. André Gravel: In that case, the measurable target would be no cases of bird flu in Canada. For example, with respect to food processors, our target would be a compliance rate of 90% or higher. Those are the types of targets I'm referring to.

Mr. Pablo Rodriguez: Thank you very much.

[English]

The Chair: I have a question for CFIA. What role do you play in the registration of grain varieties?

Mr. André Gravel: Madam Mountjoy will merrily answer that question.

Ms. Krista Mountjoy: Thank you, Mr. Chair.

In terms of intellectual properties, for new varieties coming on board, it is part of the agency's mandate to register those new varieties under plant breeders' rights. So we're active in that area.

The agency is undertaking consultation with stakeholders to determine what is working well with respect to the current programming system, what people want to see, what stakeholders want to see, and how the agency can align with the vision of the sector.

The Chair: I have an example of a new barley variety that was developed at the U of S. It's a low-phytate phosphorous barley. It has been deemed a novel trait by CFIA, and there is quite a bit of concern that this barley has a great opportunity in the hog industry in reducing phosphorous output in hog manure. With all the environmental concerns we have in this country, why would we not want to register this variety as normal feed barley?

Ms. Krista Mountjoy: The agency would certainly be very interested in registering this particular new variety of barley. The agency seeks to balance its mandate for protection with enabling innovation on the part of industry. In this particular case, what we're seeing is a variety that's coming forward with a significantly different composition in terms of the barley, the nutritional profile, and the composition.

Barley going into feed, that characteristic, that attribute, then triggers the need for an assessment, and that's why it is considered to be novel, in our view. The assessment then looks at human health, animal health, environmental, and worker safety in terms of exposure, and the agency is positioned to be able to do that kind of assessment in this particular case relatively quickly. I think we would be able to do that assessment in about 60 days.

I'm also pleased to be able to tell you we're working closely with the research centre in Saskatchewan, and we've agreed to meet in the next week and a half, I believe it is, to discuss this specific issue and see how we can expedite this.

The Chair: Great concern has been expressed by the hog industry. They see it as a huge environmental benefit and a huge cost saving in dealing with manure, especially in some provinces like my home province of Manitoba, which has some very specific regulations coming into force on the amount of phosphorous in hog manure and how you apply that onto land.

Mr. Larry Miller: Mr. Chair, I was wondering, to take another minute, would you mind if she enlarged a little bit on the composition part of it, just for our benefit? I'd be interested.

• (1710)

The Chair: Please, Ms. Mountjoy.

Ms. Krista Mountjoy: Certainly. It's my pleasure, Mr. Chair.

The variety in particular has been changed in terms of the traditional historical variety, and the change has resulted in a difference in the composition of that barley, the nutritional profile. That then triggers the novel trait in terms of that barley being presented to animals as a feed.

When you have a trigger of a novel trait, then you look at an assessment. As I was saying, in this particular case and based on what we understand to be available by way of data, the agency can rather quickly do that assessment if the parties can come to the table. And that's what we hope to do in this meeting that's coming up.

The Chair: Thank you. We definitely appreciate your input.

Actually, Mr. Bellavance, you have a right to a third question in the fourth round here. You're good? Okay.

I want to thank Dr. Evans, Ms. Mountjoy, Dr. Gravel, and Mr. White for stopping in and spending some time with us, and for doing such a good job answering the questions.

Mr. Easter has indicated that he's not prepared to deal with the votes at this time. Is it the desire of the committee to leave it?

Hon. Wayne Easter: Just to explain, Mr. Chair, the fact of the matter is that there is a serious problem with the estimates in that in the estimates we're voting on there's a note at the bottom that says the main estimates of 2007-08 are \$2,434.3 million; compared to the previous millions of the year before, it's an increase of \$242.6 million.

The increase is mainly attributable to funding for the Canadian farm family options program. To the great part now, the minister has completely changed that program after the fact. We want to know the impact of that decision on the estimates, and we're wondering, the parliamentary secretary retired but maybe Mr. Anderson could come before the committee and explain that to us. What's the implication for the estimates of the minister's decision on April 20, after the estimates were written?

The other area, Mr. Chair, that we'd like an answer on is this. It's a well-known fact that now there are likely extraordinary costs for the Canadian Wheat Board as a result of cancelled contracts based on the government's decision about barley marketing. We will want to have an answer on whether or not the government is going to provide money to cover those additional costs that the Canadian Wheat Board may face.

We do have until May 31 to deal with these estimates, and we'd like those answers first before we vote on the estimates. So we'd appreciate the information.

The Chair: Just for information's sake for the committee members, Standing Order 81(4) stipulates that if we do not deal with the estimates before May 31, they are deemed adopted.

So with that, I ask for a motion to go in camera to discuss future business.

(Motion agreed to)

Thank you, and we shall suspend.

[Proceedings continue in camera]

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