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—
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Mr. Leon Benoit

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• (0910)

[English]

The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)): Good morning, everyone. It's good to be back after one day off committee for the Liberal leadership convention.

I understand, Monsieur LeBlanc, that you played a role in MCing that. You didn't win, of course, but then you didn't run. So that's fine. I understand you did a great job of MCing the event.

Now we'll go straight to the witnesses. After each of you—each group—has your, roughly, eight minutes, we'll go to the questioning. This is the usual format.

Today, pursuant to Standing Order 108(2), we will continue our study on Canada's trade policy.

We will have the witnesses in the order they appear on the agenda, starting with the Canadian Federation of Agriculture. I'm not sure whether Marvin Shauf, second vice-president, or Clinton Monchuk, policy analyst, will make the presentation, but go ahead, as you choose.

Mr. Marvin Shauf (Second Vice-President, Canadian Federation of Agriculture): Thank you, Mr. Chairman, and thank you for the opportunity to be here. I have Clinton Monchuk, who is the Canadian Federation of Agriculture trade policy analyst, here for technical support.

CFA is the largest farm organization in Canada. CFA represents general farm organizations in every province, as well as national commodity groups. CFA has been very active in trade negotiations, having just sponsored an afternoon session at the WTO public forum in Geneva, with the theme, "The Doha Round, Where do we go from here and what are the implications?"

CFA feels that the multilateral trade agreement through the WTO is the optimal method of achieving fair and equitable trade. During the past couple of years we have witnessed that this process is difficult and negotiating consensus is sometimes not achievable. Therefore, we've seen many of our competitors, such as the U.S., Australia, and Mexico, focus their efforts on bilateral and regional trade agreements that will allow their industry increased competitive advantage over Canada. Bilateral agreements do not address domestic support issues, which are key to much of the trade problems we have in the world.

WTO, the trade policy approach that the Government of Canada has taken, is on the right track. The Canadian federation continues to support the balanced trade approach and will continue to advocate

that position internationally through our membership in the International Federation of Agricultural Producers, Cairns Group Farm Leaders, and North American and European farm leaders.

Specifically on WTO negotiations relative to export competition, we would like to see countries eliminate the use of all export subsidies while still maintaining the right to have non-trade-distorting, producer-oriented SDEs. In domestic support, we require an equitable reduction of domestic support where larger spenders would be required to reduce their level of support to a larger extent than small spenders. Provisions in existing country proposals that include product-specific capping are problematic. This, in effect, gives countries the ability to continue to spend large levels of money without equity.

For example, the United States spent \$1.06 billion in product-specific sugar support in the last WTO notification, in 2001. That was 52.2% of their value of production. Canada did not provide any product-specific support to our sugar beet producers during that period. If we base product-specific caps on historical spending, we institutionalize the high level of support they paid to their producers while restricting other countries, including Canada, as we did not provide that support before.

On market access, we need real increases in market access that actually allow for profitable access into other markets while respecting the sensitivities of certain Canadian products. The sensitive product category should be used for its intended purpose so that the tariff reduction category can be used aggressively for market access improvement. We must also recognize non-tariff trade barriers that have effectively restricted our market access into countries throughout the globe.

The July 2004 framework text and Hong Kong ministerial text still allow Canada to continue negotiating the Doha Round without undermining Canada's supply management. Both frameworks would allow for significant increases in market access, which would benefit our exporters and allow the continued existence of state trading enterprises.

On bilateral and regional free trade agreements, due to the difficulties associated with having 150 countries agree on one multilateral trade agreement, many countries have elected to gain market access improvements through bilateral and regional trade agreement. Canada has fallen behind some of our main competitors internationally on the bilateral regional FTA front. If we do not increase our efforts to finalize existing negotiations and continue to seek out new partners, our exporters will increasingly be pushed out of existing markets and find it difficult to expand into new markets.

CFA supports the government's current direction of FTA negotiations and hopes the Department of International Trade continues its effort in other key markets. Current negotiations with the Dominican Republic, the Central America four, European Free Trade Association, Singapore, and most recently the South Korean FTA are essential to gaining and holding market access. CFA, along with other forward-thinking organizations, outlined the list of future trade agreements the government should focus its efforts on. These areas include China; Japan; the Andean community including Ecuador, Colombia, Peru, Bolivia, and Venezuela; India; and Morocco.

We recognize the difficulty in achieving a successful outcome in all these areas. However, the current resources working on bilateral regional free trade agreements are not sufficient. For Canada to continue its successful role as a large exporter of agriculture goods, we will require more resources to gain new market access and secure existing markets where free trade agreements from other countries threaten to displace Canadian product.

Thank you again for giving CFA the opportunity to present today.

● (0915)

The Chair: Thank you very much, Mr. Shauf.

We now go to the Dairy Farmers of Canada. We have with us today Jacques Laforge, president, and Yves Leduc, director of international trade.

Please go ahead, gentlemen.

Mr. Jacques Laforge (President, Dairy Farmers of Canada): Thank you very much, Mr. Chairman.

I have a presentation that will be made partly in English and partly in French.

First, I'd like to start by giving a bit of background on the organization. We represent all dairy farmers in Canada from a little over 15,000 farms. We market under a supply management system that has worked fairly well for us in all aspects.

Just to give you some background, when we talk about the Canadian dairy market, a lot of countries around the world are very—if I can use the word—jealous of the return dairy farmers are getting compared to the retail price. There are a lot of reasons for that. Producers, every year, invest to the tune of about \$90 million in marketing and promotion. That's how we have kept this a very viable market for all industry stakeholders, including retailers and processors. It's a market that, for the last 40 years, we've spent a lot of time developing, especially the cheese market. It's a very viable market for us, and we want it to be maintained as it is today.

That's why, when we go to WTO trade negotiations, we state so clearly that Canada has some offensive interests but also some defensive interests. Our defensive interest—because we are in a sensitive sector and because we invest that kind of money—is to secure our domestic market as much as possible.

We know that the WTO negotiations, for the next few months, are going to be quite an uphill battle, and the survival of supply management is a key concern for us. When we go back to November 22, 2005, when all political parties supported the House motion saying that supply management had to stay intact with its three pillars, that was something.... When we travel in international circles and talk to other farm groups across the globe, they come to the conclusion that the system must be extremely viable for all the stakeholders in the chain if all parties in one country support a common interest in a farm policy. It's something unseen anywhere else around the world. And I think we should use that as much as possible to show how we have been able to keep successful dairy commodities without paying subsidies, as we have had to do for other commodities.

We also need to ensure in the House that our house is in order when we go to this trade negotiation, because when you have offensive and defensive interests, you always have to keep a balance. What we'd like to point out about this balance is that the bulk of the revenue from Canada's agriculture and agrifood production, over 70%, comes from the domestic market. We do export an awful lot, but when you look at the actual revenue—and there's an appendix here to explain that—we have to keep that in mind, because it's a very high percentage.

Government support of supply management must be reflected in Canada's agricultural policy. We know that we are under an APF discussion here, the APF-2. Because everything is about farm revenue and farm income and how we make that sector more profitable in the food chain, it should be very clearly stated that one of the programs that should be looked at is supply management, maybe, for other commodities. Basically, to do that you need a very good producer pricing system, strong import controls, and production discipline. It's becoming clear that if you want a better return, you have to manage your inventory or manage your production somehow so that you don't create a surplus. There's the old saying: a 5% surplus in a commodity that's not organized depresses the price by 50%. This is how supply management really cures the balancing between the processors and the rest of the food chain.

● (0920)

[*Translation*]

We need to strengthen our import control measures which are necessary to run an efficient supply management system. We would like the government to do a certain number of things.

I will read the list, as these measures are quite specific:

- the operationalization of Canada's right to use the Special Safeguard Measures, permitted under the WTO Agreement. It is incomprehensible that Canada has not yet made its measures operational while the EU and the US began to enforce these measures as soon as the WTO Agreement was implemented;

- exercising our rights such as Article XXVIII of the GATT, just like the EU did in the case of salted chicken, for example;

- using due restraint when considering whether to issue supplementary imports permits. Quite often, when the government issues supplementary imports permits, it is detrimental to farmers;

- reviewing CITT and CBSA practices to ensure greater transparency and ensure that producers of raw products have standing in the context of Canada's trade remedy regime. For example, with respect to increasing butter oil or milk protein concentrate imports, dairy farmers in Canada do not have standing to submit complaints to initiate antidumping or countervail proceedings. The rationale is that dairy farmers produce milk rather than butter or milk protein, although both can only be found in milk. Dairy producers are the ones who are seriously injured, but they cannot have access to antidumping or countervail proceedings because they have no standing.

Proceeding with the above measures will increase Canada's credibility at the international level. Let me give you a simple example: how can Canada be taken seriously when it demands that the special safeguards mechanisms be maintained when these measures are not operational in Canada? Canada is all talk, but there is very little action. Take, for example, the safeguard measures for butter oil. Producers have lost about 50% of their ice cream market. When we look at the product itself and at the impact on dairy producers, we realize that these are reasons enough to justify the setting in place of safeguard measures.

The recess at the WTO is an indication that the proposals laid on the negotiating table need to be reviewed. Although efforts are being multiplied to officially restart the talks in Geneva, the likelihood of another failed attempt remains high. Discussions are being held in many quarters, but there has been very little progress to date. We are all aware that the talks could be stalled for two to three years if no agreement is reached by March.

We have our views on this: the developed world has provided support to its agriculture for decades and this is not likely to change. Because of the green box programs and the decoupled support provided by the EU and the US to their producers, we don't foresee any changes in the near future. The only thing that would change is the location or the name. The United States has semi-green and semi-blue programs. They have a whole host of things. In view of the deadlock in the negotiations, we don't really think there will be too many accommodations for agriculture in Canada, unless we provide access to clean markets, as Marvin has just said.

● (0925)

With that in mind, we must be well aware of the issues and ensure that Canada's interests are taken into account.

In the event that the delay extends beyond March, we will have to review how our system can be less at risk from a WTO perspective. Dairy farmers of Canada do not believe in an unregulated market

place. Trade liberalization will not improve the overall economic welfare of the dairy farmers. A USDA sponsored study, appended to our brief, demonstrates that the opposite is true.

The negotiations will concentrate on how to eliminate subsidized exports, how to regulate the green boxes, and how to decouple the blue boxes and the payments. While those issues are being negotiated, the interest of producers worldwide will not really be discussed, because farm income is too weak or none existent. That is the problem. That is the context within which these issues must be approached.

Let's be positive and try to wrap up the negotiation while emphasizing our interests, if at all possible. We have the time. We hope that the Canadian government will review its approach and acknowledge the dilemma in which we find ourselves, so that we will not be on the losing end, unable to turn back. That possibility is fast approaching. There must be some repositioning and strategic thinking by the Canadian government when it comes to Canada's industry as a whole.

Thank you very much, Mr. Chairman.

[English]

The Chair: Merci, Monsieur Laforge.

We will now go to Rick White, policy director of the Canadian Canola Growers Association.

Go ahead, please, Mr. White.

Mr. Rick White (Policy Director, Canadian Canola Growers Association): Thank you, Mr. Chairman, and thank you for allowing the Canadian Canola Growers Association to speak to you and your committee today. It's a real privilege for us to be here. International trade is a very important topic to us as well.

We've distributed our submission to the committee, and I'll hit the highlights, I guess, in a summary-type fashion and give you an overview of our position.

To tell you a little bit about the Canadian Canola Growers Association first, we represent about 60,000 voting members, and that is about 95% of the canola growers across Canada. CCGA is governed by a board of directors of elected representatives from our member organizations, and our mission is to influence national issues and policies and enhance the profitability of Canadian canola growers.

Our member organizations include the Ontario Canola Growers Association, the Manitoba Canola Growers Association, the Saskatchewan Canola Growers Association, the Saskatchewan Canola Development Commission, the Alberta Canola Producers Commission, and the British Columbia Grain Producers.

Canola depends a lot on trade. Every year our 60,000 farmers who produce canola on their farms produce about six million to seven million tonnes a year. In 2005, Canadian farmers actually produced 9.6 million tonnes of canola.

The farm gate value of that canola, depending on the price, is about \$2 billion to \$2.5 billion, and that's at the farm gate; it's the value that farmers receive. That can represent anywhere from one-third to one-half of a farmer's gross revenue in any given year. The value of the industry as a whole—the canola industry specifically—generates about \$11 billion in economic activity annually.

Canola, of course, depends heavily on trade. Half our Canadian production is exported as seed to major markets, such as Japan, Mexico, and the U.S. The other half of that seed is crushed for oil here in Canada, and half of that oil is exported to markets such as the U.S., China, Japan, South Korea, and other foreign destinations. So we rely very heavily on the international market.

However, the price of all Canadian canola seed, oil, and meal is priced in the world market, and that international marketplace is distorted by subsidies and tariffs. These subsidies and tariffs are costing us money every day. Estimates are that trade-distorting subsidies cost Canada's grains and oilseeds sector about \$1.3 billion every year, and that's an Ag Canada estimate. It's getting stale now. The study was done in 2000 or 2001, but it's the best estimate we have right now.

The tariffs and quotas are costing us about another \$1.2 billion every single year. That's the grains and oilseeds sector of Canada, and this figure came from the George Morris Centre study.

When we look specifically at canola and look at the domestic support and export subsidy number of \$1.3 billion in trade injury, about \$260 million of that is attributable to canola. That's how much canola is being hit, simply on domestic support and export subsidies.

When you look at tariffs and quotas, canola's share of that \$1.2 billion trade injury is about \$540 million every year. The total damage is about \$800 million to canola every year. That's due to these trade-distorting practices of other countries.

As a result, Canadian canola growers need real and meaningful trade liberalization in all three pillars of the WTO negotiations on domestic support, export competition, and market access. I'll touch on each one of those pillars briefly, to give you an idea of what we're looking for with each one of those pillars.

On domestic support, our long-term goal is the total elimination of all trade-distorting domestic support, and we are supportive of the Government of Canada's position, which calls for the maximum possible reduction or elimination of production and trade-distorting domestic support. We do support that.

If WTO member countries choose to support their agricultural sectors, it should be done with programs and policies that do not distort production or trade. And we need to set the WTO rules to encourage them to use non-trade-distorting support.

We need deep cuts to subsidies to ensure that the higher subsidies are cut deeper in a progressive way, and I think we're on track on that in the negotiations. Also, the trade-distorting domestic support must

be capped on a product-specific basis to improve the competitive situation of our Canadian canola producers here in Canada.

● (0930)

On export competition, we need an early elimination of all forms of export subsidies, including the subsidy elements of export credit, food aid, export market promotion, export taxes, etc. These export subsidies are not being used all the time, but they are being used periodically. They are a substantial threat to us when countries such as the EU ramp up their programs. They have the ability to do it under the current WTO rules, and we need to eliminate it.

On market access, the Canadian canola industry needs deep cuts to tariffs in all tiers of the tariff reduction formula to allow our industry to capture the market opportunities that exist worldwide.

We also need to deal with tariff escalation. It's an issue in canola, and it's a very serious competitive issue for us. Addressing tariff escalation must be a priority in this round.

Tariff escalation occurs when the tariff on the raw product is lower than the tariff on the value-added product, such as oil. It keeps our crushing industry or our value-added activity from Canada and exports the job opportunities and economic activity to other countries. Japan is a prime example of that.

Canola seed also competes directly with soybeans and other products like that. We need tariff parity for those directly competing products, and it has to be a priority in these negotiations as well. There are several examples where soybeans get a preferential tariff to canola. It's not fair. We compete head to head with them. We have difficulty competing with them when they get a preferred and lower tariff than we face for our Canadian canola. The parity issue has to be addressed.

On sensitive products, we need within-quota tariffs to go down, quota volumes expanded, and over-quota tariffs cut substantially to achieve real and meaningful access to canola markets that might be declared sensitive products.

An example is India. They currently have a 75% tariff on oil, 45% within quota and 75% over quota, and a 30% tariff on seed. We know that India will be classifying their vegetable oil market as sensitive. We have to get the rules right so that we can get access into the sensitive markets of other countries.

That's it in a nutshell, Mr. Chairman.

Thank you again for the opportunity to speak to you today. I look forward to the questions later.

• (0935)

The Chair: Thank you very much, Mr. White.

We'll now go to the Canadian Agri-Food Trade Alliance, to the past president, Liam McCreery.

Go ahead, Liam.

Mr. Liam McCreery (Past-President, Canadian Agri-Food Trade Alliance): Thank you, Mr. Chair, and thank you for allowing me to make a presentation today. It's an honour to be allowed to speak to such a distinguished group. The ladies and gentlemen in this room have a very important job and a very important role in the Parliament of Canada, so I am honoured to be here.

I'm also happy to be here because we had a half millimetre of snow in Toronto last night, there were over 100 accidents, and my plane was delayed. You wonder what's going to happen when it actually snows.

Anyway, I'm going to try to do three things today. I'm going to talk about the history of the Canadian Agri-Food Trade Alliance and how that fits in with the WTO, and to fit that into the current situation at the WTO. Then I'm going to give you my ask. Everyone here today has an ask. I'm up front about it. I'm going to do it at the end, but I'll do it at the front so you know what it is: we need Canada to take a leadership role in getting the WTO talks back on the rails, and we need Canada to work with other countries on gaining convergence. On the toughest topics, sensitive products, Canada is isolated in the world, 149 to 1. That's my ask, and I'll ask again at the end. I just wanted you to know I was going to ask.

On the Canadian Agri-Food Trade Alliance, our genesis goes back to the late 1990s.

My name is Liam McCreery. I'm a farmer from southern Ontario. I grow soybeans, corn, and wheat. In the late 1990s, a group of like-minded people got together in Ottawa and looked at the Uruguay Round of the WTO. The reason we looked at it was we were being devastated by the effects of what the Americans were doing with the U.S. Farm Bill, what the Europeans were doing with tariffs, what the Japanese were doing with tariffs and subsidies, and we thought surely what they were doing couldn't be legal, because in the mid-1990s our government negotiated a free trade agreement at the WTO called the Uruguay Round. What we found out was they really hadn't negotiated a free trade agreement. They negotiated a framework from which to move toward free trade in agriculture. It was excellent news that we had a Uruguay Round, but we still had to deal with huge subsidies and tariffs.

In the late 1990s, like-minded groups such as the Ontario Soybean Growers and others from across Canada formed a group called the

Canadian Alliance of Agri-Food Exporters. You guys are all political types. You know what happened in the late 1990s. The Reform Party changed its name to the Alliance. We had to change our name too, and we became CAFTA, which is the only trade advocacy organization that represents the entire agricultural value chain in Canada. We're very proud of that. CAFTA's members represent over half of Canada's primary producers and account for approximately 60% of Canada's total cash receipts. We have 14 members. You've already heard from one of our great members, the Canadian Canola Growers Association.

I'm going to highlight two of the groups, the Grain Growers of Canada, which represents the largest sector in Canadian agriculture, and the Canadian Cattlemen's Association, which represents the second largest primary agricultural sector in Canada. We have another 12 members as well. The reason I point that out is that CAFTA really does represent the majority of Canadian farmers' trade interests.

Your excellent clerk has our submission. I apologize that it's only in English. He has told me he will distribute it when it's done in both official languages.

That's what CAFTA is.

Let's talk about trade in terms of the context of all of Canada. Everyone in the room will be very familiar with the fact that over 40% of Canada's gross domestic product comes from international trade. That's why we're here today, to talk about trade. From an agricultural point of view, let's zero in on the great sector of agriculture. Canada is the world's third largest exporter of agricultural and agrifood products—the third. We have the ninth largest economy; we're the third largest exporter of agricultural products.

Over half of our farm gate crosses borders. To flip that around, if we didn't have international trade for agricultural products, and some will advocate that, over half of Canadian producers would have to go away. That's over 120,000 producers. This is a very key point for agriculture: over 91% of us rely on international markets either as a destination for our products or for a price-setting mechanism. That's the reality. Whether I sell my soybeans through my broker to Asian buyers or I sell my corn here in Ontario, the price is decided in Chicago. That price in Chicago is absolutely distorted because of American subsidies, European subsidies, and tariffs in the richest of the rich countries of the world.

• (0940)

I really would ask that the members take the time—I know how busy you are—to read the submission when the clerk circulates it. It will define clearly the devastating effects of these distortions on CAFTA members.

These numbers are measured in the billions. You talked about the \$1.3 billion for the subsidies, Rick. You talked about the \$1.6 billion for the tariffs. It's close to \$3 billion just for the grains and oilseeds sector. I will quickly go through this.

I hope we're here to talk about the Doha Round and the fact that it is off the rails, and we need momentum to get it back on the rails for a successful conclusion. It's important to remember, too, that the Doha Round is about more than us. Canada is very linked to trade—it's nearly half of our economy—but developing countries around the world also would like to participate in international markets to better their own lot. It's important to remember this is not just about trade; it's about foreign affairs.

When we go back to 2001—here's a bit of a history lesson—there was a very ambitious plan laid out in the Doha Round. Fast forward to 2004: the July framework further defined it. Canada did support both of those—the launch of the Doha Round and the July 2004 framework.

Let's remember that at the July 2004 framework they said there would be reductions in all tariffs, and every other country in the world has said that is the case. That's the basis we're moving ahead on, what we agreed to.

What are the consequences of a failure to negotiate an agreement?

I see I have one minute, so I'd better hurry.

Let's pick on the United States for a minute. People are pretty upset, and should be, that the Americans spent \$15 billion in trade-distorting support that year, \$10 billion of it going to corn farmers. Under the current WTO rules, they could ramp that up to \$19 billion. I'm a corn producer. I saw what happened to the markets last year when the Americans dumped \$10 billion into that market. Right now the Americans have put something on the table that would limit that trade-distorting support to \$7 billion. That's what's on the table. If we do not get a successful Doha Round, that's what we could lose.

Back to my number one ask. It's absolutely vital that the Government of Canada support Pascal Lamy's call for a relaunch of the negotiations, and it's absolutely vital that Canada, as one of the largest trading countries in the world, a world leader, and a country that's vitally dependent on trade, actually start to work on convergence.

Again, I can't emphasize it enough. The toughest nut to crack of the WTO is sensitive products. We absolutely understand that, and Canada has made a decision not to participate in those talks. We are isolated: 149 to 1. There's no nice way to put sugar on it and say that's not the case. We have to get engaged.

As we negotiate, I hope we also remember that we have made a commitment as a country for all three pillars, which Rick so ably outlined in his presentation.

Mr. Chair, you asked that I keep my presentation to eight minutes. Thank you for the extra minute. I really appreciate that. One last plug: please read this document. It has a lot of information that's very useful, and I'm sorry to make your job tough, but the reality is that you are the decision-makers who can make the plight of 91% of producers in Canada better.

Thank you.

• (0945)

The Chair: Thank you very much, Mr. McCreery.

We will now go directly to questions, starting with a seven-minute round.

Mr. Eyking.

Hon. Mark Eyking (Sydney—Victoria, Lib.): Thank you, Mr. Chair. I thank all the witnesses for coming here today. I have heard them a few times before at the agriculture committee and the trade committee, and it's great to see them back.

My first question deals with the SM5. I was quite involved with the negotiations in Geneva the last couple of times, and SM5 was well represented there. They did a great job for us, keeping us supplied with information. As they know, it's hard to find allies around the world table for us. Most of the time we're doing our best just to defend our system, and I think we have to get more allies out there.

Eastern Europe and Africa are slowly increasing their food production, and I think over the next ten years they might be self-sustaining in their food production. I think supply management would be a good fit in these developing regions. So I guess my question is this. Is there any way the government or the SM5 can work together so that maybe we can change from defending our position more to promoting our position out there, so that in the future we would have more allies around the table?

That would be my first question, Mr. Chair.

Mr. Jacques Laforge: Yes, there is a fair amount of effort done by some farm groups in Canada.

For instance, the UPA in Quebec and the UPA DI, which is the development arm, are working very closely with all the French-speaking countries in Africa and with a very high level of government. They're looking at how to adapt supply management in the food development policy to regain some of the losses and create a domestic economy that makes it worthwhile. There's a lot of discussion. There's a lot of work being done as we speak.

As far as other countries, we talk at all kinds of agricultural seminars. Farm income around the world is an issue, and a lot of regions are actually looking at how supply management works.

We even have a group of European dairy farmers looking at it right now. They have come to Canada. We've sent people over there to explain how it works, what the criteria are, and what the production discipline is in order to get a decent return. There is quite a bit of interest.

The issue right now is on how they will be able to implement these kinds of policies inside a WTO negotiation, from their country's perspective, and it's what they're looking at in a lot of areas.

I think it's a key element. No matter what commodity you're in, farm income is an issue. If we want to address farm income from a market-oriented standpoint and not from a government treasury, we have to look at something that is similar.

It might not be 100% supply management, as we have in Canada, but there has to be some kind of production control to get a fair return to the farm. Otherwise a 5% surplus creates a drastic effect on the price the producer gets.

We've been doing constant work over the last few years. I would say the UPA DI has been at least five or six years in Africa. There has been some work in Europe over the last two years. It's an ongoing discussion.

Hon. Mark Eyking: You mentioned some farm groups are already working on it, but it doesn't seem to be in the mandate for Agriculture Canada to do that.

Do you think CIDA should have a bigger role to help farm groups in Canada or to install that practice when they're helping other countries?

Mr. Jacques Laforge: Yes. I think it's also a choice the Canadian government can make.

But for the UPA DI project that is going on in Africa, I think some CIDA dollars are channelled through that. There is some help and some support from CIDA to do it.

Hon. Mark Eyking: Thank you very much.

My next question is about the marketing of our grains. You know that the quality and the reliability of our grains are well known around the world.

I was in Yemen, and they mentioned the word "Canada". The people in the market didn't realize Canada was a country. They thought "Canada" was a grain, because it was used so much. That shows how good the quality is.

I personally think the efficiency has a lot to do with our farmers, of course, but it also has to do with our wheat boards. They have kept the quality up and kept the product moving.

My question would be this. If this system collapses and the wheat board collapses, how are we going to maintain quality and reliability in the world markets?

I don't know who wants to answer that question.

• (0950)

The Chair: Mr. Shauf, and then Mr. McCreery.

Mr. Marvin Shauf: I think Canada has an ability to maintain the quality reputation that we have as long as there is an ability to provide producers with sufficient money for doing what they're doing.

We have a problem in doing that. Whether or not we have a Canadian Wheat Board, whether or not we have a Canadian Grain Commission, we have a problem in getting sufficient money for producers.

The Canadian Wheat Board can offer producers some power in the marketplace. The Canadian Grain Commission can maintain the ability to work with the quality, and we can continue to provide that to an international marketplace.

A real issue when it comes to trade I think is dealing with the marketplace and the values in that marketplace. When we talk about

competition or competing in that international marketplace, we really have to look at a disadvantage Canada has, whether we have a Canadian Wheat Board or we don't, and this is the fact that Canadian grain producers, Canadian wheat producers, canola producers—take any one of them—are effectively competing with producers across the line that continue to produce product even if the commodity value goes to zero. That's what the U.S. Farm Bill provides them.

Absolutely, we have some tools we can use. We have them right now. It will present some different challenges if that system collapses. Our ultimate objective in trade, though, is to bring sufficient dollars into the producer's pocket to be able to maintain reputation, maintain quality, and have a reliable trading system in the world.

The Chair: Thank you, Mr. Shauf.

Very briefly, Mr. McCreery, and then Mr. Eyking's time is up.

Mr. Liam McCreery: Thank you, Mr. Chair.

If the member is truly interested in looking at an example of what happens when the monopoly powers are taken away from an entity like the Wheat Board, you could look at my province. I am a Canadian farmer in the province of Ontario. We used to have to sell through the Ontario Wheat Producers' Marketing Board. We can now sell either through the Wheat Board or on our own.

I don't feel the quality of my wheat or my ability to segregate my wheat or market my wheat has gone down with the monopoly powers being taken away.

And I will say, Mr. Eyking, you have been a strong promoter of protecting sensitive products in Geneva. I just want you to remember, the two largest sectors in Canada are grains and oilseeds and red meat. Those are the two most sensitive products in the world.

So when you're in Geneva advocating to protect sensitive products, you are going after Canada's two largest sectors.

Hon. Mark Eyking: That's debatable.

Mr. Liam McCreery: No, it's not debatable, sir.

The Chair: Thank you, Mr. McCreery.

We'll go now to Monsieur Cardin for seven minutes.

[*Translation*]

Mr. Serge Cardin (Sherbrooke, BQ): Good morning gentlemen. I'm happy to meet you. I'm not well versed in matters relating to agriculture. I will begin by asking you a very simple question.

When it comes to globalization and international trade, should all agricultural products be given the same weight as any other products, whether it be metal, or any other non-perishable commodity?

In order to promote the liberalization of the markets, should agriculture be subjected to the same regulations and the same conditions as are the other sectors?

• (0955)

[*English*]

The Chair: Who is that question directed to, Monsieur Cardin?

[Translation]

Mr. Serge Cardin: To all of the witnesses, since their position will likely differ because of the products that they represent.

[English]

The Chair: Okay, thank you.

Mr. Shauf, Mr. White, and Mr. Laforge, and then Mr. McCreery.

Mr. Marvin Shauf: Thank you.

I believe there are some significant differences in agriculture relative to other products that move around in the world in the context of trade. When you start with plant production, and recognize that as the basis for agriculture in that it provides an opportunity to add value, that's a raw commodity. It's vulnerable to weather. It's vulnerable to government policies. It vulnerable to subsidies. Weather in any part of the world can have an impact on Canadian producers. If there's a government policy change in another country, that also has an impact on Canadian producers. So a lot of base-level vulnerabilities happen in agricultural production that don't happen with other products.

For instance, between Europe and the United States, the subsidies they put in place are designed to overproduce that marketplace demand. They have effectively created a market failure in commodities, in grains and oilseeds commodities. Inside their country, they provide a great deal of advantage to the rest of their supply chain with that overproduction. For Canadian industry, all of our value chain—from producers through the value added in feeding or processing, whether it's milling or malting—is disadvantaged by the Farm Bill.

So I think there are some huge differences between what Canadian agriculture, from top to bottom, has to deal with compared with other products and services that trade around the world. I don't think it should be treated in the same way. There are substantial differences in agriculture products whether or not they are food related, really.

The Chair: Thank you, Mr. Shauf.

All four groups would like to answer, so perhaps we could have brief answers.

Mr. White.

Mr. Rick White: Thank you for the question.

From a canola perspective, I guess it is a commodity, for the base commodity anyway. As such, it should be treated no differently from most other commodities around the world. We're looking for open markets, free markets, non-market-distorting practices on production and prices.

If we have clear and undistorted free market signals out there, then I'm confident our producers can survive. The way they will survive is not to fall into the commodity game that some commodities have. With canola in particular, we rely heavily on technology and keeping our product differentiated, keeping it healthy, and keeping it ahead of the curve in terms of its competitive value out in the marketplace so that it does not become just a basic raw commodity.

I think that would apply to just about any commodity, but specifically to canola, that is how we are competing, or trying to

compete, in the world market. To do that we need clear and unambiguous market signals out there so that we know what to produce, when to produce it, and how much to produce.

The Chair: Thank you, Mr. White.

Mr. Laforge.

[Translation]

Mr. Jacques Laforge: I think that is a fundamental question.

During the Second World War, we came to realize the importance of food production during war time. Europe could no longer feed itself: everything had been destroyed. One of the greatest concerns was how to feed the troops, how to provide food when Europe was being bombed, particularly during the last two or three years of the war. We learned a great deal from that experience. Europeans could tell us quite a few things about tit.

When it comes to our global trade approach, we must take care when comparing metal exports to exporting food or our food products. When it comes to food commodities, when we talk about milk, wheat and canola, these are very different things. For example, the milk must leave the farm to be processed after two days. I can't stock it in a warehouse for five years. In an era of globalization, we have to look at things differently: there are sensitive commodities and non-sensitive ones, for various reasons. We must also respect every country.

• (1000)

[English]

The Chair: I'm sorry, I must get you to wrap your answer up very quickly. We're running out of time. Then we'll go to Mr. McCreery.

[Translation]

Mr. Jacques Laforge: Each country's demand should be respected. That is why we are not making very much headway with the WTO. Everyone has sensitive commodities, not only Canada. We are not talking about supply management, but about these perishable commodities.

Thank you.

[English]

The Chair: Thank you very much.

Mr. McCreery.

Mr. Liam McCreery: Thank you, Mr. Chair.

That was an excellent history lesson, Jacques. After World War II, our country sat down in 1947 and developed the General Agreement on Tariffs and Trade as a way of getting countries to work together, because, as Cordell Hull said, "If goods can't cross borders, armies will."

The success of the GATT for industrial products has allowed tariffs to go to 4%. The average tariff we face as agricultural producers in the agriculture sector is 60%. So, yes, Monsieur André, we would like to have a trading environment that is much closer to industrial products so that as exporters we have an opportunity to compete in a fair world.

The Chair: Thank you very much, and thank you, Mr. Cardin. Your time is up.

We will now go to Mr. Menzies.

Mr. Ted Menzies (Macleod, CPC): Thank you, Mr. Chair, and thank you, gentlemen. It would have been nice if we'd had some women representing these organizations. I know that CAFTA now has a lady as its president—and, Liam, thank you for filling in, because we know it is a long way from Saskatchewan for her. We do appreciate your comments.

I had the privilege on the weekend of visiting with Mr. Lamy, and this seems to be the topic of focus today, as to whether or not we are going to restart the negotiation. He refers to the challenge that he put out last week as a soft start to the negotiations, so I am softly encouraged, I guess. We have a long way to go. We know we're facing a deadline with the trade promotion authority in the U.S. There are some deadlines there, but he suggested that he will try to encourage, not necessarily a ministerial meeting but getting some leadership back to the table and talking about it.

One interesting discussion that he raised that Supachai probably would never have dared raise was the issue of aid for trade. This is a bit of a different focus, and I'm not sure if all of you are up to speed on it. It is a method of building capacity in least developed countries so they can actually participate in this multilateral trading arena that we are so fortunate to be able to trade in.

I am encouraged by that because it actually brings it back to the reason the Doha Round was started, that being development. We all seem to cocoon ourselves in protectionism—and certainly Canada is not exempt from that—in trying to protect our interests. We absolutely forget about the fact that we're spending \$360 billion a year in protecting our farmers around the world, yet we only spend \$60 billion in helping out the poor people. How can we get off this protectionist mode and allow other countries to participate?

I would like a quick comment from all of you, if I may.

The Chair: Let's go down the line, starting with Mr. McCreery.

Mr. Liam McCreery: Thank you, Mr. Menzies.

It is an interesting concept, aid for trade, but you wonder how it would actually work if we, say, set up a developing country's infrastructure to trade and yet they still couldn't leap over the prohibitive tariffs of the most developed countries in the world, the G-10, the EU, the United States, Korea, Japan.

If we set them up, we have to give them the opportunity. The way you give them the opportunity is through the Doha mandate, which is lowering tariffs. It's going after those subsidies, so that when people are exporting cotton from Africa, they don't have to go up against the American cotton subsidies.

Absolutely fundamental to the Doha Round is to help development, and it is doing it by providing the real tools—market access and getting trade distortions out of the market—to all countries of the world.

That is an excellent statistic. We spend over \$350 billion a year to give subsidies to farmers and distort markets. That's the richest of the rich doing that. Then we say to the poorest of the poor, "Here's \$50

billion to deal with your devastated economies. Here's \$50 billion to deal with the economy that doesn't have an opportunity to compete because you're getting produce exported into your market from the subsidized richest of the rich countries." So the whole idea of the Doha mandate is to provide those opportunities.

Thank you.

• (1005)

The Chair: Mr. White.

Mr. Rick White: I don't really have a lot to add to Liam's comments. The Doha Round was meant for and focused on developing countries and helping them get into the game per se. If we ratchet down the trade-distorting support and ratchet down the tariffs, that is not only good for our farmers as exporters, but developing countries are more able to get into the game.

They cannot compete with foreign treasuries. We can't compete with foreign treasuries, let alone the developing countries. So the answer really is, as Liam said, more open free trade markets; developing countries will have their best shot through that venue.

The Chair: Thank you.

Mr. Laforge.

Mr. Jacques Laforge: I think that's a very good question. The more you do trading across nations—I mean, in a balanced way—probably the better off countries are overall.

Our point, Mr. Menzies, is that we all relate it back to farm income. Trade is one thing; farm income is another thing. Right now, farm income is balanced through payments—call them export subsidies and so on.

If we take a pure approach, coffee farmers around the world should be millionaires, and they're one of the poorest groups—I'm talking about at the farm level. And coffee trades.... There's a theory out there, and there's the logic of what's happening.

We really have to make sure this is addressed properly, and in a fast manner. That's why the Canadian position on trade for CFA was, let's give clean market access. Remember that? Let's get clean market access: let's eliminate all the in-quota tariffs.

We don't have any problem eliminating in-quota tariffs. Let's see how trade does, and we'll learn from that. Let's see if those export subsidies all go down; we'll learn from that.

We have to be extremely cautious, because Canada is sitting in a very vulnerable position when it comes to those issues. We say, be careful and make sure it's legitimate when we adapt these policies.

The Chair: Thank you.

Mr. Shauf.

Mr. Marvin Shauf: Thank you.

I think the key to this is going to be to recognize that market signals are made in government policies. If we continue to try to open market access without dealing with that domestic support issue, we open the world up for market access, with reduced tariffs, to fill up with subsidized product out of countries that have high domestic support.

Ultimately, what we do then, or if we provide them with aid at undervalued values, is ensure that they never will become profitable in those countries. That isn't development. That's about de-development.

What we need to do is get some true market signals, which means that we have to do away with the domestic support that is so trade-distorting. Once we get that.... The reason we have tariffs in most countries is that they don't have the ability to provide domestic support, and the only way they can protect their producer is with a tariff to make sure they don't just flood with subsidized product.

When we start to deal with those things in real terms, then I think we will have countries be able to provide themselves with sufficient income to become buyers in a real marketplace.

The underlying key to a lot of the issues that we have in trade problems is completely related to domestic support that allows for the overproduction that depresses commodity values globally. Producers in undeveloped countries can't compete in that marketplace. Producers in Canada can't compete in it. It is the key to resolving trade issues, I think.

• (1010)

The Chair: Thank you, Mr. Shauf.

Mr. Menzies, your time is up. I thank you all for giving a short, concise answer.

Mr. Julian.

Mr. Peter Julian (Burnaby—New Westminster, NDP): Thank you, Mr. Chair. I always like following Mr. Menzies.

It's important to note that if the Doha Round was really about helping the poor, there wouldn't be many progressive democracies in the third world who are very much opposed to the direction the WTO is taking.

I'd like to thank each of the witnesses for coming forward today, particularly the Dairy Farmers of Canada. I particularly was interested to see in your brief that the bulk of revenue from Canada's agriculture and agrifood production—over 70%—comes from the domestic market, that the Dairy Farmers of Canada do not believe in an unregulated marketplace, and that trade liberalization will not improve the overall economic welfare of the dairy farmers; that in fact a USDA-sponsored study demonstrates the opposite is true.

Certainly we've seen that the approach the previous and current governments have taken in trade has led to devastating losses in many of the manufacturing industries; we've seen the softwood lumber sellout, in which we've lost 4,000 jobs just in the past few weeks, so it's important that any steps we take in agriculture be appropriate to avoid devastating agricultural communities in the

same way we've devastated softwood communities, textile communities, and manufacturing communities across the country.

It's interesting to note that most Canadian families are earning less than they were 15 years ago in real terms, so something is fundamentally wrong with how we are approaching our economic development.

I'd like to come back to the Dairy Farmers' presentation. You mentioned very specifically that the government should be putting special safeguard measures into play. It's something that we're actually discussing now in terms of the apparel industry. I'd like to know more specifically what you believe the government should be doing in putting into place safeguard measures to protect our agricultural communities and the families that depend on the agricultural sector.

Mr. Jacques Laforge: Maybe I'll answer in a short version, and maybe Yves will want to add to this.

From a dairy perspective and even on eggs right now, what we're saying is to start talking to us. Let's put a policy in place on special safeguards, because we don't have a clue. They defend it at WTO. They should be there, but when it comes to applying them in Canada, they're not doing anything.

This is not just for supply management. There might be other commodities that want to use special safeguard measures, but since the last WTO round, they have done hardly anything to put that policy in place. We don't even have a clue about how they're looking at it.

Maybe Yves wants to add to that.

Mr. Yves Leduc (Director, International Trade, Dairy Farmers of Canada): Mr. Julian, at the end of the Uruguay Round, Canada essentially negotiated through the tariffication process in which, for the most part, supply-managed products were tariffied and TRQs were established. That's also the case for a number of beef and grain products as well. That right was negotiated at the end of the Uruguay Round. It's part of the WTO obligations and rights that Canada negotiated, and we're simply asking that these rights be made operational here in Canada. It's a regulatory process that needs to be put in place.

There are discussions currently taking place within the Department of Finance and within the Department of Agriculture and Agri-food. There has not yet been any recommendation by the Minister of Finance, who is responsible at the end of the day to make these measures operational, to go ahead and operationalize them. There's been a request from the supply-managed industries to go in this direction, and we're awaiting a decision from the minister right now. It's a right we have.

[Translation]

Mr. Peter Julian: When did you request that of the government?

• (1015)

Mr. Yves Leduc: Officially, we began our talks a little over a year ago with representatives of Agriculture and Agri-food Canada. They, in turn, spoke to the people at the Department of Finance.

We were told that the technical aspect of the implementation had been studied, but that the minister had not yet decided to move on these measures. Until the recommendation is made, these measures cannot be operational. We want to improve Canada's international credibility, but before asking for the special safeguard measures to remain in place, we must do our own homework.

Mr. Peter Julian: Yes, and the other countries have already done that.

Mr. Yves Leduc: The United States and Europe have already implemented these measures.

Mr. Peter Julian: That's incredible.

That is important, since it will be discussed in coming days. It will involve another industry sector, but I do hope that the government representatives who are here today are listening.

Mr. Yves Leduc: What we must not forget is that Canada has that right.

Mr. Jacques Laforge: Canada is always timid when faced with this type of situation. It hates to do anything that is not within the realm of free trade, while all of the other countries are doing it. We have to wake up.

The damage caused to the dairy industry in the case of butter oil and milk protein has a cumulative effect. There is no way to ship these products to the United States or to Europe. They decided to stand up for themselves and take the situation in hand.

Mr. Peter Julian: Thank you.

Last year we met with the Canadian government's chief negotiator. He said that Canada's position on supply management was to maintain supply management within the dairy sector, but that the United States wanted the sector protected by supply management to be reduced by 90%.

The chief negotiator said—and I found this somewhat worrisome—that in the end, negotiations should lead to a compromise, meaning that half of the sector that was protected by supply management would lose that protection.

What would happen if this were to come about?

Mr. Jacques Laforge: When the United States speaks, we have to sit up and take notice—

Mr. Peter Julian: But our own negotiator talked about meeting them half-way.

Mr. Jacques Laforge: Yes, but the United States have a tendency to always adopt an extreme position. They have the power to do that. They won't take it all the way, they want all of the other countries to defend their own interests. In this case, our own negotiator is saying that he will defend the interests of the United States. He will start with their extreme position and bring it back half-way.

With their subsidies and their decoupled payments, and so on, the United States can manage this type of situation; that is not the case for Canada. The conditions are not the same in the two countries.

Mr. Peter Julian: So what will the consequences be?

Mr. Jacques Laforge: We can already see what is happening in the dairy industry. We are losing \$2 million a month on the milk protein concentrates, and these losses are constantly growing. We are

working on a solution to the problem. I think it can be done within the industry as a whole. With respect to eggs, I will only say that the exchange rate will certainly have an effect on producers' income.

[English]

The Chair: Thank you, Monsieur Laforge.

Mr. Julian, your time is up.

We'll now go to the second round. We'll go to Mr. Maloney, please.

Mr. John Maloney (Welland, Lib.): Mr. Shauf, I believe in your presentation you indicated that the United States, Mexico, and Australia were undertaking bilateral agreements with other countries to our competitive disadvantage. Should we also be doing bilaterals, either by ourselves or with the United States? If so, why aren't we?

Mr. Marvin Shauf: Canada should be doing bilaterals and Canada is doing bilaterals. We're suggesting that there be more resource and more energy put to it, because there's a great deal of energy being put to it by other countries. There's a lot more energy being applied to it since WTO was discontinued.

There is, however, a problem with a lot of bilaterals, and that is that bilaterals never deal with domestic support issues. It is what makes WTO the best place to be able to deal with this. Domestic support, as I said before, underlies much of the problem relative to trade today. It was what created surpluses. It was what caused countries to say they can't allow our subsidized product to come in. It created oversupply, and it caused countries to use export subsidies to pump it into the world marketplace.

There does need to be a very strong focus on domestic support resolution. I think that is the most solid argument for doing it through WTO. We should be spending considerable resources on bilaterals, just because other countries are.

• (1020)

Mr. John Maloney: With the Doha Round being in a state of uncertainty, although it may be preferred, should we again proceed to the less preferred route with the bilaterals?

Mr. Marvin Shauf: We should be keeping abreast of the rest of the world, certainly, in that context.

Mr. John Maloney: Mr. McCreery, did you have a comment?

Mr. Liam McCreery: I absolutely agree, Marvin. Bilaterals do not address the \$360 billion in trade-distorting subsidies and usually do not discuss sensitive products. So bilaterals are a noble goal, but they need to be built on a strong foundation of the WTO.

I have to do a quick plug for the pork producers in Saskatchewan and Alberta, who are members of CAFTA as well. They need lower tariffs to get their quality product into Europe.

Mr. Julian, you talked about special safeguards; the Europeans are using NTBs and mischievous applications of tariffs to keep quality Canadian pork out of their markets. So, yes, let's go after the bilaterals, but never at the expense of the WTO, especially for agricultural problems.

Thank you.

Mr. John Maloney: The dairy farmers have been advocating that we should be implementing article XXVIII of the GATT with respect to milk protein concentrates. We've seen examples of other trading blocks, for instance the EU, which did that with poultry recently.

You would advocate that, Mr. Laforge. What is the reluctance of the Canadian government to pursue article XXVIII in relation to the milk protein concentrates, and would we have to give something up? Would there have to be some compensation?

Mr. Jacques Laforge: Historically it basically works that compensation is 10% above the average three years of imports at the level they have been coming in. When it comes to Article XXVIII, it's one of the approaches we recommended. The minister raised some concern, because we were engaged in bilateral deals, on how article XXVIII would impact. That's his opinion and the legal advice he's getting.

We've looked at the overall situation of dairy in Canada and actually committed to a working group that the minister wanted to take place. We did that, and we're looking at how to move the industry ahead in a global situation from a Canadian perspective, meaning global from Canada, how producers and processors can work collectively together in addressing some of these issues and also maintaining the market share that we have in Canada and growing it. The working group is a lot broader, but article XXVIII is a tool that exists for all countries. Again, we come to a point that we're hesitant on article XXVIII, we're hesitant on special safeguards. Nobody wants to touch something that looks to be protectionist, if you want to call it that. We shouldn't be shy about that, though.

Mr. Yves Leduc: Very briefly, if I may add to that, the WTO is not only about obligations; it is also about rights, and we should not shy away from using our rights.

• (1025)

The Chair: Thank you.

Thank you, Mr. Maloney.

We'll now go to the Bloc Québécois, Mr. André, for five minutes.

[Translation]

Mr. Guy André (Berthier—Maskinongé, BQ): Good morning. I am happy to see you here this morning.

I must, of course, say a few words about protecting supply management. Take, for example, the Doha Round negotiations. I think that in the coming months, we will have to work to protect supply management. We have to think about food sovereignty, which is quite important. I do not think that agriculture products should be treated as a currency in the same way as other commodities. However, we should remove some of the barriers for wheat and other grains, as we know that those producers are suffering.

We should negotiate within these safeguards, in other words, we should protect certain sensitive products while allowing other sectors to remain open. I would like to know how you would negotiate within these safeguards.

The Bloc Québécois adopted a motion on milk protein. While supply management is supposed to be protected, milk protein is being imported and this costs our producers dearly. A motion was adopted in the House of Commons. The Conservative Party, which claims to support supply management, voted against it.

As you mentioned, Mr. Laforge, we are prohibiting a practice that is used by other countries, through article 28 of the GATT, for example. Why are we reluctant to protect our own interest when other countries are doing it? We need only refer to the measures adopted by Europe, in the case of Brazil and Thailand for poultry imports.

Mr. Jacques Laforge: I can tell you what I think, even though I may not be entirely right.

Canada is a net exporting country, which means that it does not operate like the United States or the European Union. Whenever Canada wants to deal with a sector that is protected, these countries go on a frenzy, because they are worried about how that might affect their other commodities, or about retaliation and that type of thing. These mechanisms are good to have, but when the issue is black and white, then we have to know how to take a stand.

It is not the international community that causes us to lose our markets for protein concentrates and butter oil; it is our own Canadian International Trade Tribunal. As is the case with many other similar bodies, the CITT is under review. We have to wake up and take a position on our WTO negotiations. It is undoubtedly a tough job to defend supply management at the WTO since it is a unique system. However, the system does work. We are not getting buckets full of cash in subsidies, and the consumers are not paying anymore—in fact they pay less—than the people in Europe and the United States.

Are we going to abandon or allow this successful mechanism to be eroded? That is what Canada has to consider. We have to take a stand and say that it is not negotiable. How do we do that? Well, that is Canada's job.

We know that, unlike Europe and United States, Canada does not have the means to subsidize the dairy and poultry industries. If it were to begin to do so, it is obvious there will be less money for the other industries. The International Dairy Industry is subsidized on a regular basis, and what it produces is constant. It stays in Europe. The European countries are the largest dairy exporters in the world: they export about 15% of their yield so, they can put up with it a lot longer.

In our opinion, it is up to Canada's negotiators to find the tools that they need. We can help them to find these tools and explain what is needed to avoid eroding our markets. Those tools do exist, and the Canadian negotiators must simply be open minded enough to explore the possibilities. It can be done.

Mr. Guy André: Mr. McCreery, I would like to hear what you have to say about the opening up of the green market, about wheat, corn, etc. I am concerned with this question. We are protecting supply management and trying to open new markets. What is our negotiating range?

• (1030)

[English]

Mr. Liam McCreery: I'm not sure, sir, I understand the question. Are you talking about opening up wheat markets for Canadian producers?

Mr. Guy André: Yes, and protecting our

[Translation]

supply management.

[English]

Mr. Liam McCreery: Right now grains and grain products are the most sensitive products in the world. Clearly, to open up markets for producers like me, we have to negotiate tariffs to come down on sensitive product lines for grain products.

[Translation]

Mr. Guy André: We cannot favour one sector at the expense of another. Do you understand this? What is our negotiating range within this—?

[English]

Mr. Liam McCreery: You and Mr. Julian both talked about defending the interests of producers. But 91% of us are not supply management, and to protect our interests, we need tariffs and subsidies to go down around the world. Canada has an opportunity to be a leader by taking a leadership role here, actually sticking to the Doha mandate and to the July framework it agreed to—namely, trade liberalization.

Mr. Guy André: Completely.

Mr. Liam McCreery: The trade negotiations, the Doha mandate, the framework did not say the complete elimination of the lowering of tariffs and subsidies. It's an evolution, not a revolution.

The Chair: We'll go to Mr. White for a very short response; Monsieur André's time is up.

Go ahead.

Mr. Rick White: On the supply management issue, whatever the rules are that we set up under the WTO to allow sensitive products to happen, those rules are used by other countries that we are trying to access for our export markets, in particular canola, wheat, and other grains.

So whatever rules we want here in Canada on sensitive products, those rules will be available to protect other countries' industries, and that's where we have a problem. We can't get our products in under those current rules in some of those countries.

The Chair: Thank you, Mr. White. Merci, Monsieur André.

We'll now go to Ms. Guergis, for five minutes.

Ms. Helena Guergis (Simcoe—Grey, CPC): Thank you, Mr. Chair.

I have three questions. The first will be for Mr. White and Mr. McCreery and the next for Mr. Shauf and then Mr. Laforge. I'm going to give you all the questions, so I can get them out before answers.

Canada has not made any progress on trade liberalization since 2001. I don't need to be telling any of you that, and of course Canada is at a disadvantage compared to many other active countries like the United States. The U.S. is actively pursuing bilateral trade agreements with other countries and has signed agreements with Australia, Morocco, and the countries in the Americas. I'm hoping you can tell me about the impact of these agreements on Canadian agriculture. Do you think Canada should sign agreements with these countries, and should Canada work a little more closely or alongside the United States when they're negotiating future agreements?

Mr. Shauf, it's my understanding that the majority, about 80%, of your products are exported. You're in the province of Saskatchewan. Would you say the majority of the producers in your province want free trade or more trade restrictions? Further to that question, what is your position on the Wheat Board?

Mr. Laforge, at the beginning of your announcement, I heard you say you are representing 15,000 dairy farmers. When supply management started, 42,000 farmers were under supply management. If supply management is so good, why are we seeing such a reduction in the number of farmers?

We can start with you two.

The Chair: Go ahead, Mr. White, please. Could you all make your answers quite brief? You have three minutes to answer all those questions, so go ahead.

Mr. Rick White: Okay. I'll be very brief.

Thank you for the question.

Yes, we have not made much progress on trade liberalization. The question comes down to the bilateral opportunities. We have to maintain focus on the WTO. That is the entire answer to the problems we have. Bilateral opportunities are out there, but those negotiations are every bit as tough. We shouldn't kid ourselves that the sensitivities disappear as soon as we go into a bilateral, because they're still there. If we're going to negotiate hard, I'm worried about taking resources away from our efforts on WTO. Should we be working more closely with the U.S.? We definitely have to keep track of what's going on out there. We have to get our own bilaterals in order as well. But please don't take any resources or focus away from the WTO, because that's where the real answers lie for us.

• (1035)

The Chair: Ms. Guergis also asked about the impact on Canada of the United States signing those bilaterals.

Mr. McCreery, it looks as if you're ready to answer that.

Mr. Liam McCreery: Yes, and you brought up the number of producers. CAFTA does represent about 172,000 producers, if you include the pork producers out west, the beef producers across Canada, and the grains and oilseed producers.

But let's talk about the impact. Let's talk about what happened when the United States signed an agreement with Morocco. I remember the former deputy minister saying we're not going to waste time with Morocco, and I was quite devastated by those comments, because Morocco is the gateway into Africa for grain. So by us not being there and the Americans having preferential treatment, they have a leg up on us going into Africa with grains and oilseeds products.

An agreement could hurt our friends in the soybean industry and the canola industry because of a bilateral between Mexico and Japan that will allow product to flow through the United States and Argentina through Mexico to Japan to give our Japanese competitors a leg up.

Those are just two very quick examples. We can talk about the CAFTA agreement and how it affected the sugar industry.

So, yes, there are devastating effects. I already said bilaterals are a double-edged sword. It's a great party to be at, but if you're not there, it's a very bad thing. But the way to overcome that is to negotiate strong rules across the board for 150 countries, not one-offs.

The Chair: Thank you very much, sir.

Mr. Shauf.

Mr. Marvin Shauf: Thank you. You asked if our producers want free trade. Our producers want fair trade. They want access to profitable markets. Our producers will take 5% clean access that gives them some profitability in that marketplace, well over some philosophical 30% reduction of a 400% tariff that gives them nothing. Our producers want access to profitable marketplaces.

Our position on the Canadian Wheat Board is that producers, not other countries, not government, should be the ones who decide and have a vote in that.

The Chair: Thank you, Mr. Shauf.

Mr. Laforge.

Mr. Jacques Laforge: As far as the number of reductions per farm, down from 42,000 to 15,000, there are a number of elements. The rationalization of the dairy farm has not been any different from the general farm population. I think production per cow increased, based on a mature market, and has created people exiting the industry more, probably, than we would like.

As an example, on my farm in 1980, I was milking about 20 or 25 cows. Today, I'm milking 85 cows. If I had the same production base, the quota base today as in 1980, I would have to milk 240 cows. The production per cow has tremendously increased in a mature market, so it explains some of that.

The thing that we must not confuse, though, is that when we talk about 15,000 farm units, that is a lot more than 15,000 dairy farmers. Most units today are in the vicinity of 65 or 75 cows, and you have either two brothers and wives on it, or a father and mother and wife and husband, a boy or a daughter and a partner on it. As I say, it's a combination of at least two households. In some cases, it may be up to four households. These are all dairy farmers, but we're talking about 15,000 units. I wanted to clarify that.

The Chair: Thank you very much everyone, and Ms. Guergis.

Who will we have asking questions from the New Democratic Party on the second round? Mr. Julian?

Mr. Peter Julian: Mr. Chair, it's very kind of you to ask. I'll be asking this last round of questions. Thank you very much.

The Chair: Go ahead, Mr. Julian.

Mr. Peter Julian: I'd like to come back and, a little like Ms. Guergis, give you the questions and give you time to answer them.

First, coming back to the dairy farmers, on the issue of the CITT and the CBSA and the fact that you don't have standing, what have you done in terms of trying to approach those tribunals, what recommendations would you provide to us, and how does the mandate have to change?

Then to all the witnesses, I'd like to come back to this issue of the Wheat Board and supply management. These are very, very important issues for agriculture communities. The United States has been very aggressive in saying we have to do away with the Wheat Board. The government seems to be going down that unfortunate path and reducing to virtually nothing our supply management sector. So I ask each of the witnesses whether you would agree with that American position, to do away with supply management and the Wheat Board.

Then my last question, again to all the witnesses, is on value-added. How do we move from exporting agricultural products to exporting value-added? Regardless of the tariff issues, that is something that is part of domestic policy. Do you have any recommendations on that?

• (1040)

Mr. Jacques Laforge: Based on CITT and CBSA, there is ongoing revision of CITT. I don't know if it's from our criticism of it or not, but there's a lack of logic. For example, in the context of butteroil/sugar blend, we argued that butteroil/oil sugar blend was displacing butter fat and displacing butter, because we can't use butter in the making of ice cream. They said, "Well, you cannot basically use butteroil/sugar blend to spread on toast." In a simple nutshell, that's how they made their decision.

In the case of milk protein concentrate, they said that up to the 85% figure, it was a milk protein concentrate; over 85%, the traders call it a milk protein isolate. It's the same product, although one is a heavier concentration. It is the same thing being used for the same thing.

At some point, we say, there has to be some common sense put into the decision-making, because traders will do almost anything to bypass the rules. And I think this applies to CBSA. The CBSA has to be a lot more fine-tuned when there are dairy ingredients coming into the country.

We have also recommended that we have some kind of structure, a committee or panel, so that when there's a new demand made on a dairy product or a usage that has dairy ingredients, the committee is exposed to it, so there's a clear.... Between the scientific world and the technology and a customs officer, a lot can be lost. So we kind of want them to review their structure and apprise us of what their decision-making is.

The Chair: Mr. Julian, do you have another question?

Mr. Peter Julian: Well, I asked three of them, so the other two as well.

The Chair: Oh, Mr. McCreery.

Mr. Liam McCreery: Just to make something clear, and I hope Mr. Laforge would agree with this, right now at the Doha Round—the Doha negotiations, or the “soft negotiations”, or whatever they call the negotiations right now that aren't happening but are happening—no one's talking about supply management. They're talking about tariff reduction formulas.

I've had the amazing opportunity to represent CAFTA in Geneva, and I've met with dozens of missions. Nobody has ever challenged the idea of Canada operating a domestic policy called supply management.

I've done a lot of work with the head of the American Farm Bureau, representing the major farm group in the States. His name is Bob Stallman. He has never brought up the issue of having concerns around supply management. When we discuss sensitive products, they're talking about tariff reductions, at a level different from the general level.

It is interesting that in Canada it's a big deal. The last we talked about it.... Mr. Julian, nearly all your questions are directed towards that, and I was hoping you'd ask us more, too. But around the world it's not an issue. Tariffs are an issue, but that's not.

You talk about value-added and the government's role in it. I am positive that this won't align with the goals and values of the NDP, but I really believe in our strong entrepreneurial sector in Canada. Despite \$360 billion in subsidies, despite mega-tariffs that are 300% and 400%, over half of us in this country do compete in international markets and do add value. Just give us the tools, let us go at it, and we will provide jobs for Canadians across this great country.

The Chair: Go ahead, Mr. Shauf.

Mr. Marvin Shauf: Thank you.

You asked about the Canadian Wheat Board. I think the issue there is that if your biggest competitor doesn't want you to have a tool, you should consider why. But again, it's our position that producers should be the ones to decide this.

Relative to value-adding, we are in a situation in this country, and have been for many years, where we have asked our producers to compete against the U.S. treasury. We've asked the rest of the industry, pre-farm gate and post-farm gate, to take on a small piece of it, but it has ultimately been the producer who has had the largest battle.

If we're going to be able to add value in this country in a real, substantive way, we need to have competitive tools to deal with it—not just at the producer's level, but certainly the producer needs to

have those tools; so does the rest of the industry. We can't ask an industry to compete against the U.S. treasury. It can't happen in a sustainable way.

• (1045)

The Chair: Thank you, Mr. Julian.

Now we go to the official opposition Liberal Party and Monsieur LeBlanc, for five minutes.

[*Translation*]

Hon. Dominic LeBlanc (Beauséjour, Lib.): Thank you, Mr. Chairman.

Thank you very much, gentlemen, for your very interesting comments which were not contradictory, but did sometimes present varying points of view on the highly important topic of farm production. I thank you for being so candid.

Mr. Shauf and Mr. McCreery, among others, and Mr. White, I believe, spoke of the importance of looking into the possibility of concluding agreements for bilateral trade with other countries. I think that my colleague, Mr. Maloney, also touched on this issue, as did the parliamentary secretary.

[*English*]

Perhaps I could just pick up on Mr. Maloney's question, where he asked you to talk about bilateral agreements. I agree with the parliamentary secretary: that since 2001 we have not successfully concluded agreements is something that should cause us some concern.

As all of you know, and this is a public discussion, the previous government and this government are working towards agreements, for example, with Korea, and with the Central American countries. I know that some companies in my part of Atlantic Canada—for example, McCain Foods, amongst others—are hoping that some of these markets will offer opportunities.

I think it was Mr. Shauf who mentioned China and India. They are obviously huge markets. Could you prioritize for me: if you were the Minister of International Trade, which agreements that we're working on now—maybe it's EFTA, maybe it's South Korea, maybe it's Central America, maybe it's Singapore—of the ones that are in the hopper, if you will, now or that are being looked at now, or which other ones do you think the government should pursue? If you would rank them, I'd be curious to know where you think the greatest opportunity for Canadian agricultural exports lies and what advice you might have for the government and this committee as to what we could do to try to move them forward.

The Chair: Go ahead, Mr. Monchuk.

Mr. Clinton Monchuk (Policy Analyst, Canadian Federation of Agriculture): Right now we're negotiating quite a number of different agreements. Right off the bat, the South Korean FTA would probably be one of the biggest kind of positive notes for primary producers.

When we start looking forward and looking at other agreements, we had an industry group get together to look at where we needed to go, and we prioritized them already. Obviously number one was China, just from the sheer size of the country and where they're going for liberalized trade.

Moving on, Japan is obviously another big trading partner of ours. Mexico is already going through an agreement with them, then the Andean community, India, and Morocco. So that would be the list of prioritized countries, as we see it.

The Chair: Mr. White, go ahead, please.

Mr. Rick White: I'll respond from a canola-specific perspective. We see bilateral opportunities, certainly with the South Korean one, which is in progress. They're all priorities. It's hard to distinguish which one holds the key to better prosperity for us, but China is right up there, then Japan, Pakistan, and of course the European Union.

Those countries also have huge market potential for canola, if we can get some of the tariff issues resolved around them.

The Chair: Mr. McCreery.

Mr. Liam McCreery: Thank you.

That's an excellent question, and I'm going to give you a two-pronged approach.

First, there's always a fear that when we go into the bilaterals, sensitive products will be left off the table. I had the opportunity to make a presentation to a Japanese delegation about agricultural products, and they basically said, agriculture sensitive, full stop. So I just looked them in the eye and said that in Canada we might consider cars sensitive; is that the way you want to negotiate?

So I really encourage this group to push for agriculture access when they go after the bilaterals. There are different markets for different industries, which I get to represent today, so it's just an overall statement. Please remember us and actually make movement for us when we get into these agreements, because the Koreans, the Japanese, and the Europeans really don't want to talk about agriculture to any large extent. So please get us access when you go into them.

I don't want to talk too much about the importance of bilaterals, and they are important, because I don't want to let you guys off the hook. I know there are a lot of really tough decisions around Doha and balancing 100% of this great sector, but it's more than just agriculture.

All of the Canadian economy relies on the WTO, and if we come to you today and say, go after the bilaterals and forget the WTO, since it's dead, we are letting you off the hook.

I know it's tough. I know you're getting pressures from all sides, but it's so fundamentally important to all of us in Canada that we have a successful WTO.

Thank you for allowing me to get on the soapbox again.

•(1050)

The Chair: Thank you.

Thank you, Mr. LeBlanc.

Mr. Menzies.

Mr. Ted Menzies: Thank you again.

I'm following up on Mr. McCreery's final comments about the importance of this. We tend to forget that agriculture is the building block of all world trade. If we can't get an agreement on agriculture, we will not get an agreement on services. We will not get an agreement on non-agriculture market access. So we're letting down all of Canada's industries, as well as going back to my comments about least developed countries.

A lot of this is based on sensitive products. We heard the comment about how many sensitive products there are, and I would like someone to address this, perhaps Mr. McCreery, because I sense you started on a bit of a rant, and I'd like you to continue.

Every country's export is someone else's sensitive product. How do we deal with that in plain and simple English?

Mr. Liam McCreery: In very simple English, the WTO has come up with the July framework that attempts to deal with that. Basically when you strip away all the terminology, hopefully there are going to be two tariff reduction levels: the major tariff reduction formula for most products and another tariff reduction formula for those designated as sensitive. It's that simple. That's the way we have to approach this.

A Machiavellian response would be, let's make them all product-sensitive, come up with one tariff reduction formula, and get it over with. So there's the answer. The excellent negotiators and the ministers from around the world have come up with two tariff reduction formulas. It's that simple. One is the general reduction; one is the sensitive. That's what we're talking about today.

Does that answer your question, sir?

Mr. Ted Menzies: Yes. I did want it explained in plain English, so I do appreciate that.

I think this is doable, but there has to be the will on behalf of Canada and on behalf of many other countries. In Geneva this weekend I sensed that a lot more countries were interested in moving forward. Although some pretty much still had their feet nailed to the floor and didn't want to move, fewer countries had their feet nailed to the floor than what I saw when I was in Hong Kong. I'm encouraged by that.

I think you have another comment.

Mr. Liam McCreery: Now I get to hold your feet to the fire, Ted. Only one country in the world has set zero tariff reduction on sensitive products, and that's Canada.

We are working on convergence. We are working on consensus. That is the position we're in right now. As I said before, I know it's a tough political thing for everyone in this room to deal with, but that's the reality we face.

You want plain language, there it is.

The Chair: Mr. Menzies, Mr. Laforge has indicated that he would like to respond too. Maybe it would be appropriate, seeing the way the discussion is going.

Mr. Ted Menzies: Absolutely.

The Chair: Just a brief response, please, Mr. Laforge.

Mr. Jacques Laforge: I just want to point out that it's not that simple. It's not just about over-quota, about tariff reduction, about all that stuff. Countries manage their TRQs, their in-quota, their market access, and their over-quota through a number of elements.

We never said we don't want a tariff reduction. We said if we're going to take tariff reduction from a dairy perspective, it has to be an in-quota tariff reduction. Other countries are saying the opposite, that we'll take an over-quota tariff reduction but we don't want an in-quota tariff reduction because we don't want to give market access.

You have to decide which one you want, which one is most precious to you. If grains and oilseeds in India decides to reduce the over-quota tariff when the in-quota tariff is not going down, because that's the system they have, it doesn't add anything. They're better off having an in-quota tariff reduction. Mexico is a prime example of that.

So it's not that simple. You have to target what you want, protect what you want, and negotiate that way.

•(1055)

The Chair: Mr. Menzies, one very short question.

Mr. Ted Menzies: When I was in India on a trade mission two years ago, we were talking mostly about pulse crops. About 97% of India's pulse crops come from Canada. I was talking to some of the importers, and after the discussion was over, they came to me to plead for Canada to export cheese. They said that in India they don't like the taste of the bitter cheese from Europe; they love Canadian cheese. They asked me how they could access cheese from Canada. They love our cheese, and they'd like to buy it. They wanted to know what system was stopping them from being able to buy cheese from Canada.

Mr. Laforge, please.

Mr. Jacques Laforge: Nothing is stopping India from buying cheese from Canada. If they come and ask, we'll gladly sell them cheese. We'll do the same for any country that wants it.

It's not that we don't want to do this, but it has to be profitable. That's the bottom line. You can't not get government subsidies and keep these export activities. If you're able to export without subsidies and be profitable....

The dairy industry is exporting now. It's not in big quantities, because we're staying inside our limits, but the dairies export out there to different countries, non-subsidized. That we do, but nobody sees it. And it is profitable; we do it inside the domestic system.

If you can give me those names, we'll gladly ship them cheese.

The Chair: Thank you, Mr. Laforge. Thank you, Mr. Menzies.

Mr. André, for just one question, please.

[*Translation*]

Mr. Guy André: Let me come back to a previous question. I think that the House of Commons will be unanimous in protecting supply management. I think that we unanimously adopted a motion to this effect.

Some sectors of agriculture are going through a difficult period, as you know, with regard to the production of corn, grain, etc. I mentioned this to Mr. McCreery. From the point of view of promoting these products on the international market, are there any major bilateral agreements that we should conclude? If so, which are they? What is our negotiating margin at the WTO, given that we have to protect our supply management system? I think that for us, this is a given. I would like to hear what you have to say about this. This is my question.

[*English*]

The Chair: Could we have a very brief answer? We have the next committee waiting for us here.

Mr. McCreery.

Mr. Liam McCreery: Thank you, Mr. Chair. The very brief answer is a clarification on the November 22 motion. It also said it would defend the interests of exporting industries as well, and—if I understand the question through the interpreter correctly—I know of no export-oriented sector that is trying to have supply management to get into a bilateral agreement. That's the way it was interpreted, and I don't think that's what you meant, so I really can't answer your question. I don't know what it was.

The Chair: Thank you very much, Monsieur André.

Go ahead, please, very briefly.

[*Translation*]

Mr. Guy André: Let me simplify my question. How do you envisage the opening of markets for grain producers, following the WTO Doha Cycle of negotiations, and given the European and American subsidies and the rest? What opportunities do you currently see for opening markets?

•(1100)

[*English*]

Mr. Liam McCreery: Do you mean around the world?

Mr. Guy André: Yes.

Mr. Liam McCreery: The simple answer is that we need to lower tariffs, but more importantly for the grains and oilseeds sector, we need to go after the subsidies of the European Union.

The Chair: Thank you very much, Mr. André.

Thank you all for coming today. I appreciate very much your answers, and to committee members, your excellent questions.

I'd like to remind you that on Thursday the meeting is in conjunction with the...we will be attending the FEPA seminar, which

is in room 214 of the Wellington Building. There is coffee and a light breakfast at 7:45. The meeting goes from 8 till 10, and then we have our meeting afterwards in the Wellington Building from 10 to 11. So that's just a heads up on that.

Again, thank you all very much for coming. We appreciate it very much.

The meeting is adjourned.

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