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Chair

Mr. James Bezan

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• (0905)

[English]

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

We're kicking off our study on Bill C-33. It's been thrown to us to review this, and of course, as with any legislation, the sponsoring minister comes in and tells us about all the good things that are in the bill.

So with that, Minister Ritz, I'm glad to see you at the committee. Whenever you show up we get a bigger venue. We actually get to hear our own echoes.

I'll leave it to you to provide opening comments.

Hon. Gerry Ritz (Minister of Agriculture and Agri-Food): You know you've been here too long when you can hear echoes.

Greetings, everyone. It's great to be back here. It's always a comfort to come before committee. We all spent a good many hours chatting about issues together over the years, and it's my pleasure to be back here.

As you know, our government recently introduced the renewable fuels bill and its proposed amendments to the Canadian Environmental Protection Act, or CEPA, as it's more widely known. These amendments will provide the additional authorities that the government requires to make efficient national regulations requiring renewable content in Canadian fuel.

In December 2006 the government began to move Canada towards smarter consumption by announcing our intention to require a 5% average renewable content in gasoline by 2010. We also signaled our intent at that time to develop a similar requirement of 2% renewable content in diesel fuel and heating oil by 2012. Meeting these requirements will make a real difference for our environment. Hitting these targets will be the equivalent to taking almost one million cars off our roads.

Over the past seven years Natural Resources Canada has developed and maintained a model named GHGenius. GHGenius estimates life cycle energy use and the GHG emissions from both conventional and alternative fuels. This model is the only one of its kind in Canada and only one of several such models throughout the world. Using this model, we estimate that under typical Canadian conditions corn-based ethanol can reduce life cycle energy use and GHG emissions by around 40% compared to crude-oil based gasolines. Beyond these environmental benefits, this requirement will help stimulate the growth of the renewable fuels industry in this

country. That means economic benefits for producers and rural communities across Canada.

Close to three billion litres of renewable fuels will be needed annually to meet the requirements of these regulations. Supplying that demand will be a big job for the biofuel industry. Canadian biofuel producers are already producing more than one billion litres per year and we're well on our way to meeting our production targets. This kind of expansion will represent a tremendous economic opportunity for Canada's 61,000 grains and oilseeds producers. In fact, all of this presents an exciting new market for Canadian producers. Biofuels production is helping farmers grow their businesses while creating new jobs, especially in rural Canada.

Our government is taking strong action on biofuels in very concrete ways. We've announced funding for the ecoAgriculture biofuels capital initiative to encourage producer investment in biofuels and their production facilities. We have recently announced the first two contribution agreements under this program—a new biodiesel plant in Alberta, and an ethanol plant in Saskatchewan at Unity. We expect to sign multi-million dollar agreements with several other plants, with farmer participation in the very new future, as interest in this funding has been very high.

We have invested in the biofuels opportunities for producers initiative, or BOPI. This initiative supports more than 120 biofuels-related projects across Canada with farmer representation. These new plants are great news for our producers. They provide a new market source for their wheat, corn, and canola and potentially other crops. Having plants in our rural communities will lower transportation costs that too often cut the knees out of farmers' profits.

At the same time we're looking ahead to the next generation of biofuels development, such as wheat straw, corn stover, wood residue, and switchgrass. In July Prime Minister Harper announced ecoENERGY for Biofuels, an incentive program for producers of renewable alternatives to gasoline and diesel fuel. In total, we're investing \$2.2 billion over nine years in that biofuels development. Recently we officially launched Canada's largest cold-weather demonstration of renewable diesel. The Alberta renewable diesel demonstration involves over 60 trucks of various sizes operating throughout Alberta where the climate, as you know, poses some of the most extreme challenges to renewable diesel use. The demonstration will provide hands-on cold-weather experience for fuel blenders, distributors, long-haul trucking fleets, and of course, the drivers who have to keep them running.

The Canadian and Alberta governments are investing \$2.6 million in that particular project. Road testing began in late 2007 and will continue until October 2008.

Mr. Chair, Bill C-33 is essential to move forward on implementing our commitment to renewable fuels. While Bill C-33 itself does not impose any renewable fuel requirements, the amendments we are putting forward in it will ensure this government has the necessary tools to develop an effective and workable national regulation requiring the use of these renewable fuels. The authorities we are seeking include: authority to regulate at point of fuel blending; authority to track exports; and exemption for small-volume producers or importers. By doing so we can maximize the benefits that Canadians enjoy from the use of renewable fuels in this country.

● (0910)

Our government understands Canadians' concerns about climate change. We know that using renewable fuels means less greenhouse gas emission. When it comes to biofuels, the facts are clear. A strong biofuel sector will contribute to a stronger foundation for farmers, lead to better usage of agricultural products from beginning to end, and protect our environment for future generations.

This investment in biofuels is a triple win: it's good for producers, it's good for the environment, and it's good for the economy.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Minister. We appreciate the comments.

I should mention that joining the minister at the table is Andrew Marsland, who is no stranger to the committee. He is the assistant deputy minister of the strategic policy branch of Agriculture and Agri-Food Canada. Also from the Department of the Environment, we have Gord Owen, who is the director general of energy and transportation.

With that, we're going to open it up for questions. We're going to keep it to five-minute rounds, since we have only an hour with the minister.

Mr. Easter shall kick us off.

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

Welcome, Mr. Minister; and welcome, folks.

I guess the first question we need to have answered is, what department is going to be responsible for the implementation of this policy and the regulatory regime?

Hon. Gerry Ritz: It's a shared jurisdiction, Mr. Easter, much the same as PMRA is with the Departments of Agriculture and Health, and so forth. It will be a shared jurisdiction between Environment Canada and Agriculture Canada.

Hon. Wayne Easter: Okay.

The reason I raise that question is that my colleague has made it clear in the House that we support this approach, that we support this bill. My concern is that we're here today on a bill that doesn't require a lot of discussion, and I question whether it should even be here. The minister's speech, to me, seemed more like an advertisement of some good things you are doing. But what I'm really concerned about is that we're sitting here, basically fiddling while Rome burns in the hog and beef sector.

My second question is very simple as well. We had the Canada Pork Council here, and you were asked this question in the House last week, Minister. They basically said that the program announced was a cruel joke to many of their producers. The fact of the matter is that we're losing hog producers every single day.

When Mr. Marsland was here the other day, and others, and also to the parliamentary secretary, I said that what the government needs to do in the hog and beef sector requires legislative change. Whether it's in CAIS or wherever it may be, we're willing. This place can get legislation through in 24 hours, if they really want to do it, and we're willing to do that. If the reason you're not doing anything for hogs and beef is a problem of legislation, then bring it forward, let's have a look at it, and we'll get it done.

My question to you, Mr. Minister, is not on this bill. We basically support this approach, and we supported it in the last election campaign as well. But when can we expect to see a meaningful package that's going to work for hog and beef producers, and when will you come before this committee with that?

That's what we'd welcome seeing before this committee. I don't want to see more farmers going out of business, and we need to ensure there's liquidity there for those farmers. So when can we see a package along those lines that's going to be meaningful? Is the problem one of political will on the part of the Prime Minister's Office or the finance department, or does it require legislative change? What's the holdup? We need to get it done.

● (0915)

The Chair: The question is actually out of order. It doesn't relate to anything in his testimony or on the agenda that we have before us.

It's up to you whether you want to answer it, but Mr. Easter's question is not in line with what we're discussing today.

Hon. Gerry Ritz: I would answer it in a little different way and try to have it pertain to this bill.

I welcome the opposition's input saying that this bill is a done deal. Well then, let's get a report back to the House later today and ask for unanimous consent to pass this at all stages. I think we'd be happy to do that, Mr. Chair. If you can get the paper work to us by question period or routine proceedings, I'd be happy to stand and say we have unanimous consent to see this bill passed at all stages and get it into the backlog in the Senate. If they get the justice bill out of the way, we can start to move some of this other product through.

So I welcome that intervention and I'd be happy to carry it forward. I take it as a strong endorsement from Mr. Easter.

On his other question, as it pertains to this bill I'm not going to get into the livestock sector. That's a discussion for another day, and those discussions are ongoing. But I will say that one of the major problems attacking our livestock industry today, whether you're talking about cattle or hogs, is the price of feed. If this program had been implemented ten years ago when we heard it talked about and when it was kicked around in these very halls, we would have distillers' grain and other byproducts from the ethanol and diesel industry to give livestock producers access to a cheaper feedstock.

We're playing catch-up here because there was a lot of talk—a lot of sound and fury, but no substance—for the last ten years about doing this type of program. We're behind the rest of the world in doing it, so we're playing catch-up. That's why this bill is before us today. It's part of the process that is required.

But I take Mr. Easter's intervention to heart. I'd be happy to stand today and ask for unanimous consent to move this bill at all stages, Mr. Chair.

The Chair: Thank you.

Time has expired.

Madame Thaï Thi Lac.

[*Translation*]

Mrs. Ève-Mary Thaï Thi Lac (Saint-Hyacinthe—Bagot, BQ): Good morning, Mr. Minister. I'm very pleased that you are before the committee this morning to testify.

We know that the stakes in agriculture are very high within the WTO, and this applies to Quebec as well as to Canada. Today there is a crisis in many agricultural sectors. In any type of negotiation, there is always some give and take.

So what will Canada give and what will Canada take? What kind of deal are you ready to make with other countries?

[*English*]

Hon. Gerry Ritz: Again, Mr. Chair, I'm not sure how this pertains to this particular bill. I guess I got the wrong memo. I thought we were talking about renewable fuels here today.

I'm more than happy to entertain those discussions at some future date.

The Chair: Bill C-33 is the relevant topic before us. We are talking about WTO in the next hour, but it's not part of this hour.

Monsieur.

[*Translation*]

Mr. Gérard Asselin (Manicouagan, BQ): Mr. Chairman, my question will follow up on the minister's opening remarks and on the issue raised by my colleague from the Liberal Party, who asked who would manage, administer and apply Bill C-33 if it is passed. The minister replied that it would be both the Department of Agriculture and Agri-Food and the Department of the Environment.

As is often the case, a bill per se does not do any damage, but its enforcement, and the way it is managed and applied, does do damage. Often the right hand does not know what the left hand is doing. And this might happen in cases where legislation is enforced by two departments. The right hand won't know what the left one is doing.

Mr. Chairman, you might say I'm being simplistic, but it's like two drivers who are sitting behind the wheel of one car. In that situation, one driver might want to turn left, and the other to the right.

Mr. Minister, can you reassure us this morning? Bill C-33 seems logical, but can you tell us how the two departments, agriculture and agrifood, and the environment, will share its application? How will they do it?

● (0920)

[*English*]

Hon. Gerry Ritz: To your point about two drivers, my wife always tells me I drive better when she's in the car, so sometimes two drivers are better than one.

Bill C-33 is part of a broader strategy. This dovetails with our whole....

Wayne is agreeing. He needs three drivers just to keep him on the straight and narrow and keep him from veering to the left.

The good news in Bill C-33, with Agriculture Canada involved, is that producers are involved. They will benefit from the biofuels industry in this country. As I said, it's part of a broader strategy. The overall effectiveness of the bill I think is better served by having both Environment Canada and producers involved, so that we make sure producers on the ground share in the profitability that ethanol and biodiesel will have for us.

I'll turn the floor over to Mr. Owen to speak to the administration of the bill.

Mr. Gord Owen (Director General, Energy and Transportation, Department of the Environment): Sure.

Environment Canada will be the one writing the regulations that will follow from this bill, because it's the regulations that will have the specific requirement for the 5%, let's say. So it would be Environment Canada and our enforcement officers, our system, that would actually manage the regulations.

But as the minister has said, the regulations are only one part of the overall approach to biofuels that the government has put forward.

[Translation]

Mr. Gérard Asselin: Mr. Chairman, allow me to ask an additional question.

How will offences under the act be prosecuted? Will there be fines? How will they be imposed? What kind of penalties can we expect? Will the Department of Agriculture and Agri-Food or the Department of the Environment be responsible for enforcing sanctions?

[English]

Mr. Gord Owen: Because the regulations themselves have not yet been written, not all the provisions are clear. However, the act itself, CEPA itself, does have provisions for penalties. We do have enforcement officers. We have many other fuels regulations that we enforce within Canada. This would become another one of our fuels regulations. We have a number, for example, on sulphur in gasoline, lead in gasoline, sulphur in diesel. So this would be another one of our fuels regulations and enforced and held to the same provisions that presently exist within the act.

You must remember that what you have before you is a small change to a very big act. The penalty provisions are contained within the act. I don't recall them just off the top of my head, but they provide for fines of up to \$1 million, and there are other provisions as well.

[Translation]

Mr. Gérard Asselin: Thank you very much.

[English]

The Chair: Mr. Miller.

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

Mr. Minister and guests, thank you very much for being here today.

Just to quote Mr. Easter here, or to use his words...and it goes back to a comment that you made about the inaction on this file in the last ten years. You know, while he and his government sat idle for years, basically agriculture and rural Canada burned, burned around us.

So I'd like you to talk a little bit more, Mr. Minister, about where might we have been if we'd have moved on this file ten years ago. And maybe you could talk a little bit about where we might have been ahead, as far as acreage or dollars in agriculture—

The Chair: Mr. St. Amand.

Mr. Lloyd St. Amand (Brant, Lib.): On a point of order, Mr. Chair, with respect, the question from my colleague, whom I respect, is baseless. It's entering into the realm of fantasy.

He's asking the minister—as I try to understand the question—where we might have been if this and that had happened, if these ducks had fallen into order. The question is baseless. He's asking for an answer to a hypothetical question that is unfocused and disjointed, and I don't think the minister should be asked to answer.

The Chair: Mr. Miller, I would ask that you have a very specific question regarding this bill and how it's going to affect the future rather than the past.

Mr. Larry Miller: Okay, well, it's even been said to me by a number of producers in my riding that we may not have had to go through the drastic low prices we've had in grains and oilseeds if we'd gotten moving on this.

I still think, Mr. Chairman, that the minister can add something on what he feels what we may be able to do in agriculture as far as what it's going to mean in dollars to agriculture, acreage, that kind of thing. I think he can speak a little bit to that.

• (0925)

Hon. Gerry Ritz: On the thrust of the question, I guess if we had done something years ago.... But there's no way you can go back and correct any of this; we have what we have. I think there would be less concern in the industry and for investors about imports flooding into our market if we actually had concrete in-the-ground tanks and so on that we could actually push back. There's some concern that with the thrust of the American ethanol, especially corn-based, we wouldn't have maybe seen the glitches in cheaper import corn for some time. There would have been a bigger demand for it so that we would have seen those prices go up. But, as I said, we have what we have. Imports flooding in is a major concern

There is also concern among investors out there that it may be too late to buy market share. Investors are fickle creatures. To get them on board and put their dollars on the line they have to be assured there is a future—a three-year, five-year, ten-year, or twenty-year window of opportunity. They see that as shrinking, in that we're late off the mark.

Brazil is producing ethanol for export like you wouldn't believe. There's a huge market in Europe. In my discussions with the European Union they're looking to import biodiesel, and far more than we can produce. The reason they're looking to us to do it is because we will have the cold-weather capacity they also want, the canola standard. The American biodiesel with the soya standard just is not built to do the cold-weather starting or even have the same lubricity that canola does.

There are market opportunities that may be slipping away from us, as we didn't get off the mark three to five years ago. I think we've lost ground on the development of new varieties, especially on the ethanol side, such as the high-starch wheats. Right now the best we have is CPS. I grew that under contract to Cargill and the Wheat Board in the early 1970s. We're back to those kinds of varieties. There are varieties that were developed at the University of Saskatchewan and are being grown in North Dakota and Montana because of a little thing called KVD in western Canada. We're not allowed to grow those varieties because they interfere with the look of hard red. Those types of things are holding us back in developing the new varieties.

There are winter wheats now with a high starch content that will yield 70 to 80 bushels on dry land. This whole argument that we can't support both the food line and an energy line are ridiculous because of the technology and innovation out there that we have to make use of. To that end too, I think there are new technologies and new ways of doing it, such as they talk about a cold press for biodiesel, as opposed to heat, and it is a lot cheaper to produce, but those technologies are probably three to five years behind because there wasn't the demand for the technology at that point.

To your initial thrust, those are the interventions I would make on that point. I think it's a tremendous opportunity for producers to turn the page, to not be so reliant on export markets or even domestic use. It's another line, another way to develop products for farmers that will create cashflow for them. Certainly products used in energy today are much more expensive than products used in food. It gives them an opportunity to do that.

There's a tremendous amount of derivative coming out of the ethanol line as well. Some of the sidebars of course are the distiller's grain, and, as I mentioned, lower feed stocks for agricultural usage. There are even pharmaceutical uses coming out of some of the offsets of the ethanol industry itself. It gets to the point where ethanol is almost a sidebar icing on the cake, because the other products are worth more money and there's a lot of developmental work going on in that.

The Chair: Thank you.

Your time has expired, Mr. Miller.

Mr. Atamanenko.

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

First of all, I'd like to state that my party and I do not see this as a done deal. I see this as an important step in a direction that needs further exploration.

I believe the whole issue of biofuels needs careful study, because there are some indications, for example, that the direction the United States in is going is not the right direction. Having said that, I appreciate the commitment to producer involvement. We think this is key.

We know about the trend in the United States. The first generation of ethanol plants had something like 30% or 40% producer cooperative involvement. But the next plants—I think it's around a hundred that are being built—have almost no producer involvement. I'm wondering if that's a trend we may see in Canada. In other words, we start with producer involvement, but for one reason or another it decreases, and all of a sudden the industry is taken over by the big companies. Then the producer is left at the mercy of these companies. For example, in Manitoba it's Husky Oil that has two plants.

That's the first question. I'm wondering what the trend is here.

We're seeing the benefits. We're seeing them for farmers. At the same time, we're seeing that this is one of the reasons that life is much harder for pork and cattle producers. So we see the good and the bad, and hopefully this will settle out.

There is research that I and my staff have been doing with regard to the life cycle of biofuels. I'd like to quote from a document called *Biofuels: The Five Myths of the Agro-fuels Transition*. It says:

But when the full "life cycle" of agro-fuels is considered—from land clearing to automotive consumption—the moderate emission savings are undone by far greater emissions from deforestation, burning, peat drainage, cultivation, and soil carbon losses. Every ton of palm oil produced results in 33 tonnes of carbon dioxide emissions—10 times more than petroleum. Tropical forests cleared for sugar cane ethanol emit 50 percent more greenhouse gases than the production and use of the same amount of gasoline.

These are examples of what's happening in the southern hemisphere.

I'm wondering what studies have been done to actually look at the whole life cycle, the amount of fossil fuel that goes into the input of growing biofuels, and the transportation costs. Are we really bringing greenhouse gases down? Because we see that this may not be happening in the south.

The last question is whether we are going to be self-sufficient in this, or do you see Canada importing feedstock to promote our bio-industry?

I'll stop. Hopefully you have enough time to answer some of these.

• (0930)

Hon. Gerry Ritz: Those are all good points, Alex. I certainly share your concern that producers need to be involved. I've pushed for that. We have it in the bill. I welcome your intervention on their behalf.

The problem we're having at this point is that producers—and speaking as one, I'm condemning myself as well—tend to be short-sighted. Last year everybody was hot to do this, because prices were down. This year prices are up, and they're saying, hey, I'm getting my money out of the marketplace; I don't need to invest in anything else.

A case in point is that of a small facility, for 25 million litres. It's going up in my riding at Unity. It's totally producer-driven. They've raised the money. We kicked in a little bit as the federal government under our programs, but they're already talking expansion. They've just had the facility closed in, and the tanks going. They're already contracting product for next fall, and they're already talking expansion because they see the light at the end of the tunnel. Those are forward-thinking producers, and that's who's going to take charge of this program and run it forward.

At the same time, there are other communities that are having trouble raising the money because their farmers are saying "The marketplace is paying. I'm going to Arizona. Don't bother me." And I condemn them for that. I hope the media puts that in their papers, because it is just so short-sighted by these producers to think that one year of good prices is going to be the be-all and end-all. Everybody else tells me, from the American model or wherever they're doing it, that in the good years the farm pays the bills, and in the bad years the diversification into those other facilities pays the bills. So farmers have to start thinking big picture and longer term, and most of them are. That's that point.

I welcome your support and your party's support. You finally seem to get the idea that we need a global commitment to greenhouse gas, and not have just Canada running alone. We do need the Brazils onside, we do need the Chinas onside if we're going to make this work. That's been the thrust of what Minister Baird took to Bali, and he was condemned for it by the short thinkers, by the short-sighted folks.

I couldn't agree with you more that there's a lot of palm oil being produced. There's a lot of sugar cane being put into Brazil. But if we get our act together here, we can offset a lot of that and actually save the rainforest in Brazil, because we're doing our own ethanol. We're not going to rely on them to do it.

I think you have something there, and you may want to take that back to your next convention and explain to the people on the floor that with Canadian production, we can help save the rainforest. We can help start to make a difference to the palm oil suppliers, and I welcome that.

You're saying it's not a done deal, and we should study it some more. The problem I have with that is that it's counterproductive to helping Brazil and helping the rest of the world by developing a product here in Canada. We have the resources. We have 47 million arable acres in Saskatchewan alone that are crying for options other than food-line products. So I think this is a natural for Canada. I think it's past time.

I don't disagree that we need to study and renew and innovate as we move along. I don't think we have to make the mistakes that the Americans did or didn't make. I think we can develop our own, and that's why these amendments are to our acts, to our producers, and not to the American studies.

Is big oil taking over? That's always a possibility. But with the legislation and the way we've put it together, farmers get the first shot, and the subsidies and so on are tied to producer involvement. That's not going to change. I guess that's why Mr. Easter supports this bill and said let's get it done. If I bring it to the House this afternoon for unanimous consent, I'd be happy to have you stand up and support it.

• (0935)

The Chair: Thank you, Minister Ritz.

Mr. St. Amand, you're up.

Mr. Lloyd St. Amand: Thank you, Mr. Chair.

At the outset, I'll be sharing my time with the member for Thunder Bay—Rainy River, Mr. Boschhoff.

Minister, I'm hoping this question is not ruled out of order by the chair, but I do want to take a message back, to use your phrasing. You'll know, Minister, from correspondence from me and no doubt what you've heard from Minister Finley, that the suicides among tobacco producers continue—

Mr. Larry Miller: Point of order.

The Chair: Point of order, Mr. Miller.

Mr. Larry Miller: I'd say that the tobacco industry isn't on the table today.

The Chair: That isn't relevant. You can use your time as you see fit, but the minister is not obligated to respond to any of these questions. They're not relevant, and they don't apply to any of his testimony or to the agenda before us.

Mr. Lloyd St. Amand: We're dealing with a here-and-now crisis, Mr. Chair, and I'm inviting the minister to convey to me some type of positive message I can provide to tobacco producers in my riding and the neighbouring ridings. I'll invite the minister to make a comment to offer some glimmer of hope for these producers or perhaps invite him to decline the opportunity.

Hon. Gerry Ritz: Well, I never decline an opportunity to speak on behalf of what the government is doing for producers. I can assure the tobacco industry in southwestern Ontario that we will act in a far more substantive way than the Liberals ever did in the ten years. How's that?

Mr. Lloyd St. Amand: When might that be?

Hon. Gerry Ritz: Sooner rather than later.

Mr. Lloyd St. Amand: In terms of a calendar date, whatever sooner means.

The Chair: Mr. Miller, on a point of order.

Mr. Larry Miller: The questions are out of order. He got away with....

The Chair: Minister, you don't have to answer these questions, since they're not relevant to the day's agenda. We are here to talk about Bill C-33.

There are three minutes left, Mr. Boshcoff.

Mr. Ken Boshcoff (Thunder Bay—Rainy River, Lib.): This bill, honourable minister, received first reading on December 3, and here it is February 7, almost two months later. I'm wondering about moving the process along. You seem to say you'd have us pass it, but it's been well over two months since it was first introduced, so how do you account for the delay?

Hon. Gerry Ritz: You seem to be forgetting, Mr. Boshcoff, that none of us were here for six or seven weeks of that timeframe.

Mr. Ken Boshcoff: That may sound like an erudite and brilliant answer, but your party seems to be using it for all sorts of other bills that you claim are being delayed. It doesn't seem to apply in this case, but it applies in the other cases. I'm just trying to bring some reality here, in terms of the arguments you've been using.

I don't feel it's been delayed, but you just—

Hon. Gerry Ritz: To interject, I've never said this bill was delayed.

Mr. Ken Boshcoff: In terms of your party talking about other bills, they seem to have forgotten we have been away for six or seven weeks, as you just said, so I wanted to make that point very clearly.

The Chair: Point of order, Mr. Miller.

Mr. Larry Miller: On a point of order, I'd like Mr. Boshcoff to tell me what these other bills have to do with this one.

The Chair: The point is correct, Mr. Boshcoff. We are talking about Bill C-33, and we are talking about Bill C-33 moving in a very expeditious manner since it's been tabled.

● (0940)

Mr. Ken Boshcoff: Mr. Chair, the point was raised that there is a backlog in the Senate, and I tried to find out what the backlog for this process was in terms of other bills. My question is absolutely relevant to this in terms of the process of moving it through.

The Chair: I would say we are talking about Bill C-33, Minister. You don't have to talk about the other bills that Mr. Boshcoff has alluded to. We're talking about this process and moving it forward from here.

Mr. Boshcoff should keep his comments about Bill C-33 and the way forward and the attributes of the bill.

Mr. Ken Boshcoff: With all respect, Mr. Chairman, I didn't raise the point about the backlog of the process, in terms of the expeditiousness. If the minister happens to be chronologically challenged, that is not my problem.

Thank you.

Hon. Gerry Ritz: Being chronologically challenged is the least of my worries, thank you. My wife could probably give you a more fulsome list, Ken.

The Chair: You have 30 seconds left, Mr. Boshcoff.

Mr. Ken Boshcoff: The question is from the Canadian Vehicle Manufacturers' Association: could the bill not be broadened to improve infrastructure for E85 and other renewable fuels?

Hon. Gerry Ritz: Since we're talking about blending it 2% and 5%, I don't understand why we would want to broaden anything at this point. Let's get the industry up and running. Let's make sure we have our market share. I think distribution will take care of itself once we have the product.

For lack of better terminology, it's a bit of a chicken-and-egg scenario. This is the first step of many we intend to take. We're certainly cognizant of the fact that there has to be a distribution system parallel to the other, as we get up to E85. We're a long way from E85.

There are a couple of sites at this moment in Ottawa. I happen to have one on the farm here at the Carling Building that my car fuels up with all the time, E85. We do have another site at Iogen here in Ottawa as well.

The vehicles being produced are E85-compatible. They can go to that extent, so there's no problem at all as we seek to expand the 5% and up. It's what the industry can bear.

I'm cognizant of the arguments that as we move those goalposts, the hue and cry that we're not going to produce food, we're going to produce energy, comes more to bear. We have to walk before we can run; this is the first step.

The Chair: Time has expired.

Minister Ritz, just for clarification on Mr. Boshcoff's point, the 5% and 2% content is based on an average of all fuels, is it not?

Hon. Gerry Ritz: Yes, it is, and includes heating oil too, on the biodiesel side.

The Chair: Okay, and just for Mr. Boshcoff—

Hon. Gerry Ritz: It's significant. As I said, three billion litres of product are going to be required to meet those two goals.

The Chair: Just for Mr. Boshcoff's information, the Canadian Vehicle Manufacturers' Association will be appearing before the committee on February 26.

We turn it over to Mr. Lauzon.

Mr. Guy Lauzon (Stormont—Dundas—South Glengarry, CPC): Thank you very much, Mr. Chair.

Welcome, Minister and guests.

Minister, the hallmark of your ministry so far as minister has been to put farmers first. That seems to be the way you operate the department. I respect that and think it's the way we should go. That's why I'm a little confused when we get different elements from our official opposition. They tell us we're going too fast, and then when we debate this in the House they tell us we're going too slow and not far enough.

One of the points that was made during the second reading of the bill in the House was that this was going to affect the food supply. I have a quote here from the president of the Canola Council, JoAnne Buth. She says there's enough canola production in Canada—primarily in western Canada—to fill about 70% of the 2% mandate without impacting the amount that goes for food. So that tells me the official opposition's position that this is going to have an impact on food is probably not tremendously credible.

Do you have an opinion on that?

Hon. Gerry Ritz: I tend to agree with the industry. We had fulsome discussions with them as to what could be produced. There are a lot of groups out there saying if this is so great for the environment why aren't we going further, faster. As I said, this is the first step in a long chain of events that need to take place.

I am fully convinced that given the innovation and efficiency of our farmers in Canada, we can easily meet this target and go beyond it, but we want to make sure the physical capacities are there. We have to be cognizant of the fact that every year is a new adventure when it comes to weather, and so forth, across the country. We also want to be very careful that we don't set the stage so high that our producers can't meet it and we have to start importing, because once you start opening those gates to imports it's pretty hard to turn them off again.

So that's a lot of what has gone into the mix, Mr. Lauzon.

● (0945)

Mr. Guy Lauzon: Thank you very much.

Earlier, in answering a question you mentioned KVD, which leads to my next question. We heard from the Canadian biotechnology sector in the fall that the removal of KVD would allow new varieties to be grown throughout Canada, significantly increasing the crop yield. I think you alluded to that. Could you expand a little more on what the removal of KVD would mean to production?

Hon. Gerry Ritz: It's more reflective of what could happen in western Canada, of course, where the big acres are. That's the only place left on the globe where KVD is still in play. Ontario was fortunate enough to have a removal of KVD requirements in 1989, so we've seen a tremendous leap ahead in new varieties in the Ontario market. I think the same thing can happen in western Canada. Economies of scale will kick in. As I said, there were a number of winter wheat varieties developed.

Brian Fowler, a crop scientist at the University of Saskatchewan in Saskatoon, developed some six or seven new varieties. Field trials were done, but he wasn't able to go into production with them in Canada because of KVD. They're all being produced in North Dakota, Montana, and places south of the border.

Getting rid of KVD also removes the requirement for KVD on imports, so we can start to bring those in and gain back some of the ground we've lost over the last number of years in getting products specifically developed for the ethanol lines.

A tremendous amount of work is being done on the cellulosic side that gets away from grains as a feedstock and starts to use the straw and residue. We have a project slated for Saskatchewan. I had a meeting yesterday with Jeff Passmore of Iogen. There's a project slated for north-central Saskatchewan that will make use of farmers' straw, wood chips from the mills, and so on.

So I think there's a tremendous opportunity to use both lines. If we're concerned about the food line, then we need to develop the cellulosic line.

Mr. Guy Lauzon: If we remove the need for KVD, that will help the farmer's bottom line as well. There's an extra expense there that obviously ends up being against the farmer's bottom line.

Hon. Gerry Ritz: I would like to think so. Right now there is a tremendous number of opportunities, more so in the niche markets around the globe. Even domestically there are far more opportunities in niche markets that are not being filled because we don't have the product to do it.

We've moved away from the hewers of wood and drawers of water analogy that used to work, with big-volume shipments to other countries, and so on. That's not happening any more to the same extent. They're all asking for a specific product blended in a certain way, and getting rid of KVD will allow us to fill those markets in a more fulsome way and return those dollars to the farm gate.

Let's do it.

Mr. Guy Lauzon: Thank you very much.

The Chair: Thank you.

Madame Thāi Thi Lac.

[Translation]

Mrs. Ève-Mary Thāi Thi Lac: Good morning, Mr. Minister.

In a 2006 study, Agriculture Canada estimated that to reach the objective of 5% of fuel consumption by 2010, that is, 2.74 billion litres of ethanol and 0.36 billion litres of biofuel, we would need 4.6 million tonnes of corn, 2.3 million tonnes of wheat and 0.56 million tonnes of canola.

Do you think that Canada can produce these quantities?

[English]

Hon. Gerry Ritz: Yes.

[Translation]

Mrs. Ève-Mary Thāi Thi Lac: Fine.

[English]

Hon. Gerry Ritz: Absolutely.

[Translation]

Mrs. Ève-Mary Thāi Thi Lac: How much land will be needed to grow these crops?

[English]

Hon. Gerry Ritz: It will vary depending on the yields in any particular year. It will depend on the type of soil those products were put into. But the study also went a bit further. In our review of it, to produce the capacities you're talking about would take roughly 2.1 million acres of wheat, 0.9 million acres of corn, and 0.8 million acres of canola in an average year.

When you look at those numbers, they're very small compared to the fact that Saskatchewan alone has 47 million acres of arable land. So it's certainly doable.

[Translation]

Mrs. Ève-Mary Thāi Thi Lac: All right.

From an environmental point of view, would it be better to encourage the use of other natural resources, such as cellulosic materials, for the production of biofuels?

● (0950)

[English]

Hon. Gerry Ritz: We are calling those the next generation of ethanol. There's certainly a lot of work going on toward that end, making use of byproducts—the straw, and wood chips from the mills. As you know, the logging industry is facing some downturn. We can start to use wood chips for more than just aspenite, which is a hot product every now and then, but then isn't at times. If we can start making use of bark, wood chips, and things like that in a co-generational type of way, it will add to the efficiency and viability of some of these smaller producers.

[Translation]

Mrs. Ève-Mary Thāi Thi Lac: Thank you, Mr. Minister.

[English]

The Chair: You still have two and a half minutes left.

Mr. Asselin.

[Translation]

Mr. Gérard Asselin: Mr. Chairman, I have a small technical question.

If you look at Bill C-33, in subsection 2(1), it says that the portion of subsection 140(1) of the Canadian Environmental Protection Act (1999) before paragraph (a) is replaced by the following: “The governor in council may, on the recommendation of the minister, make regulations for carrying out the purposes of section 139 [...]”

However, subsection 2(7) of the bill indicates that subsection 140 (3) of the act is replaced by the following: “The governor in council may, on the recommendation of the minister, make regulations exempting from the application of subsection 139(1) [...]”

I would like an explanation for this, because section 139 of the existing act is the first section in question. On the one hand, it says “The governor in council may, on the recommendation of the minister, make [...]”, and on the other hand, it says: “The governor in council may, on the recommendation of the minister, make regulations exempting from the application of subsection 139 (1) [...]”, whereas section 139 is the main section of the bill.

[English]

Hon. Gerry Ritz: So is your question based on the difference between “may” and “can”?

[Translation]

Mr. Gérard Asselin: In the same bill, it says: “The governor in council may, on the recommendation of the minister, make [...]” A little further on, it says: “The governor in council may, on the recommendation of the minister, make regulations exempting from the application of subsection 139(1) [...]”

[English]

Hon. Gerry Ritz: I'll turn the technical question over to Gord.

Mr. Gord Owen: In response to the question—and I'm not going to answer with regard to the may-can thing—about proposed sections 139 and 140, proposed section 139 deals with giving the Governor in Council the authority to make regulations that deal with the prohibitions of things. In other words, we can prevent imports of certain things or we can stop certain people from doing things. Proposed section 140 has to do with the authority to prescribe certain levels—for example, the percentage of ethanol in it.

On being able to make regulations under proposed sections 139 and 140, it's replicated because one has to do with the prohibition of things and one has to do with setting the standards.

Hon. Gerry Ritz: The most simple response to that, to get it down to terms I understand, is that it's a bit of a safeguard so that small plants aren't overrun by the larger plants. It allows us to set a little different standard for them in their operational capacity than it does for, say, the Husky Oils of the world that are already in production.

The Chair: Your time has expired.

Ms. Skelton.

Hon. Carol Skelton (Saskatoon—Rosetown—Biggar, CPC): Thank you very much, Mr. Minister, for being here today.

It really disturbs me when I come to this committee and I hear partisan comments. It bothers me, because we are all here on behalf of producers in Canada.

Last year, when our government came out with the announcements, when we were talking about ethanol and biodiesel, it was the first glimmer of hope for Saskatchewan grain farmers that I had seen for a long time, and people were excited about it and really happy with it.

You had mentioned earlier a comment that you would like the newspaper reporters to print about how producers should look at this seriously. Can you expand a little bit further on that?

Hon. Gerry Ritz: Well, it's the first time we've had legislation that actually includes producers, in which they're in the driver's seat. It takes producer involvement to make these things viable for the government to step in and help out with the subsidies, and so forth, the program spending that's there.

Producers now have had a good year, and that's fantastic and I welcome that. The problem is that it's very shortsighted for them to say, with one good year, “I don't need to do the ethanol thing; I don't need to do the biodiesel.” It's a little bit disturbing to me as a parliamentarian and as a producer in that they're not looking at the big picture.

Everybody tells me one good year in five doesn't pay the bills, and I couldn't agree with that more. This gives them an opportunity to deliver product locally. Transportation is the largest cost they face. In western Canada, we have that little thing where everything is FOB tidewater. We start to cut off the freight and elevation charges that take a huge chunk out of every grain cheque that you take in. This is their opportunity to get beyond that.

I've heard this directly from producers who were interested in investing in small plants, now saying, “I don't need to do that. The cashflow is there.” But in the next breath, they condemn us for not jumping all over the cost of inputs.

Here's your opportunity, guys, to broaden your scope, to diversify your operation and have a different door to deliver to that you own.

I take Alex's comment on big oil taking this over and I hear that, and I've seen that happen in other jurisdictions, but it's up to producers to get involved to make sure that doesn't happen.

I don't want them coming back in two or three years saying, “Boy, we have to redo that, because I didn't get in.” The window is closing very, very quickly. If we don't have shovels in the ground and plants going up in this particular calendar year, the window closes even more, and it starts to close faster and faster as we back off this.

I guess I'm throwing down the challenge to producers to roll up their sleeves and make this happen. We're here to backstop them, we're here to help, we're here to make this work. We've made some small adjustments to the program to make it even more friendly for them for investment. I don't know what else we can do, other than sit back and wait for producers to take up that challenge.

• (0955)

Hon. Carol Skelton: Are you able to tell me what those adjustments are?

Hon. Gerry Ritz: Again, it's going to take some changes, and again, I welcome the opposition's viewpoint that if it's good for producers, they'll pass it in a day. I look forward to tabling those changes. Some I can do by regulation, some NRCan is looking at, some Environment Canada is looking at. We have taken what they've said to heart. We're making these changes to make it more advantageous for producers to get involved. We're trying to give them flows of cash that they can borrow against, different things like that. There's a multitude....

I shouldn't say there's a multitude. There were a number of small changes that they said are a bit of a hurdle, are a bit of a roadblock. If we can remove those, we may get our producers back online.

Hon. Carol Skelton: Thank you.

The Chair: You have about a minute left.

Hon. Carol Skelton: Can you go over again for me the number of acres in canola in Saskatchewan alone? Do you have the numbers of canola acres right across Canada? Then do you have a breakdown what grains we will produce—let's say the canola acreages across Canada—how much we would need right now to keep our capacity up with the plants that we have?

Hon. Gerry Ritz: We had those numbers earlier, on what it would take to hit the targets that we have. Andrew can give you the actual numbers that are in production across Canada.

These are on average yields. As you well understand as a producer, the weather is a big factor.

We had said that to hit the targets we needed 2.1 million acres of wheat, 0.9 million acres of corn, and 0.8 million acres of canola. It's a drop in the bucket compared to what's in production across Canada at this point. Paul is a big corn farmer. He could probably do most of that himself.

If you want the countrywide numbers of what's in production, Andrew has them.

The Chair: Since we're running short on time, could I maybe get Mr. Marsland to submit that information to the committee in written form? I'd appreciate that.

Hon. Gerry Ritz: Okay, sure.

The Chair: We have about three minutes left.

Mr. Steckle.

Mr. Paul Steckle (Huron—Bruce, Lib.): Thank you, Mr. Chair.

I'm going to defer to my colleague from Rainy River. My question was asked a few moments ago.

The Chair: I'll give you about two minutes. We're at 9:58 right now.

Hon. Gerry Ritz: It's more important that we get answers, Paul.

Mr. Ken Boshcoff: Honourable minister, with your workload on Bill C-33, I just wonder how you find the time to issue directives to muzzle the employees of the Canadian Grain Commission and their ability to comment on the carnage being planned for them.

The Chair: That's out of order, Mr. Ritz.

Hon. Gerry Ritz: I know it's out of order, and it's constantly out of order.

• (1000)

Mr. Ken Boshcoff: No, I referred to Bill C-33.

Hon. Gerry Ritz: I answered this question in question period yesterday. I don't have the time, and I did not get involved. There are thousands of memos flying around the government every day. My nights are short enough without getting involved in those types of things.

That's an internal document, and I understand Mr. Easter had a motion yesterday to bring Elwin Hermanson before the committee. Possibly you could ask that question of the CGC officials when they're here. It is an internal document.

I know he would welcome clarification on that.

Mr. Ken Boshcoff: Okay, I'll defer the rest of my time to Mr. Easter then, sir.

The Chair: You have one minute.

Hon. Wayne Easter: You mentioned, Minister, that there's a very short window to get the shovels in the ground and plants coming up. In fact, I agree with that statement. But in terms of investment to get plant capacity in place in this country, what is taking place in your rural secretariat in terms of the co-op section? Is the federal government willing to share in the costs of the investment that has to be made through co-ops to assist in getting ethanol and biodiesel plants up?

You won't have time to answer this part of my question, but do you have any economic analysis of ethanol and biodiesel that would show us on paper what you expect the bump in prices to be for various crops?

The key question is what are you doing with second generation co-ops to assist communities to make the investment?

Hon. Gerry Ritz: We're levelling the playing field as much as we can, Mr. Easter, getting regulations down to the point where producers feel they can be involved and not be hamstrung.

There are initiatives for the new generation co-ops, as they're being called, to get these types of plants up and available. Those are also available to folks who want to do flour mills and pasta plants. "Oh, wait a minute—we can't do those yet in western Canada." Well, we're working on that.

As for the economic analysis, I'd be happy to provide that to the committee. We won't have time to do that now. We'll do a written analysis and submit it, if that's fine with you.

The Chair: The time has expired, Mr. Minister. Your written analysis in answer to those questions would be greatly appreciated.

We are going to suspend for one or two minutes to allow the witnesses to leave the table and to call our next witness on the WTO.

Thank you.

- _____ (Pause) _____
-
- (1005)

The Chair: I'll call the meeting back to order. We're going to continue with our agenda.

For the next hour we have Steve Verheul, whom we welcome back from Geneva to give us the latest update on what's happening at the WTO. As everybody knows, Steve is our chief agriculture negotiator in the negotiations and multilateral trade policy directorate at Agriculture and Agri-Food Canada.

It's good to see you again, Steve. The floor is yours for opening comments.

Mr. Steve Verheul (Chief Agriculture Negotiator, Negotiations and Multilateral Trade Policy Directorate, Department of Agriculture and Agri-Food): Thank you very much, and good morning, everyone.

My name is Steve Verheul, and I am Canada's chief agriculture negotiator. I would like to thank the committee for inviting me to appear today to talk about the status of the World Trade Organization negotiations. I'm going to begin my remarks today by reviewing some of the recent developments in the WTO negotiations and what they mean for Canada.

As I think you all know, the WTO Doha Round of negotiations is the key forum through which Canada is working to expand opportunities and achieve a fair international trading environment for Canadian agriculture. In July 2007, the chair of the agriculture negotiations, Crawford Falconer, released a draft text on modalities, which are the detailed rules and commitments we're trying to negotiate for agriculture. Since that time, the chair has been actively challenging members to close gaps and reach consensus on all the key issues.

Throughout the fall of 2007 in Geneva, extensive negotiations took place in all three areas of the negotiations: domestic support, export competition, and market access. We have been in Geneva for more than 12 weeks, since the beginning of September, and these are negotiations that have lasted for very long days and through weekends, so it's been a long haul.

During this period, the chair has taken active steps to move the negotiations forward, including by maintaining the most intensive negotiating schedule we've seen since the beginning of these negotiations almost seven years ago. He's also been issuing working papers under his own responsibility in all areas of the negotiations.

The negotiations in Geneva continue to show significant signs of progress on all fronts, although important gaps and significant technical work still remain in several areas. On domestic support and export competition, most of the issues have been largely resolved, aside from those issues that need political decisions, questions of ambition. Considerable progress has also been made on market access, although there are still some gaps to be closed on the

challenging issue of sensitive products in particular, as well as on some market access provisions that relate to developing countries.

Canada is seeking fair international rules and new opportunities for our agricultural producers and processors. Our objectives at the WTO remain the elimination of all forms of export subsidies, the substantial reduction of and strengthened disciplines on trade-distorting domestic support, and real and significant improvements to market access.

Canada is forcefully advancing objectives that will be important to our exporters. Canada is also aggressively defending interests that are important to our supply management sector.

The chair of the agriculture negotiations is expected to release a revised draft of his modalities text in the very near term. At this point we're expecting it tomorrow morning. A text on the non-agricultural market access negotiations will also be released at about the same time. As was the case last July, the revised draft text will be a working document issued under his own responsibility and will not represent consensus views among the members.

As far as next steps are concerned, the negotiations will resume again shortly in Geneva. We expect we will be back late next week and that negotiations will resume in the full week of February 18. Following consideration of the draft text in individual negotiating groups, it is expected that there would then be a horizontal green room process that would bring agriculture and the other key areas of the negotiations together for negotiation by chief negotiators overall.

WTO members generally agree that if the negotiations are not fully completed by the end of 2008, they will likely slip into a lengthy hiatus. Given all the steps that are involved in completing the round, WTO members recognize that the timeframe for agreeing on modalities for agriculture is quite narrow.

In that context, the WTO director general, Pascal Lamy, will be evaluating in the weeks ahead whether sufficient progress has been made at the negotiator level to warrant convening a ministerial meeting in the spring. Most of the discussion is around Eastertime for a possible ministerial meeting. That will be with a view to reaching a deal.

With these remarks, I would now be pleased to take your questions.

Thank you, Mr. Chairman.

- (1010)

The Chair: Thank you, Mr. Verheul.

We're going to stick to the five-minute rounds and are going to start off with you, Mr. Steckle.

Mr. Paul Steckle: Thank you very much.

It's always a pleasure to have you back at the table, Steve. We've done this many times over the years and we recognize you as one of the world's greatest negotiators. We feel you've been good for us, and given the mandate, I think you'll do the job for us.

We don't know the text yet, so I guess we can't discuss that this morning. But there is already some belief that the text may not have in it what some sectors of the agricultural community would like to see.

The people who are in the trading business like to think that a new agreement would ultimately benefit Canada, and we, at least on this side of the table, would hope it would benefit largely the farm gate, where the product has its beginnings.

You may want to comment on where we are in terms of our presence at the table on the sensitive issues, such as the supply-managed sector, the wheat board, or those kinds of things. Where are we with these, and where might the agreement leave the supply-managed sectors, given that other sectors might get largely what they want out of this agreement?

Where is it going to leave our supply-managed sector?

Mr. Brian Storseth (Westlock—St. Paul, CPC): On a point of order, Mr. Chair, I would like a clarification.

Is Mr. Steckle referring to the wheat board as a supply-managed sector?

Mr. Paul Steckle: I'm referring to that as one of the sensitive areas.

Mr. Brian Storseth: Oh, okay. Thank you.

The Chair: Mr. Verheul.

Mr. Steve Verheul: As the text comes together and we have a pretty good idea of what we'll see, probably tomorrow, it is shaping up to be a pretty good package for most areas of Canadian agriculture. We're getting a lot of what we want to achieve in export competition and in domestic support or domestic subsidies. We're also doing well in many areas of market access. We probably got more ideas into the text from Canada than from any other country.

We have a particular challenge with respect to supply management in sensitive products. We have a much harder line in the negotiations than any other country has on those issues. We continue to call for no tariff reductions and no tariff quota expansion for supply management. But everyone else around the table has basically agreed on what would happen in terms of both tariff reductions and to a lesser extent, tariff quota expansion for those products.

So we are outside of the emerging consensus on that issue, but we're continuing to make it very clear that our position is no tariff reductions, no tariff quota expansion for supply-managed products.

Mr. Paul Steckle: Given the uncertainty of our wheat board, and as it is included in one of our sensitive areas, what impact does this situation have on your negotiating capacity in going forward? Does it weaken, or strengthen, or would you say it has no impact at all in terms of where we find ourselves?

If you take one part of that group away and leave your people at the negotiating table with the impression that sensitive products aren't as important at home as the case you're trying to make would perhaps indicate, does this weaken or strengthen your position at the table, or has it no impact at all?

Mr. Steve Verheul: It's not having a lot of direct impact. On the wheat board issue our position has been consistent for many years.

We've said that these are issues that should be settled domestically, not internationally by the WTO, and we've been working very closely with Australia, New Zealand, and some others on that position with respect to monopoly powers for state trading enterprises.

That issue, I think, is fairly self-contained, and that question won't be resolved until late in the negotiations. Obviously those will be political decisions once they're made.

On supply management we have been taking a much harder line than others, but I think we've certainly been one of the key players in that negotiation, as in all the rest of the negotiations. In fact, we have been leading much of the technical work around sensitive products and have been working very closely with the U.S. and the European Union and others.

So I don't think it has really constrained us. It will get increasingly difficult as we get to increasingly difficult stages of the negotiations, which is where we're now arriving.

● (1015)

Mr. Paul Steckle: And if we look for partnership to reach the kind of anticipated outcomes we would hope for, where do we go for partnership? Who are the countries and the people we would find as our likely partners in supporting us at the table?

Mr. Steve Verheul: With respect to the issues of importance of supply management, we don't really have any partners, because others are all prepared to take a certain degree of tariff cuts, a minimum of 22% to 25% tariff cuts. Others are prepared to accept tariff quota expansion of 4% to 6% of domestic consumption. So we don't have a lot of allies in that area.

Other countries have different sensitivities in different areas that they're looking to resolve, so there is always the opportunity of trying to be flexible in one area in exchange for getting greater flexibility in another. But obviously we're going to have a continuing challenge to achieve our position on supply management, with not many allies around the table.

The Chair: Thank you.

Madame Thaï Thi Lac.

[Translation]

Mrs. Ève-Mary Thaï Thi Lac: Good morning. As you know, I represent a riding which is mostly rural. I was recently elected in the last by-election on September 2007. I had the opportunity to meet with farmers. Several agricultural sectors are in crisis, but those which are supply-managed have a certain degree of stability. It is vital for producers operating in a supply management system that the system remain in place. They want us to continue to fight for them.

Mr. Lamy, who is the Director General of the WTO, believes that the political conditions in 2008 are conducive to reaching an agreement. Is this your impression when you sit at the negotiating table?

[English]

Mr. Steve Verheul: It's a fairly complicated dynamic around the negotiating table, what with 152 members all negotiating. Over the last several months, we've seen a significant shift on the part of the European Union and on the part of the U.S. They've made important concessions, and I doubt whether they would make such moves if they didn't think that the end game was coming up soon. The U.S. and Europe are clearly prepared to do a deal, and I think that Brazil and a number of other developing countries are in the same position. We have some questions about India and China and their readiness to make the kinds of concessions that would be needed to achieve a deal.

Generally, there's a sense that it's going to be a little easier to get a deal under the current U.S. administration than under the next one. So many are thinking that this is the time to take a shot. We made a lot of progress. Not that many issues are left, other than the issues of ambition that ministers are going to have to decide in the end. I think the conditions are starting to become favourable for us to take a serious run at this.

[Translation]

Mrs. Ève-Mary Thaï Thi Lac: In other words, if there is no agreement in 2008, you do not think there will be one for a while, that is, in the next few years. Is that correct?

[English]

Mr. Steve Verheul: Yes, I would agree with that.

I think we will at least take a pause while the new U.S. administration gets up to speed. It usually takes a good six months or so before they get their staff in place and start to formulate their positions.

Even if we don't achieve an agreement in the April-Easter timeframe, we're going to have a platform that will show how far we got—something we could pick up again in a year or two.

Whichever administration comes in, it will not be eager to turn its back on 140 or 150 other members, many of them developing countries, that will want this deal. Even a new U.S. administration will be under pressure to try to conclude the deal.

• (1020)

[Translation]

Mrs. Ève-Mary Thaï Thi Lac: The Minister of Agriculture and Agri-Food said in a press release last January that the Government of Canada would continue to defend with vigour the important interests of our supply-managed sectors during the upcoming WTO negotiations. In August 2007, he also said in a letter addressed to the chair of the WTO negotiations on agriculture, Mr. Falconer, that his approach to sensitive products in the draft agreement was not acceptable for Canada.

Do you believe that the document containing the revised modalities, which will be tabled shortly by Mr. Falconer, will contain provisions in support of supply management?

[English]

Mr. Steve Verheul: I fully expect that the text we'll probably see tomorrow will continue to call for tariff reductions on supply-managed products. It will continue to call for tariff quote expansion on supply-managed products. I would be very surprised if it said that there was an exemption for Canada from those tariff cuts and tariff quote expansions.

With respect to supply management issues, when the text comes out tomorrow I don't think we'll be much further ahead than we are today. Obviously, the fight will continue. As we get closer to the end game, the fight will be much more intense.

[Translation]

Mrs. Ève-Mary Thaï Thi Lac: If the document does not contain any provisions to that effect, what measures do you think the Canadian government should take to make that happen?

[English]

The Chair: Ms. Thaï Thi Lac's time has expired, so could you give just a quick response, please?

Mr. Steve Verheul: Okay, sure.

[Translation]

Mrs. Ève-Mary Thaï Thi Lac: Thank you.

[English]

Mr. Steve Verheul: It's not the kind of the question that leads to a quick response, but, basically, we will be continuing to take a very hard line in the small-room negotiations next week. It will require a continued political commitment that this is of a high importance, and we're going to push hard.

The Chair: Thank you.

Mr. Lauzon.

Mr. Guy Lauzon: Thank you very much, Mr. Chairman.

Thank you very much for being here this morning.

Earlier this week I received a briefing on what was happening at the WTO. It was a very insightful briefing, and I was very pleased to hear some of the things that were mentioned.

One of the things, as you know—and hopefully everyone knows—is that our government, the Conservative government, our Minister of Agriculture, our Prime Minister.... I suppose before I say anything, I should let you know where I'm coming from.

I represent an area that has a significant population of dairy farmers, and they have some great concerns. They have a lot of money invested in quotas and what have you, so they're very concerned about the WTO negotiations. They are pleased that this government, the Minister of Agriculture, and particularly the Prime Minister, are very supportive of our supply management, to the point where it's been brought up in the throne speech.

One of the things they take great comfort in—or at least when I got my briefing, I took great comfort in it, and I want you to reinforce this or reaffirm this—is that supply management is being protected and being fought for at WTO very strongly and vigorously. Can you just expand on that and tell this committee how we're treating supply management at the WTO?

Mr. Steve Verheul: Sure.

The government has made it very clear that supply management and protecting supply management's interests are essential at the WTO negotiations, and a key part of the instructions to me, as quota negotiator, is to carry that forward in Geneva. So we have been taking a very hard and consistent line, making it very clear at every opportunity what our position is and why we want to defend supply management the way we are. And we're doing that in negotiating sessions with 152 members. We're doing it in negotiating sessions with 10 or 15, which often happens, and we're doing it in negotiating sessions one-on-one with other countries, which we also frequently do.

So we've been using every opportunity to make it very clear, and every WTO member understands very clearly exactly what our position is on these issues.

Mr. Guy Lauzon: The feedback I was getting following my briefing is that Canada is gaining a lot of respect at these WTO negotiations and that our negotiators, you included, are very well respected and have a lot of credibility there. Canada has been playing a significant role in the negotiations, of course, probably more than ever before, and particularly beyond the sensitive products area.

Now, are we using some political capital here to push our agenda in the sensitive product area? How are we doing in that area?

• (1025)

Mr. Steve Verheul: We are very active across the board on all issues, as you say. In fact, we are the most active country in the negotiations, I would say, above all others. We do more analysis; we get more involved in developing creative ideas to try to bridge gaps, to try to achieve our objectives than any other country does. That has meant that we are included in all of the rooms, whether it's rooms of two or three, as in many cases. We are included in those rooms because of what we bring to the table.

Having that kind of broad approach, including working on some issues that may not be of direct importance to us, gives us increased leverage, because countries know that we need to be in the room. And if we're in the room, we can help resolve a lot of issues. It also means that some countries owe us favours, owe us a bit of flexibility, because we've worked in a way that has given them flexibility on some of their issues.

So I think we've established ourselves pretty well for the next stages of the negotiations by building those kinds of bridges and making sure that countries know they should be favourably disposed to us on some issues.

Mr. Guy Lauzon: I'm very optimistic about the work you're doing. I just want to close by saying that I certainly respect the hard work you're doing. I understand that this is one of the most successful rounds of negotiations that have ever taken place, from the Canadian perspective, and I commend you and your colleagues for the good job you're doing. We're looking for optimistic and positive results.

Thank you very much, Mr. Chair.

The Chair: Thank you.

Mr. Atamanenko.

Mr. Alex Atamanenko: Thank you very much for being here.

Like my colleague, I do thank you for your hard work. I know what you're doing is not easy. I just want to zero in a bit more on supply management. I also have a question.

Obviously, negotiations involve give and take. If we said we're not moving on supply management, where do we give, and what effect will this have on other sectors of agriculture? That's my first question.

There was some mention of the Canadian Wheat Board, and your answer was that this is our domestic issue and it's nobody's business if we decide that here. Nevertheless, is there still pressure? Do you find subtle pressure or unofficial pressure at the WTO for us to disband, to change the way we do things?

You also mentioned we're arriving at a difficult situation, coming into discussions on supply management. Once again, given the fact that all of us have just recently met with the dairy farmers and others and the message is that we must keep things as they are, I have a question. Are we prepared to give at all? Are we prepared to move from that 5% or 7.5% over quota and the tariff quotas that we have for produce coming in?

Ultimately then, if we're not prepared to give at all, if everything stays the same so there's no change for our farmers, and if we get the ultimatum from other countries saying, well, look, if you don't give at all here, there's no deal, do you have the instructions then to walk away from this?

I'm just wondering. Negotiations involve give and take. Where is the give and where is the take? Where have we drawn the line? Are we prepared to leave the negotiations if there's pressure to move here?

Mr. Steve Verheul: Yes, clearly, when it comes to the issues of greatest importance to supply management, tariff reductions, tariff quota expansion, and getting enough of our supply-managed products into the sensitive products category, we have shown no flexibility. The chair will in this draft as he has in previous drafts offer some flexibility to some other countries on the condition that they are prepared to pay more through providing greater access. In other words, countries like Norway and Switzerland will be able to have a larger number of sensitive products through paying an additional 0.5% of domestic consumption as compensation.

Those kinds of deals are out there. We have not pursued those deals because what we've been looking for is no tariff reduction and no tariff quota expansion. So our line has been a hard one, and we've been maintaining that line without offering any trade-offs either within supply management or outside of supply management. We are prepared to eliminate the tariffs that are within quota and we have been pressing hard on that, but that is of lesser value to other countries than tariff reductions and tariff quota expansion.

With respect to the Canadian Wheat Board, I wouldn't want to leave the impression that we're not under significant pressure. We are under very significant pressure on the Wheat Board and monopoly powers. It is a priority for the U.S. government. It is a priority for the European Union. And those are two pretty big players.

At the end of the day, that decision will come down to either an up or down decision. Either we keep those powers and decide what we want to do domestically about that, or we lose those powers at the end of the negotiations.

So on supply management, your last question, clearly my instruction and the government's direction is still to push very hard on this issue, to not show flexibility in any way on the issues of tariff reductions, tariff quota expansion. So we will not be doing that. As to the question of whether we would walk away from that negotiation at the end of the day if we don't achieve that, fortunately for me that won't be my decision. That will be at a stage where the discussions will be almost entirely political. So we could maintain this hard line right up until the final day, and then there would have to be some very serious discussions about what would happen next.

• (1030)

Mr. Alex Atamanenko: Do I still have a few minutes?

The Chair: You have about 20 seconds.

Mr. Alex Atamanenko: On the 0.5% quota for pork in Europe, are there negotiations to bring that quota up so we can get better access for the pork into the EU?

Mr. Steve Verheul: Yes, indeed. In fact that's been one of our key priorities. I've spent a lot of time with my European counterpart discussing that very issue, and we've been talking about what specific result we could achieve on pork going into the European Union. We will get a much better result than we got on the last round.

I'm also working to try to achieve a result that would mean we would more easily access the existing access that they have provided. So we're also working somewhat in partnership with the U.S., because we both have interests in the European Union. I think, clearly, this is going to be one of our key objectives in that market.

Mr. Alex Atamanenko: Thank you very much.

The Chair: Thank you.

Mr. Easter.

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

Thanks for coming, Steve. Thanks for your efforts in negotiating our position at WTO.

I do have a quick comment on Mr. Lauzon's earlier remarks. It's a direct question to you. I want to find out what exactly happened last summer.

There's no question that this government excels in putting gag orders on...whether it's the Wheat Board, the Grain Commission, and sometimes individuals. It was raised last year—

Mr. Larry Miller: That's irrelevant.

Hon. Wayne Easter: I know the truth hurts, Larry, but that's the truth.

It was rumoured last year, Steve, that basically because of the House of Commons' position, the Prime Minister ordered you, or put a gag order on you, not to discuss sensitive commodities. I don't know whether you were in the room for those discussions.

As we all know around this table, negotiations at the WTO basically work in layers. What's accomplished at one level moves up to the next, and that's your new platform.

Is it a fact that you weren't allowed in the room on sensitive commodities because of orders from the Prime Minister? Or is it not a fact? I just want the facts.

Mr. Steve Verheul: No, I have never at any stage been left out of any negotiating room that related to sensitive products. In fact, I think we've been a key player in all of those rooms.

I think the direction from the government has been very clear, though, that I am to maintain a very hard line on no tariff reductions and no tariff quota expansion for supply-managed products. This means that I don't have the flexibility to engage in a lot of negotiations that would involve movement off those positions, because our instruction is to maintain that hard line.

• (1035)

Hon. Wayne Easter: On that point then, in terms of tariff reduction and tariff quota expansion, there's no question, looking closely at those two points, that we would get hurt more under one than the other.

But on the tariff quota expansion or allowable levels of product coming into a country, in the previous rounds the U.S. made certain agreements, Europe made certain agreements, and Canada made certain agreements. We, as a country, have basically always lived up to our obligations in terms of allowing imports. Other countries have not, especially the U.S.

Where this negotiation is starting now, is it at the level that was agreed to in previous negotiations? I forget what it was, 5%, or whatever. And I believe the Americans got to a half per cent or 1%, or some such thing.

What are the Americans now willing to start their tariff quota expansion levels at? Is it the level they were supposed to be at or the level they are at, in which they basically violated the original agreement?

Mr. Steve Verheul: To start with, I think we should look back to the conclusion of the last negotiation, because I think there has been a misconception that while the U.S. and Europe were quite creative in putting together their obligations, no one was more creative than we were. We didn't follow the exact guidelines that others had any more than our trading partners did. In fact, we have several tariff quotas in which we provide zero access, far lower than the 5%.

But that was part of the problem last time. We had guidelines and not rules. Particularly once we saw that others were bending those guidelines, we bent them, as well.

The approach for this time is going to be to create new obligations that will not use as a starting point the last agreement. These will be separate and new obligations. They will be additional to what was done last time.

Our main effort, at this point in time, in sensitive products is that we're developing the base upon which the expansion would be applied. We've spent all of our efforts trying to make sure that base is an equitable one, so that we have exactly the same kinds of bases applied in the U.S. and in other countries so that there is going to be a fairer outcome than we've seen in the past. We've been stressing that point of fairness and equity time and time again in the negotiations, to the point that the delegate from Cuba has referred to me as "Mr. Fair".

Hon. Wayne Easter: We're always fair in Canada.

What about enforcement?

The Chair: Your time has expired, Mr. Easter. I'm sorry.

Mr. Storseth, you're up.

Mr. Brian Storseth: Thank you very much, Mr. Chair.

I'd just like to point out that Mr. Easter does very clearly acknowledge the fact that while his government was in power they were willing to negotiate and in that manner also negotiated away some of the potential tariffs for the supply management sector.

I think it's important that we take this opportunity today, as we even have constituents here from Alberta, all the way from Lacombe, to hear what's going on with the WTO negotiations.

First of all, Mr. Verheul, I want to congratulate you. The members from my constituency, my constituents who have the opportunity to keep an eye on the WTO trade negotiations, my colleagues such as David Anderson and Gerry Ritz, have long since bragged that we have some of the best trade negotiators in the world and it's about time we took the handcuffs off them a little bit and got a good result for our producers.

I'd like to talk to you a little bit about market access and what you perceive. Some of these questions may be a little too specific, but I'm going to ask you to focus on the seven primary commodities that would be affected by this agreement. Do you have any idea of the numbers on the increase of export value in Canadian dollars that we would see overall in these seven commodities?

Mr. Steve Verheul: I'm not sure which seven commodities you're referring to.

Mr. Brian Storseth: Primarily beef, pork, wheat, barley, canola, soybeans, and peas.

• (1040)

Mr. Steve Verheul: You've certainly hit on our key export interests. Those are the biggest ones and where we're putting most of our effort. I think we will see a substantial result. It's hard to put a number on it exactly, because we're negotiating opportunities, and whether we can take advantage of those opportunities or whether some of our competitors can take advantage of those opportunities is going to be up to the industry at the end of the day.

But we will have significant new market access opportunities. That trade will be on a much fairer basis because we're going to have very large cuts in subsidies that have been holding back some of our producers. We will have a less distorted international market because export subsidies will be gone, which will tend to raise prices for producers as well.

I'd have a hard time quantifying it, given that other factors are involved, such as our exchange rate and other industry-related factors, but I know one of the export-oriented sectors has recently talked about a study that talked about a figure in the neighbourhood of a \$3 billion gain.

Mr. Brian Storseth: Thank you very much.

In these seven sectors, you point out the increased value of the commodity, which is going to benefit the producer, and I think that's a very important thing to recognize: the producer has the opportunity to be one of the biggest winners in this.

Of these seven sectors we've talked about, which sectors do you perceive...? Do you think it's a fair statement that the beef and pork sectors would be two of the biggest benefactors of this agreement?

Mr. Steve Verheul: Absolutely. Our beef and pork exporters can compete around the world. They have some of the most attractive products to other countries of any of our trading partners, and I think one of the bigger challenges they will have is maintaining the capacity to access some of these markets. We're going to have market opening in the European Union that will be significant. We're looking to have some big achievements in Japan, and a lot of access in the developing countries, particularly the emerging ones, is also going to be increasingly important.

So I see quite a few gains on the beef and pork sector coming out of this agreement. They will be among the most significant, for sure.

Mr. Brian Storseth: Thank you very much for those comments.

That is something that has been identified as a critical component of moving forward by the industry that we've had in here, the Canadian Cattlemen's Association as well as the Canadian Pork Council. We need to open up some of these markets, and I'm glad to see you feel this would help those 90% of producers who are very reliant upon trade and export in our country.

On a little bit more of a domestic level, first of all, do you have any idea of the farm-gate sales that are directly related or can be attributed directly to supply management in the provinces of Quebec and Ontario, which have our biggest supply-managed sector? Would you have those numbers?

Mr. Steve Verheul: I would have a rough idea of what they are, but I wouldn't want to hazard a guess. I don't have it off the top of my head.

Mr. Brian Storseth: All right, that's fair.

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

Mr. Brian Storseth: Mr. Easter would be more than happy to give some of his time to good questions.

The Chair: I'm keeping you guys on a short leash here.

Madame Thaï Thi Lac.

[*Translation*]

Mrs. Ève-Mary Thaï Thi Lac: My next question is on an issue of vital importance for farmers; that is why I would like to get a clear answer from you.

One of the objectives of the WTO negotiations is to ensure that agricultural subsidies do not distort the global market for agricultural products. Since supply management does not create any trade distortion, would that argument carry weight with the WTO? How would you make your case?

[English]

Mr. Steve Verheul: Unfortunately, most of our trading partners consider a system with higher prices than what would otherwise prevail in the market as being among the most trade-distorting practices, because that system distorts what the markets would otherwise do. In fact, we suffer somewhat with supply management because of the fact that where other countries have had higher domestic prices, these have tended to create overproduction, which the countries have then dumped onto world markets. They didn't have the kinds of supply controls we have in supply management. So that has done a lot of damage in the past, and there's still a lot of suspicion about any system with higher prices domestically than would otherwise be the case.

We see much greater damage taking place through the subsidies the U.S. has, as they can provide some \$9 billion in support for corn one year and a couple of hundred million dollars the next. That's what really distorts markets. Supply management doesn't export a lot, so it's not interfering with other markets to any great extent.

But others do have a great interest in our market and in accessing our market, and that's where we're facing the pressure.

• (1045)

[Translation]

Mrs. Ève-Mary Thaï Thi Lac: I would like to come back to the question I asked a little earlier. How will you make your case? Are other countries interested in defending supply management? Which countries look favourably upon Canada's position?

[English]

Mr. Steve Verheul: Well, unfortunately, that's also one of our bigger challenges, because the European Union is getting out of all of its quotas, the supply-management-type schemes, and moving towards a different system, based mainly on green-box types of support and direct payments to farmers. Countries like Japan, Switzerland, and Norway, who have been our allies in the past on these issues, are also moving in that direction. They're getting rid of production quotas and are lowering their prices to world levels so they can compete directly—but they are providing direct payments to farmers in compensation.

So we really are the only country that continues with a supply management approach and which intends to continue with that approach. Others are going in a different direction, which makes our task that much more difficult.

[Translation]

Mrs. Ève-Mary Thaï Thi Lac: I will share my time with Mr. Asselin.

Mr. Gérard Asselin: I would like to know what you think will be the main issues you will have to deal with in the course of the negotiations. Is Canada likely to come out a winner?

[English]

Mr. Steve Verheul: Well, I think there are several levels of difficulty. It's an incredibly complex negotiation.

First of all, we're going to have difficulties in the agriculture negotiation, particularly over how much the U.S. is prepared to cut its trade distorting domestic subsidies. That's going to be one of the key issues the whole negotiation will swing on. There's going to be a lot of pressure on them to make very deep cuts.

There's also going to be pressure on how far we go on sensitive products. The European Union is probably the biggest target here. It has the largest market and the most attractive market. There's a lot of focus on them and whether they'll be prepared to go far enough, as well.

There will probably be even bigger challenges getting some kind of resolution on how much access we're going to get to countries like India and China, which are very reluctant to provide much at all.

If we manage to resolve some of those questions, it's going to get even more complicated once we start to bring the agriculture negotiations together with the non-agriculture negotiations—industrial products—and try to find a balance of ambition across those different negotiations.

As far as our own objectives are concerned, I'm expecting that if we get an agreement, we will do very well on issues like export subsidies and export credit and food aid, on which we've long been battling against U.S. and EU practices. We will do very well on domestic support, with reductions in the range of 70% to 80% for the U.S. and the European Union, which will make a big difference. On our offensive interest, I think even in market access we will come up with a result that will be a significant achievement for us.

We will battle to the end on the supply management issues. What happens at the end will be critical, and that's going to be difficult to call until we get there. I think that even with some adjustments to the kinds of agreements on the table, we're not talking about the end of supply management. If we were to ever move our position—I've had no suggestion that we will—the package on the table, with certain changes, could allow us to continue with supply management. We will firmly be maintaining the position of no change in the negotiations.

The Chair: Merci.

Go ahead, Mr. Miller.

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

Thank you, Mr. Verheul, for being here.

You talked a bit here about sensitive products and what have you. You mentioned Sweden and Norway as being obstacles there. Were there any other countries that create further obstacles?

We know the EU and the Americans. We know the problems there as far as negotiations are concerned. But can you comment on any other countries that have maybe made the negotiations a little difficult at times? What sensitive products are they striving for?

•(1050)

Mr. Steve Verheul: Most of the major developed countries have their own sensitivities, clearly, just as we do. The U.S. has sensitivities in sugar and in dairy, and despite much of the rhetoric, it's been playing defence as much as offence on many issues.

The European Union has sensitivities on dairy, sugar, beef, pork, and a whole range of products, a much broader range of products than we have. Japan, Norway, Switzerland, and Iceland have sensitivities on a wide range of products. We have a smaller range of products that are difficult for us, but they have a much broader range. I think we've done most of our work with a group of six countries, which includes those I just named, which are the ones that are intending to use sensitive products.

Part of the broader problem is that there are roughly 110 or 115 developing countries that are members of the WTO, out of a total of 152, that are very offensive. They only have an interest in getting better access to developed-country markets, and that's where a lot of the pressure is coming from.

Mr. Larry Miller: Actually, those developing countries is where I was going to go with my next question. It relates directly to China, and maybe I could lump India in with it. We all know how their economies have been booming, but my understanding is that they've also in recent years been increasing their agricultural productivity and that kind of thing. Has that added any special obstacles in the discussions. Is there an impact that maybe wouldn't be there if they weren't developing their own at home? Could you comment on that a little bit?

Mr. Steve Verheul: Well, it certainly changed the dynamics from previous negotiations. In the last negotiation, the U.S. and Europe were pretty close, and we weren't far off from a deal. Now we have significant players like China and India and Brazil that are carrying a lot of weight to the table because of their size.

As you correctly point out, India and China are significantly increasing their capacity with respect to agricultural production, and that's starting to change things quite a bit, particularly as we look out further into the future.

We want to achieve significant gains in market access to those countries, because we could have this agreement in place for a long time. We don't want them to get off without having to do all that much and basically shut us out. So there's going to be a continuing difficulty in pushing particularly India and China to get a better result than they've offered so far.

Mr. Larry Miller: Mr. Chairman, I think I'm done. If one of my colleagues would like, I'll give them the balance of my time.

The Chair: There is a minute and a half left.

Mr. Brian Storseth: Thank you very much, Mr. Miller.

He always knows when to cut it short.

Mr. Verheul, one thing really scares me. You talk about the benefits for our agricultural community and the benefits that could

be received by 90% of our producers, and everybody stands up at committee and says these are the guys we need to fight for and the guys who need it most right now. Yet we're still hearing today from members of the opposition about being ready to walk away from the table.

I most certainly hope that's not the impression you are getting from the Government of Canada; I know it's not. I can definitely tell you that people in my area are dependent upon us moving forward in a strong fashion on this, while preserving our supply-managed sectors, to get an excellent deal for our producers, who represent that other 90%.

What are your gut instincts on this? Do you feel we are going to have a successful conclusion this time around?

Mr. Steve Verheul: I sure hope so. I've been at this for a long time, but I think the conditions now are more positive than they've been so far in this negotiation, by a fair margin. We really don't have that many more issues at a negotiator's level to resolve. We've now reached the point where the key and most difficult questions are going to be at the political level, and that's looking like it will happen within the next few months.

I think the deal that's shaping up is a pretty good one. We've achieved a lot of our objectives. I think we should be pleased with the kind of an agreement we get, if we manage to achieve it.

I think you're right that we have been very active in pursuing the interests of our exporting sector. I think those gains will be impressive.

Among developed countries, Canada is probably the most reliant on trade, so the WTO is essential for us. I personally can't imagine us walking away. We can certainly negotiate extremely hard, but walking away would have repercussions that are far beyond what we could imagine.

•(1055)

Mr. Brian Storseth: Maybe we'll see the political will from both sides.

The Chair: Thank you.

Mr. Easter, you get to bat cleanup.

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

The minister was here previous to you, Steve, and we raised the fact of the lack of effort of the government to assist with the financial liquidity problem in hogs and beef. There are tremendous concerns about the bankruptcies out there and the lack of government response.

Earlier one of the government members mentioned the markets on beef and hogs.

Mr. Brian Storseth: Point of order, Mr. Chair

The Chair: Mr. Storseth.

Mr. Brian Storseth: Mr. Easter is belittling his own work on this. This committee is one representative of the Government of Canada, and if we have put forward—

Hon. Wayne Easter: Mr. Chair, that's not a point of order. I have a very serious question—

The Chair: Okay, let's get to it, Mr. Easter, you only have five minutes left.

Hon. Wayne Easter: The member asked earlier about the new markets in beef and hogs. When do you expect those new markets to kick in?

Mr. Steve Verheul: I think that's one of the problems with the WTO negotiations: nothing happens quickly. If we manage to reach an agreement in the spring on the modalities, it would take us the rest of 2008 to finish the whole agreement. Then it wouldn't begin to come into effect until at the earliest the beginning of 2010, a five-year implementation period, in all likelihood. I don't think the WTO is going to be a quick fix.

Hon. Wayne Easter: So I guess the fact of the matter is that the negotiations are not going to do those producers who have a financial liquidity problem right now much good.

If you look at France, they are, no question, breaking the rules. They're subsidizing their industry. But they're at least going to ensure that they have an industry there if we ever get a WTO agreement that can be utilized, and that's the important thing.

There are two things I need to ask. First, what are the penalties that France could face in terms of subsidizing against the rules? We have to look at this seriously. We're losing a hog industry in this country. We're losing it. A deal that brings in markets in four years' time, or two or three years' time, is all well and good, and I support that, but organizations are taking a different position from producers. Producers are saying they don't care about a trade agreement, but they have to be around when the trade agreement is signed, so something has to be done for them now. So what's the penalty for France?

Second, we should have learned some lessons on our trade negotiations in terms of general trade—agriculture, manufacturing, industrial goods. Our country is in a bind right now on those industries, because labour and environment and lack of enforcement aren't in the agreements. What are we doing in that area? We can be all well and good on labour and environment in this country, but if China and India and those other countries are not doing anything in that regard, we're not helping the environment over the long term, because they're pumping the crap into the air, and we're putting our industries at a disadvantage. So what are we doing in this negotiation to prevent agriculture from being in the same position?

Mr. Steve Verheul: To start, with respect to the penalties that France could face for the assistance being provided to the hog sector, the primary means of assistance that I've been seeing is use of export subsidies. They do have the legal right to do that under the WTO. With the agreement, that right would be removed. We'd be eliminating export subsidies. So, at the moment, they are doing things that they are able to do legally under the agreement, unfortunately.

Hon. Wayne Easter: Can we do it?

Mr. Steve Verheul: We cannot do it on hogs or pork. We have the right to use export subsidies to some extent on dairy products, but that's all.

Beyond that, we also have the challenge, which France doesn't have to the same extent, that our pork sector as well as our beef sector rely heavily on export markets, so we always run the risk of countervail actions being taken by our trading partners, particularly the U.S.

On your second question, on the issues of labour and environment, as I think you know, there were efforts to put labour and environment onto the agenda of this negotiation, primarily from the U.S. side, and other countries rejected that. Particularly, developing countries are arguing that they shouldn't have to meet our standards in order to compete with us because they can't afford to reach our standards. But obviously the issues of environment relate to questions that are much more broad. They also tie into food safety and other issues that are linked.

There are some environmental issues being negotiated by this, very peripheral environmental goods, that kind of thing.

So it's not part of this negotiation, and those issues will have to be addressed in another way.

● (1100)

The Chair: Time has expired, and we do need to get out of here for the next committee that wants to meet.

Steve, thanks for coming and giving us a briefing. We're looking forward to seeing the Faulkner report, which will be out tomorrow, and hope that we do have the ambitious outcomes that we want and access to markets, as well as considering our sensitive products that we have here in Canada.

Thank you. Keep up the great work.

The meeting is adjourned.

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