



House of Commons
CANADA

Standing Committee on Agriculture and Agri- Food

AGRI • NUMBER 015 • 2nd SESSION • 39th PARLIAMENT

EVIDENCE

Thursday, February 14, 2008

—
Chair

Mr. James Bezan

Also available on the Parliament of Canada Web Site at the following address:

<http://www.parl.gc.ca>

Standing Committee on Agriculture and Agri-Food

Thursday, February 14, 2008

• (0905)

[English]

The Chair (Mr. James Bezan (Selkirk—Interlake, CPC)): Let's bring this meeting to order.

Before we get rolling, I have a point of order from Monsieur Bellavance.

[Translation]

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

Before beginning, I would like to express my sincere thanks to the committee members who took part in the emergency debate about the livestock crisis yesterday. I hope we are going to be able to make progress on that issue. I greatly appreciate the fact that a large majority of the members of the Standing Committee on Agriculture and Agri-food participated in the debate, which I hope was productive.

Mr. Chair, I know that the committee has passed a motion for there to be a meeting on Monday, February 25, from 6:00 p.m. to 9:00 p.m. I would like to know whether that meeting could be moved up so that it would be held from 3:30 p.m. to 6:30 p.m. instead. The meeting would still last three hours. I would simply like to move the meeting up, if possible. I would like to have my colleagues' opinion on that.

I don't know whether we need a motion or we can decide to do that without any further formality.

[English]

The Chair: The one thing we have to check on is the availability of the room, to make sure that we have a room we can go to at 3:30.

What I'm seeing is nodding heads. Everybody would rather sit in the afternoon than in the evening. But I do think we'll need to have a motion on that.

Mr. Easter.

Hon. Wayne Easter (Malpeque, Lib.): Yes.

Maybe 3:30 to 6:30.... If it's difficult for André to have a later meeting, then we have no problem with doing it earlier.

We're meeting the next day, on the 26th, I believe. Does that clean up the witnesses?

A voice: Yes.

Hon. Wayne Easter: And I don't think there are any other others. I'm wondering whether we could see our way, immediately following the witnesses, to going to clause-by-clause. There is a huge concern in the industry out there and a fear, with the election talk around this town—and I think it's a legitimate fear—that if there happens to be an election and this bill is not through, some of the investment that is on line might be lost for some of the smaller plants.

I wonder whether we could, as well, basically agree to hear the witnesses on the 26th, go immediately to clause-by-clause, and see whether we can clean it up.

The Chair: Okay, and so we would extend hours until we got it done.

I have Mr. Miller first.

Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC): Mr. Chairman, it sounds like a good suggestion.

I have another committee, but I will deal with that. I think this sounds good, and if you can go with it, I'll either have a substitute for myself or get somebody to fill in at the other one.

The Chair: Ms. Skelton.

Hon. Carol Skelton (Saskatoon—Rosetown—Biggar, CPC): I want to comment that it's the evening of the Canadian Young Farmers Forum banquet, which quite a few of us, I think, were attending.

The Chair: On the 25th, do you mean?

Hon. Carol Skelton: I mean on the 26th.

The Chair: On the 26th, we'd be meeting in the morning.

Hon. Carol Skelton: Okay.

Are you suggesting, Mr. Easter, that we finish off on Monday evening, then?

Some hon. members: No.

The Chair: Tuesday morning we'll finish off.

Hon. Carol Skelton: Tuesday morning? Okay, that's fine.

The Chair: Mr. Lauzon.

Mr. Guy Lauzon (Stormont—Dundas—South Glengarry, CPC): I would support both of those suggestions. I think that's good, and I echo Mr. Easter's comments that the industry certainly wants this as soon as possible.

The Chair: Is everybody in agreement, then?

Can I get somebody to move that notwithstanding the motion adopted February 12, the committee meet at 3:30 to 6:30 on February 25, instead of from 6:00 to 9:00?

An hon. member: I will move that.

(Motion agreed to) [See *Minutes of Proceedings*]

The Chair: Also, we'll move immediately on the 25th, when we're done with our witnesses, to clause-by-clause, so that we can get this reported to the House.

A voice: On the 25th?

The Chair: On the 26th.

Is everybody in agreement? Okay.

Let's carry on with our hearings on Bill C-33.

We welcome to the table JoAnne Buth, from the Canola Council of Canada, and from the University of Lethbridge Dr. Kurt Klein. I'm glad to see you here.

The Canadian Cattlemen's Association contacted my office. They're running a bit late. When they get here, I believe Brad Wilderman will be presenting on their behalf.

We'll open up to opening comments. I'd ask that you keep your opening comments to less than ten minutes.

Ms. Buth, you may go first.

Ms. JoAnne Buth (President, Canola Council of Canada): Good morning, Mr. Chairman and members of the committee.

As already mentioned, I am JoAnne Buth, and I'm president of the Canola Council of Canada. The Canola Council is the trade association of the canola value chain, including growers, seed developers, processors, and exporters. Our organization strongly supports a vibrant canola-based biodiesel industry that involves a made-in-Canada solution to benefit canola growers and all Canadians.

This legislation that will make provisions for the regulation of the renewable fuel content in diesel, coupled with the new \$1.5 billion federal ecoEnergy for biofuels program, is key for the development of the biodiesel industry in Canada.

I know the time here is short, so I'd like to start with three conclusions: canola biodiesel is good for the environment, good for farmers, and good for the economy; canola is grown in abundance in a sustainable manner across the prairies, with additional acres in Ontario; and canola biodiesel has superior cold-weather properties that are clearly needed for the Canadian climate.

I'd like to spend a few minutes now expanding on some of those key points.

First of all, on the environment, there's a lot of talk about climate change and the impact that the use of fossil fuels has on the environment, but I have not heard of many practical solutions, especially for a country that relies so heavily on fossil fuels for both transportation and heating. Bill C-33 offers a practical solution and a step in the right direction.

The use of biodiesel can reduce greenhouse gas emissions and alleviate health and pollution concerns, which have been raised because we're on this treadmill of ever-increasing production and use of non-renewable petroleum resources. According to a Canadian study done at the University of British Columbia, the reduction of greenhouse gas emissions from canola biodiesel is 85%, relative to fossil diesel. Reduced tillage practices that are commonly used in canola production also means less carbon released. In addition, using biodiesel can reduce carbon monoxide, unburned hydrocarbons, and smog-producing particulates.

I have a few comments on the impact to farmers and the economy. We currently export 75% of the canola produced in Canada. This renewable fuel standard will provide fundamental long-term support for the rural Canadian agricultural sectors by creating inelastic demand that's needed in our trade-dependent commodity. We are so very vulnerable to borders shutting because of tariffs and non-tariff trade barriers. Made-at-home canola biodiesel will stabilize demand and help increase the value-added industry that is already expanding in Canada in anticipation of increased use in North America.

The positive impact of a canola-based biodiesel industry will be seen quickly. Construction of biodiesel-producing plants can be completed in 18 to 24 months. Economic analysis shows that every dollar invested in biodiesel infrastructure returns two dollars of economic activity in construction and supporting industries. Predictable supplies of biodiesel production co-products will also provide additional economic activity. The meal from canola crushing is a high-protein livestock feed that can replace more expensive imported protein meal in dairy and hog rations. The bottom line is that every \$100 million in additional demand for canola generates 730 jobs in value-added industries, \$83 million in GDP, and \$5.2 million in tax revenues.

Specifically on canola biodiesel supply and quality, we have no doubt that the Canadian canola growers can produce the seed needed for a 2% inclusion rate and for a 5% inclusion rate. The amount of canola needed for 2% would be 1.3 million tonnes if we took the entire biodiesel industry. In 2007 we produced just under nine million tonnes, meaning that biodiesel production would have used 14% of the crop.

The 2015 canola industry production target is 15 million tonnes, and that's for total production. We have already proven that we can grow more than enough canola to fill the mandate. The carry-over of canola seed was over 1.3 million tonnes for the last three years.

Canola biodiesel means quality. As you know, canola oil is the best heart-healthy oil for consumers because of its low saturated fat content. Low in saturated fat means clean arteries for people and clean fuel filters for diesel engines, resulting in superior cold weather performance.

•(0910)

Canola biodiesel is already proven and is used extensively in Europe. In Canada it's currently being demonstrated under cold weather conditions in Alberta, and at minus 51 degrees Celsius, trust me, it's a true test of Canadian cold weather. We are a clean way to power diesel automobiles, trucks, tractors, heavy equipment, and marine vessels. And diesel engines do not require any modification to use biodiesel.

To summarize, Bill C-33 is the first step towards creating a Canadian canola biodiesel industry. We urge you to act quickly to assure a long-term, viable Canadian renewable diesel industry. The time to move is now.

Canadian farmers stand ready to grow and deliver the high-quality, sustainable, and renewable feedstocks our industrial entrepreneurs will use to produce world-class renewable fuels here in Canada. We have a made-in-Canada crop that offers a made-in-Canada solution.

Thank you for creating the opportunity for Canadian farmers, processors, and the economy.

•(0915)

The Chair: Thank you.

Dr. Klein, the floor is yours.

Dr. Kurt Klein (Professor, Department of Economics, University of Lethbridge): Thank you very much, Mr. Chairman.

I am pleased to be here, coming from stormy Alberta to snowy Ottawa.

It was just over 18 months ago that the Canadian government signalled its intention to have 5% of Canada's transport fuel come from renewable sources by 2010. At that time just over 200 million litres of ethanol was being produced in Canada. At the end of December last year, production capacity in Canada had risen to over 760 million litres per year from ten operating ethanol plants. Six additional plants are under construction, and when completed they would more than double the existing production to about 1.6 billion litres per year. This would represent about half the production needed to satisfy the proposed 5% target of the renewable fuel strategy.

The principal reasons for promoting a biofuels industry through government policies are, first, to enhance and stabilize farm incomes through introduction of new markets for farm commodities, second, to promote rural development and economic diversification, third, to lower greenhouse gases, and fourth, to assist with energy security.

In the short time I have, I want to discuss how well a biofuels industry achieves the first two of these objectives, promotion of rural development and improvement of farmer incomes.

First, what about rural development? Many have claimed that the new jobs biofuel plants bring to rural areas boost local employment and economic activity. This is true. However, there has been some tendency, I think, among proponents of the biofuel industry to overstate the economic activity linked to biofuels. Research shows that only a small number of permanent jobs are created in the biofuel industry. In Iowa, new 190-million-litre-per-year ethanol plants

employ, at most, 35 permanent workers. Husky Energy's new ethanol plant at Lloydminster, Saskatchewan, will employ just 26 full-time workers. Even this modest outcome is somewhat tempered, since this is the gross gain in employment, not the net gain, and the difference is important.

A new ethanol plant increases the local wages of labour. This places pressure on other nearby businesses to raise the wages they offer. In response to higher wages, other businesses have an incentive to reduce the number of hours or people they employ.

In response to rising feed grain prices, the profitability and size of the livestock sector may be reduced, thus reducing the livestock transportation and processing sectors. The gross benefits, then, in rural development are reduced by the losses in employment and income in other sectors. For this reason, net gains in employment generally are much smaller than the gross gains, and in fact could very well be negative in the prairie provinces.

Another driving reason behind attempts to establish a successful biofuels industry in Canada is to improve farmer incomes. In response to the increased use of cereals and oilseeds for production of biofuels, agricultural commodity prices have increased dramatically over the last year and a half. Corn, soybean, and canola prices have about doubled, while barley and wheat prices have increased by nearly 80%. An inevitable and undesirable result of the biofuels frenzy is the higher feed costs for livestock producers. The prices of feed grains have risen dramatically in the last year and a half, and cattle farmers and pig farmers have suffered massive losses. These are exciting times for grain and oilseed producers, but they have dealt a financial blow to the beef and pork sectors, which rely heavily on the availability of feed grains.

Given the massive expansion that currently is under way in ethanol production in both the United States and Canada, it appears that feed grain prices could increase even more. Huge losses in the livestock industry have been experienced in recent months and may continue if ethanol production continues to expand or if low yields are experienced in any of the major crop producing areas in the world this year. This will be continued good news for crop farmers, but not for the livestock industry.

Will a successful biofuel industry fix the perpetually low farm income problem in Canada? Unfortunately, higher grain and oilseed prices do not necessarily lead to higher net farm incomes. What is important is net income, not gross income. Net income is the gross income minus the total costs of production. Because of increased prices of grains and oilseeds, prices are also rising for all the other inputs necessary for corn production, such as fertilizer, equipment, and storage.

In anticipation of higher returns from corn, land prices and rents are rising rapidly in the United States. Due to the competitive market structure of the grains and oilseeds sector, higher commodity prices always result in higher prices for land, with little or no improvement in the net returns to agricultural labour. This means the winners of the biofuel boom are likely to be the present owners of farmland. Farm tenants and workers will receive little benefit, and new farmers will be faced with higher costs of entry due to the higher costs of the land resource.

• (0920)

Although there will be more money coming into agriculture, not everyone will gain, and certainly the persistence of low net farm incomes in agriculture will not be relieved. We have a lot of evidence already about the land prices increasing. I'll skip that part.

It should be pointed out to members of this committee that many important economic issues relating to establishment of a biofuels industry in Canada have not been thoroughly researched. The costs and benefits to Canadian society of establishing a biofuels industry through government initiatives still are largely unknown. There are very few economic studies done.

It is clear there will be negative impacts on Canada's livestock industries, particularly beef and pork producers. I am becoming worried about possible changes in the pattern and locations of production due to the much higher feed costs. We have experienced major changes in the location of production in the past as a result of relatively small but permanent changes in grain-meat price ratios.

For example, when the transportation of western grains was heavily subsidized, much of the hog industry and some of the beef feedlot industry moved to eastern Canada. With the introduction of Crow offset policies in the late 1980s, and finally the end of the WGTA subsidies in 1995, much of the livestock industry moved back west.

There are already some major changes happening in the location of dairy production in the midwestern United States. Now, I ask myself, is our pig industry, particularly in Manitoba, vulnerable? And what about our large beef industry in Alberta? Could much of it move south of the border, or might some of Colorado's and Nebraska's beef industry move to Canada?

The truth is that we don't really have a clue what might happen with regard to changes in location of production of livestock. Furthermore, we do not have anyone in Canada conducting research on this issue. We've not even built the types of economic models that are required to analyze this issue. Contrast this with the situation in the United States, where about a dozen economists at one university alone, Iowa State University, have been modelling and studying this problem for more than two years already. I have attached my research to the Iowa State research to try to get some handle on what's going to happen in Canada.

In conclusion, it is clear that biofuels have become a growth industry with rapid expansion of ethanol in the United States, Brazil, Canada, and other countries, and a quickening pace of biodiesel production in western Europe. Government interventions in many forms, including subsidies for building and operating biofuel facilities, mandated proportions of biofuel contents in liquid fuels,

and new regulations that change taxing regimes, have greatly stimulated the worldwide production of biofuels during the last several years. Many of the consequences of the biofuel frenzy will be undesirable for Canadian agriculture, though certainly farmland owners will gain.

Finally, it should be kept in mind that the markets for commodities like corn, wheat, gasoline, and ethanol are global. The exportable supply of grains in the United States has a large influence on world prices. The ethanol frenzy in the United States is having greater economic impacts on the Canadian agricultural industry than any biofuel policies implemented by Canadian governments. Most of the biofuel plants likely will stay in production even if they become unprofitable, if oil prices drop. Once the biofuel plants are built, they need to cover only their variable costs to stay in production. That means that all the consequences of the removal of such a large quantity of grains and oilseeds from being available for food and feed are likely to result, even if oil prices recede.

Thank you.

The Chair: Thank you.

Joining us from the Canadian Cattlemen's Association is Travis Toews.

Welcome, Travis. I ask that you keep your opening comments to ten minutes or less.

Mr. Travis Toews (Director and Vice-Chair, Domestic Agricultural Policy, Canadian Cattlemen's Association): Thank you, Mr. Chairman, for holding this hearing on Bill C-33 and for inviting us to advise the committee on the policy views of the Canadian Cattlemen's Association, an organization that represents over 90,000 cattle producers.

I am an elected director of the Canadian Cattlemen's Association. I serve as vice-chair of the foreign trade committee and I also chair the CCA biofuels task force. My family and I ranch west of Grand Prairie, Alberta, and operate a cow-calf backgrounding and yearling operation.

The biofuels industry in North America has recently experienced significant growth. Proponents of a biofuels industry speak of the increased prices farmers are receiving for their grains, a cleaner environment, revitalized rural areas, and a reduced reliance on fossil fuels. Opponents generally talk about higher prices for food and the uncertainties around measuring the environmental footprint of biofuels relative to petroleum-based fuels.

Today I want to advise you on the potential effect on one of Canada's largest current customers for Canadian grain: the cattle feeding sector.

For every calf fed to finish, approximately 1.25 tonnes is required. As a result, profitability in the Canadian cattle industry is significantly affected by the availability and price of feed grains. The rapid growth in the biofuels industry in North America in the last few years has been encouraged by policies of production subsidization and mandated demand. This phenomenon, coupled with increased demand from developing countries, has left global grain inventories very low, and grain prices at record levels.

While we expect that both Canadian and global grain production will rise as a response to higher prices, we are concerned that the extremely robust growth and demand encouraged by North American biofuels policies may outstrip supply in the short and intermediate terms. In the event a crop shortage is experienced in any of the major growing areas of North America in the upcoming year or two, the cattle industry and its infrastructure could be devastated. During a year of shortage, the cattle industry would be hard-pressed to compete for feedstuffs with a competitor that has the advantage of a demand mandate.

I'm not here today on behalf of CCA to suggest that we're opposed to biofuels or profitable returns for Canada's grain producers. I'm here to be a voice of caution regarding the potential unintended consequences of this bill and to speak in favour of a transition to a market-based approach to the biofuels business in Canada.

Last year I chaired the CCA biofuels task force. This committee consisted of cattle producers from across Canada. We met with researchers, plant breeders, and ethanol producers. In the end, we came out with four recommendations, which the CCA board subsequently adopted as CCA policy. I will share these with you.

First is that the CCA endorse a clearly defined and expeditious transition to a market-based approach to the production of renewable energy that re-establishes a competitive balance between sectors.

Second is that the CCA support the elimination of tariffs on imported biofuels.

Third is that the CCA emphasize that any further encouragement of the biofuels sector should focus on the production of biofuels from sources that do not impact the availability of livestock feed.

Fourth is that the CCA formally request that the government incorporate safeguard measures in the event of crop shortages. These may include the elimination of any remaining tariffs, a reduction in mandates, and/or a reduction in incentives.

While we recognize the government's desire to help kick-start the biofuels industry in Canada, we suggest that ultimately, the marketplace, free of government-mandated demand, is the best method for determining the usage equilibrium for feed grains. A biofuels industry built on real market fundamentals will grow at a manageable pace and will be far more sustainable in the long run. The resulting growth will also be at a pace at which demand for feedstuffs is less likely to dangerously outstrip supply.

In closing, we would hope that the members of this committee would take steps to ensure that the biofuels and livestock industries can compete and coexist on a level playing field and thereby ensure that we will not simply replace one value-added industry with another.

Thank you for the opportunity to speak to this important issue.

● (0925)

The Chair: Thank you, Mr. Toews.

We're going to kick it off with seven-minute rounds. Leading us off is Mr. St. Amand.

Mr. Lloyd St. Amand (Brant, Lib.): Thank you, Mr. Chair.

Thank you, Ms. Buth and gentlemen, for being here.

I'll be splitting my time, Mr. Chair, with my distinguished colleague for Huron—Bruce.

I have a couple of points for you, Ms. Buth.

In wind energy and solar energy, we are behind the Europeans for sure. You make the same point with respect to the use of canola biodiesel, which I understand is being used extensively in Europe. Can you quantify how far behind Europe we are and how the gap will be narrowed if Bill C-33 is passed?

● (0930)

Ms. JoAnne Buth: Europe's biodiesel industry was launched four or five years ago. They've had numerous discussions about the impact of biofuels. In Europe it's primarily biodiesel, because most of their cars are diesel. It's a different dynamic from North America.

They have recently been reviewing their mandates, and they are looking at a mandate of 10%. I can't remember the date, but they have had a mandate in place for a while. They also have an incentive program that is slowly declining as well. There are many places in Europe where 100% canola biodiesel is being used.

Mr. Lloyd St. Amand: Thank you.

I'd like to ask any of you about Senator Barack Obama's musings on NAFTA. I believe the suggestion is that if he were to be elected president he would adopt an even more protectionist stance than is currently the case. I understand that the U.S. biofuel industry is currently highly protectionist. I was wondering, with respect to NAFTA and NAFTA's preferential access, what is the treatment of biofuel under NAFTA? Are you familiar with it?

Ms. JoAnne Buth: The issue for us is the incentive program for biodiesel in the U.S., under which they have a dollar per gallon incentive. That works out to about 30¢ a litre for Canada. If there were a mandate adopted in Canada without an incentive program, we would find most biodiesel coming in from the U.S.

Will there be exports of canola biodiesel into the U.S.? The plants would likely be built in the U.S., as they are today. Right now, canola is going to one of the large biodiesel plants on the U.S. west coast.

I don't think there are many biodiesel issues having to do with border crossing. The issue is the difference in incentive programs.

Mr. Lloyd St. Amand: I'll defer to you.

Mr. Paul Steckle (Huron—Bruce, Lib.): I want to move to a series of questions, but I don't think I'm going to get them all in.

I see competing forces at work between the beef industry and the high-priced grain industry. I know where both of you are coming from. We can't continue to have low prices on the grain side, and we cannot afford to sell beef at the price we're selling it at today. We can't argue for open borders and then turn around and ask for tariffs. I know you would like to see some tariffs removed on some of the incoming product, but this is going to cause some other industry problems.

The canola industry is looking to the biodiesel industry to be a large user of their product. I'm wondering if the science that developed canola in the first place, the technology and seed stock, is being taken on by Americans. Are they going to start growing a lot of canola and undermine our industry, or bring the prices in line with what you see as fair and competitive? Have no other countries taken on this challenge?

I would also like someone to comment on the SRNs, which are now being required to be removed. This represents a cost to your industry, Mr. Toews. Is there not a payback for those SRNs, which can and should be used? I believe they will be used in the rendering process for the biodiesel industry. But is there not an offsetting mechanism that would reduce your costs and allow the biodiesel industry to pick up on that? We're still in the early goings, but surely there's been some thought given to this.

Please address whether other countries are competing for this canola market.

• (0935)

Ms. JoAnne Buth: As I mentioned, we export 75% of our canola. We actually work quite closely with the U.S. canola industry. When you look at demand for canola oil, you see it's increasing. We have quite an extensive promotion program trying to increase use of canola oil in the U.S. in the foods area, and that is expanding quite a bit.

We don't see the U.S. ever being a threat to canola production, partly because canola's grown in temperate areas, so North Dakota and Minnesota are the primary production areas—North Dakota primarily. There are also some opportunities for winter canola in the southern U.S., but I don't see that ever overtaking something like soybeans.

It will be interesting if we resolve the WTO issue and start to see declining domestic support in the U.S. Right now canola is discriminated against, so the acres in the U.S. are actually going to be down this year. That's another factor that comes into play in terms of domestic support for different crops in the U.S. So we don't see the U.S. as being an issue.

Canola's extensively produced in Europe. Obviously, it's being used there. In China they produce rapeseed, which doesn't have the same profile as canola, although they're moving towards that. If you

look at issues in China right now with the need for increased oil production for food use, we don't see that as being an issue either.

The Chair: Thank you. Your time has expired.

Monsieur Bellavance.

[*Translation*]

Mr. André Bellavance: I will speak in French.

Thank you for your testimony. Dr. Klein and Mr. Toews, you talked about the consequences of expansion of the biodiesel, biofuel and ethanol market in Canada and the domino effect this would have.

Let's assume that Canada decides to do nothing and not worry about setting up programs to have more renewable energy than today. Obviously our neighbour to the south, the United States, is moving full steam ahead on this and in any event it is right next door to us. Do you think that the consequences on rising grain prices for our livestock producers would be just as problematic?

We can decide to do nothing and say to ourselves that in any case we are stuck with it. We can also try to reduce our own dependence on oil, but maybe by adopting strategies and approaches that we could use at least to mitigate those harmful consequences.

Do you have any ideas or opinions about what I have said?

[*English*]

Dr. Kurt Klein: Thank you very much for the question.

Certainly I mentioned it in my comments, and I've written it in several papers as well, that from consequences from the United States a huge expansion in ethanol is what's driving the grain prices around the world. The U.S. policies and actions are having far more influence than anything we're doing here in Canada. In Canada new ethanol plants create a few local effects, but in fact we would have pretty much the same grain prices whether we had ethanol plants or not.

The U.S. is spending an awful lot for this policy, and they're going to continue to spend a lot. They've made that clear. They're in quite a different situation from what we are. They're mired in Middle East conflicts, and this is a big attraction for them to reduce their dependence on oil. Of course they're not going to be able to reduce their dependence on import oil to any significant extent. About 3% of their gasoline consumption comes from renewable sources. President Bush has the 20-in-10 plan in the 2007 state of the union message, which would require almost five times the level of ethanol production as there is today, but I don't believe they can reach that level. Even if they do, they'll only get to 15% of their gasoline consumption. Agriculture will be completely changed if they ever get to that level.

As for your question about whether Canada should do this or not, just because the United States is doing it, I think we have to ask ourselves why we are doing that. We are not dependent on foreign energy supplies. In fact we're large net exporters of most forms of energy, including oil, gas, coal, hydro power, and many forms of energy. This is going to be costly for Canada to do this policy. I believe it will make the effects more difficult for some of the value-added processing industries in Canada.

I think it's something Canada should have looked at more carefully before it went down this path. I think we don't have the same urgencies as some of the other countries, and I'm not sure whether we want to continue to bankroll it. This industry is going to become very expensive; I have no doubt about that. Because of the high price of corn and feedstocks, even the ethanol industry in the United States is becoming close to unprofitable now. Our construction costs are significantly higher than they are in the United States. We tend to build smaller plants that don't have the economies of scale. In fact in several provinces there are numerous programs to try to help farmers invest in very small plants. These are going to become very high-cost plants that are going to have all kinds of financial fallout and require continued government support as we go forward.

It's an expensive policy. We can do it, but I think we should have taken a better look at it first.

• (0940)

[Translation]

Mr. André Bellavance: Mr. Toews, I would like to hear what you have to say about this.

I might remind you of some things you have said. You have suggested that tariffs on imported biofuels be eliminated. Is that because you believe there would be fewer consequences for beef producers if we import our biofuels rather than making them ourselves? I want to be sure I understand you.

[English]

Mr. Travis Toews: Thank you for that question.

I would agree that in Canada the rise in grain prices has been largely due to the expanded growth of the U.S. biofuels industry. Our real concern is related to a year of shortage. We know that in North America we will experience drought conditions or years of shortage in major grain-growing areas from time to time.

Our concern is that if we have mandated demand and existing tariffs, as well, on imported product, in the event we experience a year of crop shortage in Canada, the cattle industry will be unable to compete with the biofuels industry for feedstuffs.

That's the rationale behind suggesting that we consider elimination of tariffs, particularly in a year when a crop shortage would exist and there's a shortage of feedstuffs.

[Translation]

Mr. André Bellavance: I am finding it somewhat difficult to understand why it is preferable to your mind for Canada to import its biofuels. I know you have explained, but I still don't understand. It is my impression that it is preferable to encourage our own renewable energy rather than importing it.

[English]

The Chair: Please keep your response very brief, Mr. Toews, because time has expired.

Mr. Travis Toews: In the event that we have a mandated demand in Canada and a crop shortage in Canada so there is not enough feedstuff for both the biofuels industry and the cattle industry, if we didn't have tariffs that prevented product from flowing into Canada the mandate could be met without putting extra stress on the supply of feed grains in Canada.

• (0945)

The Chair: Mr. Storseth, the floor is yours.

Mr. Brian Storseth (Westlock—St. Paul, CPC): Thank you very much, Mr. Chair.

I want to start out today by thanking each one of the witnesses for coming forward. I know it's a long flight from Alberta. I've experienced that a few times. And what better winter to see the minus 51 degree weather than out in Alberta right now.

I have several questions. Maybe I'll start with a comment to Mr. Toews.

Wouldn't you agree, especially in our area of northern Alberta and the Peace River country, where you're from, that one of the biggest inhibitors to increased planting of wheat and barley for many of our producers in a lot of cases is the Canadian Wheat Board, which they choose to stay away from?

Mr. Travis Toews: I wouldn't disagree with that comment.

Mr. Brian Storseth: Thank you.

Ms. Buth, I'd like to get some timeframes from you. How important do you feel it is that we move forward on this with an expedited process? Do you have any specific timeframes your industry would like to see?

Ms. JoAnne Buth: Right now the proposal is for 2% by 2012, and that's contingent upon the demonstration being completed for cold weather testing. We would prefer to see 2010.

We have plants that are ready to start building, and every day that things get delayed is an increased risk to those companies that are trying to build and the equity they're trying to get from the marketplace. So it creates more instability for them. It's becoming more and more difficult for them to look at when they're going to be able to start, the longer this is delayed.

Having a 2% mandate will obviously stabilize the market. There will be a market there.

Mr. Brian Storseth: That's two to four years away—2012, 2010. That's pretty aggressive. You're saying you would like to see this moved forward immediately?

Ms. JoAnne Buth: Moved to 2010, yes.

Mr. Brian Storseth: All right. Thank you very much.

Dr. Klein, I found your presentation tremendously interesting and somewhat surprising, coming from an Albertan.

You talk about rural development and improvement of farm income. I'd just like to explore this a bit with you to get a little bit better grasp on what you're talking about here. Your position is that the average plant in Alberta, for example, would have an increase of about 35 jobs, but that it would be a net loss in the community itself—or is it just a potential for a net loss?

Dr. Kurt Klein: No, I'm saying that the plants provide about 30 permanent jobs in the community. For example, the Lloydminster Husky plant provides 26 new jobs. But that's the gross number of new jobs.

I'm saying that the jobs in other related sectors in that region could well be decreased. For example, if it turns out that the cattle industry is impacted, which we are already certain will happen, the cattle industry might be decreased, in which case there'd be fewer jobs for hauling cattle, for processing cattle, and so on. So that has to be subtracted from the 26 jobs.

One community might gain, but other communities around may well lose. And in fact in a province like Alberta, or even Saskatchewan or Manitoba, you could actually get a net reduction in rural diversification and rural employment. You can see several new ethanol plants out there, but you don't see what's missing and what has been reduced.

Mr. Brian Storseth: But it seems to me—and I'm not an economist here, so far be it from me to disagree with you—that the example we have discovered in Alberta is exactly the opposite of that. When you have this kind of diversification into rural Alberta, as we've seen with the oil sands—and your argument is much the same as that of those who were opposed to the subsidization and the development to the oil sands 15 years ago—it seems to me that every time we add more industries into these communities, we end up with a spinoff of more jobs and higher wages and, yes, higher prices for farmland and other lands.

But from my perception, what I'm hearing from you is that you're talking about it in a vacuum. Given the example that we've seen within Alberta, especially rural Alberta, the entire economy.... In my area, communities like St. Paul and Glendon are communities where there wasn't a really viable industry, other than agriculture, for many years. The oil patch comes along, and all of a sudden the average income goes up. The spinoffs with the tradesmen, the plumbers, the electricians, and the journeymen go up. It seems to me that the average income and the average standard of living when you do this actually increase. Alberta is a prime example of that.

• (0950)

Dr. Kurt Klein: I agree. Certainly I think the oil industry is different. The studies I'm looking at are out of Iowa, where they have more ethanol plants than anywhere else. For rural development industries, in certain towns like Albert Lea, Minnesota, and so on, where there is an ethanol plant, there's been an increase in employment. But for the surrounding ones, it hasn't increased to the same extent as some of the proponents have been mentioning. There is an increase, but it's modest. For example, in Iowa the pig industry is starting to be reduced. We have not studied that in Canada, but we have studied it in Iowa. All I'm saying is that it's a modest improvement, if that.

Mr. Brian Storseth: Thank you, Dr. Klein.

I want to start off by saying that this committee and every member of this committee strongly wants to find the path forward for our cattle and our hog sectors, which are being devastated at this point in time. They're being devastated for several reasons. High feed prices are not the only reason, and I know you know that. You're not saying that they are.

When you talk about Iowa and you talk about politics and you talk about George Bush's foreign policy, the fact of the matter is the United States of America's largest net import of oil is from Canada. I tend to disagree with the Middle East thing a little bit.

Let's talk about Iowa, since you're talking about it right now. Talking politics, there isn't a politician—and you mentioned George Bush's plan to go forward in the state of the union message—who wants to win Iowa who would ever talk about taking away this industry from Iowa. It is something the people of Iowa and the people of the midwestern United States are very strongly protective of, because they see it as being hugely beneficial to their communities and to their economic benefit and their standard of living as a whole.

Obviously that's another side of this, and I think we should look into it a little bit more. But I think and I believe that if we act responsibly with this industry and we move forward with this, it could be a huge contributor to rural development in Canada, in places like Manitoba and Saskatchewan, where they haven't experienced the spinoffs and economic wealth that we have in Alberta.

I appreciate you coming out and having this conversation with us today.

The Chair: Thank you, Mr. Storseth. Time has expired.

Mr. Atamanenko is next. I appreciate that he is here. He is not feeling well, but he has made it in to soldier on, just as the rest of us have to after spending all night in the Commons in debate.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): When you're young, anything's possible.

I understand and I appreciate all of the discussion. I'm trying to grasp what's happening, and my understanding is that this industry has huge potential benefit for farmers. However, this is an environmental bill. We haven't talked a lot about the impact to the environment or actually to food of a potential acceleration of the biofuels industry in Canada, and I think we should.

We're here, we're the agriculture committee. We want to do the best for farmers, but at the same time we want to do what's right, not only for our country, but for the world. So I'd like to quote from a few articles and I'd just like your comments. Hopefully we'll have some time for that.

An article by H. Josef Hebert from the Associated Press in Washington states:

The widespread use of ethanol from corn could result in nearly twice the greenhouse gas emissions as the gasoline it would replace because of expected land-use changes, researchers concluded Thursday. The study challenges the rush to biofuels as a response to global warming.

So the question I think we have to ask ourselves is why are we doing this. If we're doing this to give farmers a better deal, then probably by and large and hopefully we can.... It's not that good for cattle and pork producers, but overall for the grain and oilseeds it's probably a good thing.

However, this study released Thursday by researchers affiliated with Princeton University and a number of institutions maintains that the previous analysis, which counted the carbon benefits for biofuels, did not count the whole land-use aspect. The study said that after taking into account expected worldwide land-use changes, corn-based ethanol, instead of reducing greenhouse gases by 20%, will increase it by 93% compared to using gasoline over a 30-year period. Biofuels from switchgrass, if they replace crop lands and other carbon-absorbing lands, would result in 50% more greenhouse emissions, the researchers concluded. That's one aspect studies are showing.

In the wake of new studies, a group of ten of the United States' most eminent ecologists and environmental biologists sent a letter to President Bush and the Speaker of the House, Nancy Pelosi, urging a reform of biofuel policies. And they said, I quote, "We write to call your attention to recent research indicating that many anticipated biofuels will actually exacerbate global warming".

Just as an aside here, I'm from the teaching profession, and in teaching we had all these waves. There was some innovative scheme, and people would introduce it. By the time they found out it was no good, it would be happening—and I'm thinking of the open-school situation—and all of sudden we'd be re-inventing the wheel.

So if the Americans are seeing that perhaps this thrust they're pushing for is not the panacea they said, should we then not be studying this some more and maybe slowing down our introduction?

Dr. Klein, could I have your comments?

• (0955)

Dr. Kurt Klein: Yes, there certainly are a number of negative environmental consequences from crop-based biofuels. There's no question about that. The higher prices are stimulating more use of fertilizers and chemicals of various kinds, they're bringing in marginal pasturelands and so on for corn production, and they're stimulating monoculture. There are a number of unfortunate environmental consequences. There is the cutting down of trees in Indonesia and Malaysia to plant more palm trees to get palm oil for the biodiesel industry. There is a huge number of negative environmental consequences.

Certainly the greenhouse gas savings on corn-based ethanol and wheat-based ethanol are rather small. Even with biodiesel, where the savings are much greater, in fact studies show that if greenhouse gas reduction is your real goal, there are way cheaper ways of reducing greenhouse gas than using crops and oilseeds to produce fuel for our automobiles.

Studies show that it costs between \$200 and \$1,200 per tonne of greenhouse gas reduction. So if greenhouse gas reduction is your real primary reason for doing this, yes, you can get a little, but it's extremely expensive. As an economist, I can find all kinds of cheaper ways for \$20 or \$30 a tonne rather than \$500 or \$1,200 a tonne.

So I think greenhouse gas reduction is not a good reason for doing this. I think that energy security is not a good reason for doing this. And even in the U.S., where they are much more aware of this, they will not achieve anywhere near energy security by doing this. They sometimes say it's a piece of the puzzle, but it's a very, very insignificant piece of the puzzle.

So I think the arguments have to rest on it as being a farm program, and I think it's very effective as a farm program. Certainly the National Corn Growers Association in the United States, along with the American Farm Bureau, are very powerful and have been instrumental in pushing this forward. In Canada we have the grains and oilseeds groups, of course, also lobbying on this.

But I think it's a farm program that's going to be very expensive for Canadian society. We'll gain some benefits, but I think that for the same benefits we could do it a lot more cheaply.

Mr. Alex Atamanenko: Is there any time for our other guest to comment, Mr. Chair?

Ms. JoAnne Buth: Thanks very much for that. This is something we've looked at closely, in terms of the environment. There's a lot of material out there and a lot of reports coming out that will use rapeseed production in Europe as the model for the impact on the environment.

I think we have to be really careful looking at those studies and realize that canola production in western Canada is different from rapeseed production in Europe. There's no doubt that we need full life-cycle analysis on all of these crops that are going into biofuels, but canola production in Canada doesn't use irrigation, there is less fertilizer used, and there is less chemical used. So when you look at a life-cycle analysis for Canadian canola, it comes out quite differently than the European models.

• (1000)

The Chair: A very quick response, Mr. Toews.

Mr. Travis Toews: I really don't feel qualified to comment on the environmental effects. I've seen results of studies that point in various directions.

Again, I'll just reiterate that our real concern is in a potential for a year of shortage in North America. We feel the cattle industry could lose significant infrastructure if the biofuels industry expands at a rate where the supply of feed grains cannot keep up.

The Chair: Thank you.

Mr. Easter. We're down to the five-minute rounds.

Hon. Wayne Easter: Thanks, Mr. Chair, and thanks, folks, for coming.

Dr. Klein, you said in your remarks that whether it's the policy in the U.S. or the policy in Canada, a big blow has been dealt to beef and hogs. I might mention to you that we did have an emergency debate in the House of Commons last night. I guess the tragic and sad commentary on it is that the government had an opportunity to respond and act and has failed to do so, has absolutely failed to do so as of yet. Having reviewed some of the remarks made last night in the debate, I can only say that I see the government's action basically as cruel and unusual punishment on the beef and hog industry.

It really doesn't matter whether it's a U.S. subsidy or a Canadian subsidy; here we are talking about subsidies at the WTO, but for some reason I've been sitting here thinking that a subsidy to an auxiliary industry that is also having the impact of pushing costs up is also having consequences for the farming industry.

That's what we're seeing with ethanol and biodiesel. We support the ethanol and biodiesel policies; however, if governments, either foreign or domestic, are causing unusual circumstances and negative impacts on an industry, I do think the government has a responsibility to act. So perhaps I can get you to comment on that.

Second, at the political level, I think at the national level, we tend to combine the two, ethanol and biodiesel. There are pros and cons to both. I personally think our greatest opportunity is in biodiesel, but is it a problem? There's no question, if you look at Minnesota, that the ethanol industry has really positively impacted on rural development thus far.

What are your thoughts on this? Instead of combining the two, maybe we should be emphasizing one more than the other.

My view with regard to the canola industry—and I could be wrong on this—is that our going into biodiesel production with canola could in fact increase the source of feed supply for the livestock and hog industry because there will be more bio-product than would otherwise be the case. Now, I don't know if that's right or wrong, but I see Dr. Klein shaking his head.

Give me your thoughts on those comments.

Ms. JoAnne Buth: We only comment on biodiesel. I think the ethanol and biodiesel issue is something you have to lead, to some extent, along with the universities, etc.

There is a lot of negative information out there on biofuels. We agree that you need to look at the feedstock separately. That's why we're so keen on canola biodiesel, because we see the opportunities there. We don't see a tremendous impact on land use. We see an increase in rotations, yes, but there are also increased opportunities for increased yield. So we don't see a lot of the negative impact there.

You made a comment about canola meal being a potential. There are issues with canola meal. It can be in a ration for dairy, for poultry, and for beef, but there are downsides to it in terms of the energy level of canola meal. We have a program looking at trying to increase energy levels in canola meal so that we can increase inclusion in the diets for different species of animals.

So there is some opportunity there, but I wouldn't say it's a replacement for the feed grains, especially for the animal industry.

●(1005)

The Chair: Dr. Klein, there's a bit of time left.

Dr. Kurt Klein: There are a number of issues there, Mr. Easter. Thank you for the comment.

What we find in our studies is that the biodiesel industry, of course, is much more expensive to establish than the corn-based ethanol, and the cellulosic ethanol is even more expensive. In the economic models we've been working on, along with colleagues at other universities in the midwest United States, biodiesel and cellulosic-derived ethanol never come into the optimal solutions. You can make them come in, but by pouring in a lot more money. They just don't come in. Of course the reason is that soybean oil and canola oil just become very expensive. When you just take a little bit off the market, it becomes very expensive and becomes very expensive to run a plant on that basis.

As for the feeds, there is distiller's dried grain, which is a byproduct of the corn-based and wheat-based ethanol. The products that come from wheat and from corn are two different products. But there are a number of nutritional issues involved with that. I don't care to go through that here today, and certainly I'm not a nutritionist, but I've spoken with many, and the fact of the matter is that a lot of the DDGs, the distiller's dried grains, that are being produced in the United States today are being used for fuel to power the ethanol plants, because it's cheaper than natural gas, or simply dumped into landfills. It's not being used for feed because of a lot of the feeding problems that are associated with it.

They anticipate in the future that some of these problems will be worked out, but it's certainly not a panacea. It's a high-protein feed, but it's not the kind of feed that is really required for much of livestock. It's not used for monogastrics; and for beef, we need the energy, we don't need the protein, generally.

The Chair: Thank you, Dr. Klein.

Mrs. Skelton, the floor is yours.

Hon. Carol Skelton: Thank you very much.

Ms. Buth, I would like to ask you a question. In Dr. Klein's presentation, he talked about biodiesel or bioethanol not helping rural economies that much. In your presentation—and please correct me if I'm wrong—you said \$1 going in gives \$2 back to the rural economy. Can you explain that further and from your point of view?

Ms. JoAnne Buth: The \$1 to \$2 is the resulting activity that centres around building biodiesel plants and crushing plants. So there's an increase in jobs in terms of the build, and yes, that's for an 18- to 24-month period, but there is ongoing employment in terms of crush plants and also biodiesel plants.

It's different from wheat, where you actually have to increase your crush capacity. There are jobs, and there are the resulting ongoing services that are required for a crush plant and also a biodiesel plant. So that's part of it.

We did an economic analysis that looked at the impact just to do the construction, and then the impact further along. There's no doubt that there is a reduction in that after the plant is built, but there is ongoing economic activity after the plant is built in terms of jobs, in terms of inputs, and in terms of crop production.

Hon. Carol Skelton: Well, I know it's a wonderful cooking oil.

Mr. Toews, in terms of Pound-Maker, in Lanigan, Saskatchewan, when you toured the country with your committee, can you explain to the committee here how Pound-Maker works its feedlot, its farm, and its ethanol plant all together and what it does with the bioproducts and everything?

•(1010)

Mr. Travis Toews: Okay, I'll do my best to explain it.

Pound-Maker is a combination ethanol producer and feedlot. In the feedlot, they do feed the byproduct, which is distiller's grain, as a part of their ration in the industry. As Dr. Klein suggested, distiller's grain is a feedstuff that can be used by the livestock sectors. The reality, though, is that there is a three-to-one loss for product fed into the process versus product that results from the process.

There will be some regional opportunities for the livestock sector where it's likely, perhaps, a plant may be built. Overall, from a total industry perspective, though, we are looking at a net loss to the feed supply, and certainly a significant competitor to that feed supply as well.

Hon. Carol Skelton: It kind of concerns me in some ways, Dr. Klein. Do you advocate a cheap food policy?

Dr. Kurt Klein: A cheap food policy?

Hon. Carol Skelton: Yes.

Dr. Kurt Klein: Well, I'm not advocating anything. I look at myself as doing what I can for the agriculture industry. I'm an agriculturalist. I'm a farmer. I still have my farm in Saskatchewan. I was a practising farmer before I went back to university. I look at myself as having no vested interest except to try to help position the Canadian agricultural industry to be as competitive as it can be.

Yes, as a citizen of the world, I am concerned about food costs. I see, now, rapidly escalating food prices in some areas of the world. I see the problem in Mexico, where they don't even produce any ethanol to speak of, and the price of tortillas has jumped four times within a month, and they've had to put caps on. I see the prices in China. I just got back from China last month, and there the price of pork has gone up by 55% and the price of cooking oil by 35%.

This is going to happen to all the people around the world, and it will affect mostly the people with the lowest incomes, including the people with the lowest incomes here in Canada. If anything interferes with that, I think there should be a good reason for it. I don't see a good reason here for this. I don't think it's going to help us.

It will help the owners of farmland. If you have a farm, like I have, yes, farmland is going to be worth a lot more, just like houses in Calgary and Saskatoon are. But it's not helping the industry, I don't believe.

The Chair: Thank you, Mrs. Skelton.

It's the Bloc's turn. We'll go to Monsieur Bellavance.

[*Translation*]

Mr. André Bellavance: Thank you.

Dr. Klein, you talked a lot about jobs. You say that the agricultural energy system would not create a lot of jobs. This week, the Commission sur l'avenir de l'agriculture et de l'agroalimentaire québécois submitted its report. You may not have read it yet, but I can quote some of its contents relating to biofuel development.

It is estimated that the ethanol industry in the United States generated revenue of \$41.1 billion and created 160,000 jobs in 2006. In the European Union, it is estimated that for each percentage point by which oil is replaced with biofuel, 45,000 to 75,000 jobs were created, 50% of which were in agriculture.

Are you familiar with these figures? Do you think this would be possible? Why do you think it would not be to Canada's advantage to develop the biofuel system, if only for the job creation aspect? I understand that there are other aspects to this. Not a lot gets said about them. You get credit for telling us about them this morning. So I would like to hear what you have to say about this.

[*English*]

Dr. Kurt Klein: Yes, thank you.

I'm not aware exactly of those studies, but I've seen many studies like those, and I think you must be wary. I do not deny that there are jobs created. All I'm saying is that the proponents often have exaggerated, I think, the number of jobs that come with this. Detailed studies by well-respected economists have shown, generally, that there are a limited number of jobs and a limited number of spinoff benefits.

The big spinoff benefit is during the construction phase. But after it gets going, it's very limited. Certainly there still can be more, but then you have to go back and ask, at what price? The creation of these jobs has been extremely expensive in Germany, for example, and also in the United States. Detailed economic studies show that it's very expensive to create these kinds of jobs, and the number of extra jobs is somewhat limited. But there can be, and if you spend more, you can get even more.

•(1015)

[Translation]

Mr. André Bellavance: I am finding it a little difficult to understand your logic. You say that in any event, we are an oil exporter. You know, however, that oil is not a renewable energy source. Sometimes there are situations in which we think that previous governments should have taken action and done something a few years ago to avoid the situation we now find ourselves in.

Because oil is not a renewable energy source, we are going to have to consider alternatives at some point. We have to recognize that there are numerous countries that already have a head start on us in terms of renewable energy, including Europe, Brazil and the United States. I think that reducing our dependence on oil is beneficial not only for the economy but also for the environment.

In my opinion, if we do nothing, we will one day be dependent on the world market situation and what is happening at that point. As well, we may no longer have those resources. We have to think about developing them now, and obviously choose the right ones. What I understand from the commission's report, and it is being talked about a lot in Quebec, at least, is that what has to be done is to emphasize developing renewable energy like biomass — agricultural and forestry residues. That may also interest Mr. Toews. There is also a lot of discussion of slaughterhouse residues. I understand that our livestock producers' main purpose is to produce food, but there may be a market there that would be worthwhile for them.

[English]

Dr. Kurt Klein: Yes, I completely agree with that.

There are many opportunities for getting renewable fuels. I don't believe using food stocks that are for human and animal feed is the best way. Yes, we can get some fuel that way, but for the amount of corn that it takes to feed one person a 2,000-calorie-per-day diet for a whole year, you only get enough fuel from that to fill up your tank one time, and we burn it. That's food for people or for animals.

We can get a lot of renewable energy if we use forest stock, if we use grasses, if we use landfill waste. We don't have a big lobby group to generate interest and support for that policy. It will take a lot of money to that and we, as Canadian citizens, may well vote to do that—I would—and not touch our food and feed supply. We can use forest scraps, grasslands that are not being used for livestock feed, landfill, slaughterhouse remnants. All of those sorts of things—the food waste, the organic waste—generate biogas, which can be used for electricity. They're doing that all over Germany, Austria, and places in Europe.

I led a group of Canadians to look at many biogas plants in Bavaria and Austria two years ago. I think that's a good possibility, because it doesn't use food products, but it's expensive. And if we do that, it will cost.

The Chair: Thank you, Mr. Bellavance. Time has expired.

I ask that all responses are kept fairly brief, because we are in five-minute rounds here.

Mr. Miller.

Mr. Larry Miller: Thank you, Mr. Chairman, and thanks to the witnesses for coming here today.

There have been a lot of good comments, some interesting. Mr. Klein, to say it straight up, a lot of your comments are pretty negative. It's a good thing that I'm an upbeat kind of guy, or I'd be pretty depressed by now.

Nothing is ever perfect. There's always a negative side. If you want to dwell on that, I guess you can choose to. But right now, with the environment, and what have you, there are societal pressures out there. This is something they want to see. Governments have a tendency to listen to the electorate.

What I'm saying is that it's here to stay. Grain prices go in cycles—they go through hills and valleys. I believe they were starting to rebound, but this has no doubt had an impact on the high grain prices.

It's good to see that they're profitable now after five or six years. This has had some effect on the other sectors, which we recognize. But no sector of agriculture out there—and I think this is an honest statement—wants to be profitable at another sector's expense.

I suggest that we look for ways to address the profitability in all the other sectors. What research have you done, Mr. Klein, to move toward that? You talk about poor use of canola—I'm going to use canola as an example—and claim that there are better uses. Could you suggest another use for canola that would get the same profit? I'm using canola because Ms. Butth is here representing them. What kind of research have you done? Do you have any suggestions?

•(1020)

Dr. Kurt Klein: I don't want to leave the impression that I'm completely negative on this. I'm trying to show what the impacts are going to be. I'm only a voter. I try to be as objective as I can in my research, and I think I'm correct about the impacts.

I have not done research on canola. I don't know what the answer is. I observe what's going on in the livestock industry now. By the way, I'm not beholden to the livestock industry. But I have noticed the economic vigour in rural areas as the livestock sector started to move back into western Canada after the removal of the WGTA, or maybe a little earlier.

At the end of the 1980s, Canada was almost self-sufficient in beef production. We were small net exporters in some years and small net importers in other years. By the time of the BSE crisis, we were 40% net exporting.

The pig sector has grown rapidly also. This has generated all kinds of economic activity throughout the rural prairie provinces. I think it's in some jeopardy now.

Mr. Larry Miller: Are you suggesting that we shouldn't be exporting our products?

Dr. Kurt Klein: No, I'm not suggesting that at all.

Mr. Larry Miller: Okay, but you're getting away from my question.

Dr. Kurt Klein: I'm suggesting that we shouldn't interfere too much in the economy. In my career—and almost all of my economist friends will agree with this—nothing this big has ever happened in agriculture. This is going to produce a fundamental change in agriculture.

Mr. Larry Miller: You really didn't answer my question.

I'm going to go on to Mr. Toews. It's good to see you here again, Travis. What can we do to help out, to increase profitability? Even though we're talking about Bill C-33, there must be a connection to your industry, or you wouldn't be here.

What kinds of things can we look at here? With respect to SRMs, for example, is there any research that would generate some gold at the end of a rainbow, a huge profit? That's one example. Maybe you could comment on some other ways to make it profitable.

Mr. Travis Toews: Thanks for that question.

I'll maybe just put forward three quick suggestions.

One, of course, is that we like to operate on a level playing field, firstly. I think that's why I am here today.

Secondly, there is some opportunity, I think, in the longer term with SRM disposal and for some actual value creation. We are now faced with extra regulatory costs and burdens with the enhanced feed ban. We are bearing the burden of disposal costs, which we have asked for some assistance on for the industry in the short term to help offset those regulatory costs. So that is one action that would help us directly, if the Government of Canada acted on that recommendation, which we have put forward in the past and continue to put forward.

Thirdly, as feed grain users, we need our feed grains industry in Canada to be as competitive as possible. There are regulatory barriers to the new variety approval process that need to be addressed, particularly the issue of KVD—which I actually commend this government on for moving quickly—but also the plant novel trait issue. We need to ensure that the Canadian grains industry has access to the best and most expeditious technology and biotechnology that it can....

• (1025)

The Chair: Thank you. Your time has expired.

Mr. Boshcoff, the floor is yours.

Mr. Ken Boshcoff (Thunder Bay—Rainy River, Lib.): Thank you very much.

I'm just wondering, in terms of Canada's production of grain, we probably are in the range of 50-plus million tonnes. Is that pretty accurate in terms of the numbers? So if we have a mandate of 10% for ethanol, and we have that much capacity, how would that either force prices or be so competitive that we couldn't supply the industry, if that comes to eight or nine million tonnes for that particular product?

The second part of that question—and I know that the canola people would rather it be canola—is that in my tours of my regional agricultural research stations and from having demonstrations of things like switchgrass, and given the interest they have in

northwestern Ontario for other biofuels, such as what they call wood waste.... And I hate to use the word "waste", but we know that in Canada, regrettably, we burn and slash it, and other forms of things. So I'm just questioning the capacity issue. It seems to me that the industry has been very clear about not being able to impact. So the debate today seems to be that we're either going to be forcing the cattle and pork industry, or it will be priced at a level that will actually make it reasonable in terms of those questions.

If maybe all of you take a quick slam at that one, it will probably run out our clock.

Ms. JoAnne Buth: Just on the biodiesel side of things, when you take a look at something for producing oil, the research that is going on right now is for things like algae, which would produce oil. Any of the other waste products are really a stream for cellulosic ethanol. So on the biodiesel side, what is likely to happen is that it will go from biodiesel to a hydro-treated product, which will still use oil; and then the research will come along in terms of perhaps other feedstocks on the biodiesel side.

You mentioned grains and oilseeds and the amount that is being used right now. It's a small amount of our total canola crop, obviously. Our focus is on premium markets. We're not a food crop that frequently goes into lower-priced markets. We're a premium product because of the healthy profile that we have, so we're always looking for opportunities for premium markets and for utilization at home, in addition to the exports we have.

Dr. Kurt Klein: We live in a market society and a market economy, and the markets will clear. No matter how much wheat or corn or canola is taken out of the market to produce biofuels, the price will adjust upwards and somebody will buy it. It will just become more and more expensive as more is taken out.

What we must realize, and what Mr. Toews mentioned earlier, is that the worldwide supply and demand for cereals has been going down. Six years out of the last seven, production has been less than consumption. So we are now at a point less than 60 days, less than 57 days, of worldwide consumption in stock across the world. It's the first time since the early 1970s, when we had the great Russian grain robbery, that this has happened. This is why grain prices have spiked.

Now, of course, all the uses of grain are taken out, but the big new one is particularly ethanol in the United States, but also the ethanol and biodiesel in other countries. When we get such a short situation, just a small crop failure or even a reduction in crop yields almost anywhere in the world is going to have the same impact. It doesn't matter where. This is a worldwide market, and all of our producers are going to be affected by that.

I agree that Canada's impact here is going to be rather minor—we don't have that big a production—but certainly in specific local areas it could be important.

●(1030)

Mr. Travis Toews: I would agree with that concern. Again, our concern is really in the year of shortage. With a 5% renewable fuel standard, under normal reasonable growing conditions in North America, the Canadian mandate could be fulfilled, but there is concern for a year of drought, for a year of shortage, in any of the major grain-growing areas of the world, but particularly in one of the areas within North America's jurisdiction.

At this point in time, we feel the livestock industry could be devastated, and in fact the grains industry could see one of the major customers of their product lose significant infrastructure in a very short period of time, which I would suggest would not be advantageous to that industry in the long term.

The Chair: Thank you. Time has expired.

Mr. Lauzon.

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

Mr. Toews, I listened with interest when you mentioned that the elimination of KVD would certainly help the situation for new crops. The Wheat Board is on record as resisting this. If you have any contacts at the Wheat Board, I wonder whether you have any influence to be able to convince them of your approach. We've been trying for some time. It doesn't seem to be getting through.

Hon. Wayne Easter: Mr. Chair, on a point of order, would the parliamentary secretary outline all the others that are opposed to this, as well, including the grain industry, which is worried about our export position, in that a decision would be made without any impact analysis on August 1, 2008, when they're saying August 1, 2010?

Mr. Brian Storseth: That's not a point of order, Mr. Chair.

The Chair: It's an issue of debate.

Mr. Lauzon.

Mr. Guy Lauzon: Ms. Buth, just very quickly, because I have a few other comments, you mentioned that for a 2% biodiesel inclusion rate, the amount of canola needed would be 1.3 million tonnes. Could you explain how you arrived at that figure?

Ms. JoAnne Buth: A 2% inclusion rate would mean that the amount of biodiesel needed would be 600 million litres. If you figure out the amount of oil in canola that's required to make biodiesel, it's 385 litres per tonne, so it works out to 1.3 million tonnes. That's assuming that we would take all of the 2%, and obviously we wouldn't take all of the 2%. If we took 70%, it would be 1 million tonnes.

Mr. Guy Lauzon: Thank you very much.

Dr. Klein, with all due respect, like Mr. Miller, I don't necessarily agree with your pessimism. All of us around the table here—most of us represent rural areas—I think as members of Parliament do our damndest to try to create economic growth in our rural areas. Most of the witnesses we've had, many of the people I've spoken with, say just the opposite of what you're thinking—this is an economic generator; this is going to create quite a bit of wealth and quite a bit of growth in our rural areas. We've had witnesses sit right where you are and explain that.

Most economists will say if you can create one job, usually there's a spinoff, and I think it's three or four additional jobs that result from that. You seem to be so negative about this. I just can't understand. You say you're a farmer from rural Saskatchewan, I believe. Isn't this so needed in the very area you come from? Most people are saying this could be our salvation.

●(1035)

Dr. Kurt Klein: I've seen many economic studies that have been done on this, and it's from them that I'm taking my information. Yes, if I could get it organized so that there would be an ethanol plant right in Canwood, Saskatchewan, I think the people of Canwood would be very happy, because there would be jobs there. But what I'm saying is that the overall effects of this will probably be to reduce industry in some other rural sectors. You cannot just take the gross gain in employment from a single plant.

Mr. Guy Lauzon: Surely the solution is not to set up the plants in Iowa or across the border. Is that what you're suggesting? That seems to be your solution.

Dr. Kurt Klein: No, that's not what I'm suggesting. I'm saying that the proponents of the biofuels industry have, I think, to some extent exaggerated the level of economic activity that will be taking place. If you listen to Mr. Toews and others from the cattle industry or from the pig industry, particularly in Manitoba, you will hear a lot of worries about this; that in fact employment might go down in their sectors as a result of this.

That's all I'm saying: that we have to be careful with these. I've seen a lot of quotations that show a large number of jobs, but when you examine those carefully in economic studies, they're generally much fewer than what had been suggested.

Mr. Guy Lauzon: I'll read a quote here for both Mr. Toews and you, Dr. Klein, from a couple of people in the very business you're in, Mr. Toews.

Kevin Hursh, who is a consulting agrologist and farmer, said:

Even though Canadian ethanol will make little if any difference to world price levels, the George Morris Centre notes it will keep Canadian feed grain prices relatively high as compared to U.S. prices.

What do we have against grains and oilseeds people making a living?

Clare Schlegel said:

We are not complaining about the increase in grain prices.... What we had seen before was unsustainable and our grain farmers were not going to survive.

Mr. Toews, you need grain to survive. We have to keep the grains and oilseeds people in business. This is another opportunity for them. What's the matter with giving them an option?

Mr. Travis Toews: I'd like to be clear. We're not opposed to the biofuels industry. We are concerned when we have a competitor for feed grains with whom we compete on an unlevel playing field. Our suggestion is, let's see this biofuels industry created based on market fundamentals, which will ensure that growth is at a more manageable pace, that feed grains supply increases will be able to keep up with demand, and that at the end of the day we don't replace one value-added industry with another, the latter being created in large part on government policy. There we may find ourselves in a difficult position.

The Chair: Thank you. Time has expired.

I want to jump in here briefly. I'm a Manitoba cattle producer, as Mr. Toews knows, and I know, Dr. Klein, that you're a good teacher. I have one of your students working for me, and she's fantastic; I can tell you that.

You talk about a level playing field. I lived through all the Alberta subsidies, buying up the packing industry and the cattle business, moving all the feedlots over into southern Saskatchewan—

A voice: That's socialism.

The Chair: It definitely wasn't a level playing field. I'm sure the Alberta government would say that sometimes you need those incentives to start off a business, and that's essentially what Bill C-33 is about. It's about providing short-term incentives to start off an industry.

Dr. Klein, you're right down on feedlot alley, and Travis and I benefit from those feedlot guys getting all those dollars to start off their businesses, the packing plants intended to start there. They buy our calves and put us in a better fiscal position, because they can be more aggressive in the marketplace than the poorer feedlot operators in other parts of the country.

Do you believe government incentives to start off those types of businesses that are so close to your area are wrong?

Dr. Kurt Klein: Generally, I don't like to see passing the hat among the taxpayers to help out any particular sector, if they can't make it on their own. However, I'm not against giving some kind of help to get started.

I guess what I would like to have seen is this kind of assistance given to the development of the biofuels industry, but without a mandate, because it forces this becoming the first use of that feed. The feed has to go for that, because Shell Canada and all the other oil companies must have this 5%; that comes first.

If they were just producing ethanol because the Canadian consumers wanted it and there was a market for it at the price at which they could produce it, and we were to give them a little help to get started, I have nothing against that. But this could become a continuing source of subsidy and certainly a distortion in the economy, when there's this mandate.

• (1040)

The Chair: Mr. Toews, do you have any comments? You talk about the level playing field, and I know you didn't benefit from all the irrigation development that happened in southern Alberta. It didn't happen in Peace River, so I know you kind of feel there wasn't a level playing field within the province of Alberta.

Mr. Travis Toews: There's no doubt there have been incentives in the beef industry in Alberta at various times. I'm not going to be an apologist for the Government of Alberta on that issue. However, our first policy point is that we recommend that the biofuels industry transition to market-based fundamentals. We recognize that this government would like to help kick-start the biofuels industry in Canada. Our recommendation is that, as quickly as possible and on a transparent timeline, that sector be adjusted over, moved over, to be based on market fundamentals.

The Chair: I'm glad to see, Dr. Klein, that you mentioned the Manitoba hog industry. There is an industry that was developed based upon market fundamentals. Manitoba is one of the cheapest areas in which to produce livestock. That's why we've seen such an increase in the industry there, although there are moratoriums and stuff in place now because of the province of Manitoba.

I never entered politics to advocate a cheap food policy. I want to make sure that all farmers can get a return from the marketplace. I do take exception to some of the comments that were made about wanting to keep food prices down. We have to remember that what's happening here in the grain industry—and I think it's been unfairly laid on the shoulders of the biofuels industry—is that we had some very difficult growing conditions around the world this past year. There were grain shortages across Europe because of bad harvest conditions. There was drought in South America. There have been tough growing years for a few years now in Australia. That's creating the shortage that we have and driving up these prices. It's not the biofuels industry that's going to be driving market prices and forcing grassland out of production to put it into grain production for the biofuel industry. It's going to be converted over because there's such a high value in crop prices, and farmers are always going to respond to the marketplace. I think that is fundamental. I'm just going to leave it at that.

Mr. Atamanenko, do you want to follow up with some supplementary questions?

Mr. Alex Atamanenko: Chair, how much time do I have—ten minutes?

The Chair: I'll give you five minutes, because Mr. Easter wants back in here as well.

Mr. Alex Atamanenko: Thank you.

I just want to make a comment on food. I talked about the environment. There's an article called "The Looming Food Crisis", by John Vidal, in *The Guardian*, August 29, 2007. He starts off by saying:

Land that was once used to grow food is increasingly being turned over to biofuels. This may help us to fight global warming—but it is driving up food prices throughout the world and making life increasingly hard in developing countries. Add in water shortages, natural disasters and an ever-rising population, and what you have is a recipe for disaster.

Then he goes on to talk about the United States. He says that this is “bringing new money to rural America”, and we see that, but it's “also helping to push up the price of bread in Manchester, tortillas in Mexico City and beer in Madrid. As a direct result of what is happening in places like Nebraska, Kansas, Indiana and Oklahoma, food aid for the poorest people in southern Africa, pork in China and beef in Britain are all more expensive”.

He goes on to say that the Americans “are patriotically turning the corn belt of America from the bread basket of the world into an enormous fuel tank”. He goes on to talk about corn that used to go to cattle feed and food aid now going to ethanol, and the fact that this will have a devastating effect on developing countries.

We tend to be kind of insular. We look at what's happening here, and we look at the prices our farmers are getting, and we say that it's good and that we're much better off. But in a sense, is what we're doing, then, changing what's happening in the world?

Later on we see that the UN World Food Programme predicts that the demand for biofuels will grow by 170% in the next three years, so food prices are going to rise between 20% and 50%. For us, maybe we can handle that, but for a developing country and poor people, this is devastating, and we've seen that in Mexico.

I'm wondering whether we are going in the right direction with regard to what is happening in the world. That's the first question.

I have three specific questions, then I'll stop.

Mr. Toews, you mentioned biotech. Do you foresee that the accelerated push for biofuels will increase the pressure to get GM wheat? That's a question for you.

Ms. Buth, Manitoba, in its policy, has a 10% limit on crops that are going to be used for ethanol. That's the policy. They've decided to limit it. Should we be setting a limit for canola in Canada, or in other words, designating just 10% of our arable land for biofuels and the rest for food?

Dr. Klein, you said that fundamentally, this could change the face of agriculture. I'd like to know how. And if that's the case, should we be adopting this?

I'll start with Mr. Toews.

• (1045)

Mr. Travis Toews: Okay, the answer's yes. I expect that the emergence of the biofuels industry and its quick increase is going to accelerate calls for GM wheat.

Ms. JoAnne Buth: The question was whether we should have a limit in terms of canola that goes into biofuels. Well, the 2% will be the limit. If there's a 2% mandate, that's essentially what will go in. One of the reasons we need a mandate is that this won't happen without it. The petroleum industry, yes, is interested in it to some extent, but unless there is a mandate, it won't happen.

I think the 2% will be fine. As I indicated, as of last year it would be 14% of the crop. We see the crop increasing in size, so in the long term, I would say that we're looking at maybe 10% of the crop for canola.

Dr. Kurt Klein: Yes, I worry that this could change the fundamental nature of agriculture production in Canada and in the United States and around the world, really. It will go from being for food and feed production to being for more biofuel production.

I think it's certainly going to exasperate the differences in incomes in agriculture. Those who own farmland will gain significantly from this. Those who are renters, tenants, or labourers—the labour resource—will get very little out of this.

There is likely to be a big impact on the livestock sector. As I mentioned in my comments, I'm quite worried about the pig industry in Manitoba and whether we can even retain that. Across the prairies, really, we're seeing a lot of pressure on it now and on the cattle industry across the west, but particularly in southern Alberta. I don't know. We have not done studies on this. We don't know what's going to happen, but I fear that it could have lasting impacts on that sector as well.

The Chair: Thank you. Your time has expired.

Mr. Easter.

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

As to the remarks made earlier by Mr. Miller and Parliamentary Secretary Lauzon to you, Dr. Klein, I wouldn't feel bad about trying to show what the impacts are. This is a government that has always defined reality as pessimism, and that's how they attack you. It's your right to lay out the impacts, because in fact this government never wants to hear about the reality. We've seen that in the Canadian Wheat Board and in many other areas.

I'd say this to you: you're luckier working for a university, because if you were working for the government, when you stepped out that door you would have a gag order placed on you, because that's how far this government will go in terms of shutting you up from talking about reality. I'm hoping your remarks will maybe shock them into governing with some balance.

My question really relates to the energy sector, and I do recognize your concerns. As I said earlier, we do support ethanol and biodiesel, but I do think we have to look at it in a broader picture, and I'd like your comment on this. The energy security makes a whole lot of sense from the U.S. point of view, really from tri-national Mexico, U.S., and Canada. We tend to have a policy where we export our oil and natural gas to the United States in such a fashion that we give them cheap Canadian supply in real terms so that their industrial plant can compete against us using cheap Canadian energy.

Now, with the addition of biofuels, they are certainly looking at it from the standpoint that if they can be into biofuels and our fossil fuels, then it will give the Americans some energy security so they don't have to worry about the 80% of the world where they get energy supplies that are hostile to them or direct enemies. We don't seem to be looking at it with a broad-brush vision.

I'm wondering about the impact of this policy on hogs and beef. You've said that you've been to Germany, you've seen their biomass policies over there, and it's absolutely tremendous. Are there other ways we could be going in terms of supplemental policy on energy that would actually benefit the hog and beef sector?

We said earlier that there needs to be research and development into the byproducts of ethanol and biodiesel that would benefit the beef and hog sector, but are there other areas the government should be pursuing that it's not?

Talk reality. They may not want the facts, but we do.

• (1050)

Dr. Kurt Klein: Of course there are many ways you can do this. I've been a promoter of the biogas, for example, that's generated from manure and other organic waste that can produce electricity, but of course it's very uneconomic to do at the present time. The reason they can do it in Germany, Austria, and some of those countries is because they have a law that requires electricity distribution companies to pay a very high price for electricity that is generated by biogas, in the order of 0.25 euros per kilowatt-hour.

If we have a plant in Alberta, they're getting only 6¢ or 7¢ Canadian for a kilowatt-hour. If we had a policy that paid them to do this, I think you would see an awful lot more, and you could get the feedlots and so on that could generate their own electricity from their own manure waste. But it would be very expensive. We can do this; it's technically feasible, but it's very expensive, and I don't sense that there's any lobby group to try to push this kind of a policy on the government.

I think it would certainly be a lot more environmentally friendly than a biofuels policy based on the use of cereal grains and oilseeds, and I think it would certainly not have the impact of taking food grains out of the food chain. I think there would be a number of advantages for it, but it's very expensive.

The Chair: You only have 20 seconds. No? Okay.

Mr. Storseth, the time is yours.

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

I'm going to do my best to restrain from refuting Mr. Easter's old and tired argument.

You talk about renters and labourers being two groups that aren't going to benefit from this, but the renters who are renting more land and planting more canola are going to benefit from higher farm-gate prices, are they not? How is it that they're not?

Dr. Kurt Klein: It's because the rental values go up. This and other aspects have been well studied, and already you're seeing cash rents almost double from last year.

Mr. Brian Storseth: I don't mean to cut you off, but we have to be short due to time.

Are you talking about Iowa studies again?

Dr. Kurt Klein: No, it's around the world. The structure of the crop sector in Canada is what we call perfect competition. This will always happen. The price of land will come up to the capitalized value of these benefits. If you don't own land yourself, you've got to pay for the use of that land.

• (1055)

Mr. Brian Storseth: I have two points.

First, I am a renter of farmland, and I can tell you that in the province of Alberta, where farmland has significantly increased, the cost of renting hasn't gone up in the same proportion.

The other point is that many of our producers are mixed farmers, are they not? Many of our cattle guys farm canola and wheat. Have you looked at finding the balance between the two, and how it's going to offset that as well, Dr. Klein?

Dr. Kurt Klein: There are all kinds of mixed farms, but I'm saying if you separate the residual claimants to land, labour, and capital, the labour resource doesn't get anything in the end. In the beef sector, the feedlots and the backgrounders will eventually adjust, and there will be a beef industry. It will be a reduced beef industry, no doubt, but the cow-calf producers will be the ones at the end of the chain who will suffer most of the losses. Similarly, the pig producers who have the sow and weanling operations will suffer most of the losses.

Mr. Guy Lauzon: Point of order, Mr. Chair.

I would like to make a motion that we return this bill to the House without amendment. I'd like to call the vote on it, please.

[*Translation*]

Mr. André Bellavance: Mr. Chair, I would like the parliamentary secretary to repeat what he just said, please.

[*English*]

The Chair: Go ahead with your motion.

Mr. Guy Lauzon: I would like to return this bill to the House without amendments.

The Chair: That Bill C-33 return to the House.

Mr. Guy Lauzon: We've heard from industry now. All we get are objections and obstruction. I think the industry wants it, our farmers need it, and I suggest we put it back to the House, where it belongs, as soon as possible. I'd like to call the vote.

The Chair: As per the standing order, this is a non-debatable motion. Am I correct in that?

On a point of order, Mr. Bellavance.

[*Translation*]

Mr. André Bellavance: If we can't stick to the issue, I am at least going to raise a point of order. I find it absolutely appalling that two minutes before the end of the meeting this kind of thing is being said and what has been done is being criticized. The committee has worked hard on this bill, and everything has gone well and the work has progressed very quickly. We had agreed to hold an additional meeting so we could move faster.

No one has been obstructionist. I don't know where this is coming from, but I disagree completely with this approach, if I am not told in advance or if no one talks to me about the reasons why this is being presented.

[*English*]

Mr. Brian Storseth: This is a dilatory motion that is not debatable. Therefore, I would request a recorded vote, please.

The Chair: Just so the committee knows, Mr. Lussier has subbed in, in time for this vote. He has followed the rules.

We'll have a recorded vote.

Hon. Wayne Easter: I've never seen such a play in my life. In this place, it may be hard to get it through Parliament. If you're going to deny these guys as witnesses, this may have been a move that cost the industry.

• (1100)

The Chair: Okay, we have a tie vote.

I am inclined to continue on in good harmony with this committee, with the good work that we have done in the past. We do have a tie vote here. I think the committee should continue debating this bill, and I'm going to vote against this motion.

(Motion negatived)

The Chair: With that, time has expired.

I have a motion to adjourn.

The meeting is adjourned.

Published under the authority of the Speaker of the House of Commons

Publié en conformité de l'autorité du Président de la Chambre des communes

**Also available on the Parliament of Canada Web Site at the following address:
Aussi disponible sur le site Web du Parlement du Canada à l'adresse suivante :
<http://www.parl.gc.ca>**

The Speaker of the House hereby grants permission to reproduce this document, in whole or in part, for use in schools and for other purposes such as private study, research, criticism, review or newspaper summary. Any commercial or other use or reproduction of this publication requires the express prior written authorization of the Speaker of the House of Commons.

Le Président de la Chambre des communes accorde, par la présente, l'autorisation de reproduire la totalité ou une partie de ce document à des fins éducatives et à des fins d'étude privée, de recherche, de critique, de compte rendu ou en vue d'en préparer un résumé de journal. Toute reproduction de ce document à des fins commerciales ou autres nécessite l'obtention au préalable d'une autorisation écrite du Président.