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Chair

Mr. James Bezan

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• (0905)

[English]

The Chair (Mr. James Bezan (Selkirk—Interlake, CPC)): I call the meeting of the Standing Committee on Agriculture and Agri-Food to order.

Today we're pleased to have as a witness Ian White, who's the new president and CEO of the Canadian Wheat Board. We're going to spend an hour with Mr. White. We'll find out a bit more about his background and his role at the Wheat Board.

Mr. White.

Mr. Ian White (President and Chief Executive Officer, Canadian Wheat Board): Thank you, Mr. Chairman and members of the Standing Committee on Agriculture and Agri-Food. It's an honour for me to appear before you today as president and chief executive officer of the Canadian Wheat Board.

You'll notice that my accent isn't quite the same as yours, but I'm told that across Canada there are varying accents, so mine might eventually fit somewhere in the spectrum.

I've come to Winnipeg, which is a long way from Australia, where I was last employed as CEO of Queensland Sugar Ltd. It's also a few degrees cooler in Winnipeg, I have to say.

I'm very pleased to have this opportunity to visit the beautiful city of Ottawa to meet all of you and to spend some time talking about the grain industry in western Canada. I look forward to a thoughtful and stimulating exchange.

I would like to tell you a bit about myself and what I hope to bring to the position entrusted to me by CWB's board of directors. I was born and raised in Australia and have been fortunate to work in a wide array of agriculture-based industries—from cotton, to grain, to sugar. I have worked at the CEO level for about 20 years, and I come to the CWB with what I think is a great deal of corporate and commercial experience in agri-business.

Some have attempted to read a great deal into the fact that I was involved in the deregulation of Australia's sugar industry. However, as I have pointed out on a number of occasions, Queensland Sugar Ltd. still maintains a 95% share of today's Australian market. In the context of the Australian sugar industry, it was a decision that made sense. But I wish to make it clear to all members of the standing committee that I have not come on a deregulation agenda. Rather, I have come determined to work with the CWB's board of directors in providing the most value possible to the farmers of western Canada, whatever that might be.

It is not my first time working in Canada. From 1987 to 1991 I was employed by Elders Grain in their Canadian offices and by AgPro Grain, a subsidiary of the former Saskatchewan Wheat Pool. Much has changed in the intervening years. The Crow rate has gone, and the wheat pools and UGG have disappeared, along with a thousand prairie elevators and miles of rail branch lines.

On the other hand, much has remained the same, and western grain producers still face the same challenges they did 20 years ago. Because of their location, the majority of producers are captive to grain-handling and transportation systems with relatively high costs. And in spite of today's high grain prices, farmers are still caught in the price-cost squeeze caused by the dramatic increases in fuel, fertilizer, and equipment prices. They face intense competition in the marketplace from a host of rival grain exporters, some of whom are much closer to the major buyers than we are in western Canada.

Happily, a number of strengths have endured as well. Western Canadian wheat remains the gold standard by which all others are measured. Its reputation for consistency, reliability, and quality is recognized throughout the world.

You could say the same about the Canadian Wheat Board. Some of the issues it faces have changed little over 20 years, but the CWB itself has changed in a fundamental way. There is no doubt from what I have now seen and heard first-hand that the CWB of today is very different from the institution I remember from 20 years ago. Most important, it is now overseen by and answers to a board of directors, the majority of whom are elected by grain producers. This change, made almost ten years ago, is very significant. It put control of the organization in the hands of the people who are most directly affected by its operations and who ultimately pay its bills.

Led by farmer representatives, the board has introduced sweeping changes in response to producers' needs. This has been an evolutionary process based on a solid business strategy and vision of the future. Most notably, it has included the creation of many payment and pricing options designed to give farmers choices far beyond price pooling. More changes have been added each year, with another new slate of pricing and delivery options set to be rolled out over the next few weeks. This process has been carried out carefully to ensure that the core value and strength of the CWB remains in keeping with its primary mission—to maximize farmer returns.

I'm accountable to the board of directors for providing real and tangible value to the farmers of western Canada. I take this commitment very seriously and I see it as my top deliverable.

● (0910)

If prairie grain producers can be clearly shown how their marketing agent adds value to their bottom lines, I think many of the other issues that have continued to swirl around the CWB will slowly lift and dissipate.

I thank you for your time and attention and I look forward to your questions and comments.

Thank you, Chairman.

The Chair: Thank you, Mr. White.

I want to remind committee members that Mr. White is appearing under Standing Order 108(2), which isn't a review of an appointment, but as a committee we're looking at the operations and management of the Canadian Wheat Board as it applies to our responsibility as a committee.

Also, I'll reference page 864, under chapter 20 of "Committees", in Marleau and Montpetit:

...public servants have been excused from commenting on the policy decisions made by the government. In addition, committees will ordinarily accept the reasons that a public servant gives for declining to answer a specific question or series of questions which involve the giving of a legal opinion, or which may be perceived as a conflict with the witness' responsibility to the Minister, or which is outside of their own area of responsibility or which might affect business transactions.

I simply wanted to remind everyone of that.

With that, Mr. Easter, I think we'll go with five-minute rounds so we can get in as many people as possible in our one hour with Mr. White. You have the floor.

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

I believe, Mr. White, the chair is suggesting what we may ask and what we may not.

In any event, welcome to the committee and welcome to Canada. We do wish you well in your job.

We'll see whether the chair allows this or not, but the reason you were originally requested to appear was because of the concern in the country and by committee members and certainly by myself about the great suspicion around your appointment. I think you've alleviated that in your remarks and in your performance to date at the board, to be honest with you. But there was great suspicion around

your appointment that you may be appointed to achieve the Prime Minister's objective, which is to undermine the Canadian Wheat Board. There's a lot of evidence to lead us to that point, the relentless attack on the board.

We've seen directives to the Canadian Wheat Board from the minister's office directing the board to do certain things that we've never seen from previous ministers. We've seen gag orders on the elected board members—and that's one of the questions I will be raising to you—gag orders that were originally placed on the board under threat of two years in jail and huge fines.

I would like to know if those gag orders are still on the board—in other words, that they can't defend themselves and can't promote the board in terms of its policies and really challenge the government. We've seen manipulated elections by one minister, and it seems the other one may follow suit.

The key is that we've seen the firing—

Mr. Brian Storseth (Westlock—St. Paul, CPC): A point of order, Mr. Chair.

The Chair: We have a point of order.

Mr. Brian Storseth: There was only one election as to the Wheat Board.

Hon. Wayne Easter: That's true, that's what I've said, by one minister.

We've seen the firing of the former CEO, Adrian Measner. He was basically told that if he broke the law he could keep his job, and if he obeyed the law he'd be basically fired. And he was, because he was taking his direction from the board of directors. That naturally led us to some fairly strong suspicions on what the government might be involved in doing, in terms of your appointment.

My question, really, to you—and I think you've outlined it in your remarks, and I appreciate that very much—is where do you anticipate, as CEO, taking your direction from? Is it from the board of directors or from the Minister of Agriculture?

● (0915)

Mr. Ian White: I shouldn't comment on a lot of the things you've referred to, other than to say that it might be worth my going through the process that came to my appointment.

I was contacted by a search firm that asked me to send my CV to them. I heard back from them that they wanted to talk to me further. The search firm talked to me. Then there was an interview by video conference, since I was in Australia, by a committee of directors of the CWB and some other representatives from government who were on a joint search committee. Finally, the board of the Canadian Wheat Board asked me to meet with them. I met with them in Calgary. It was just the board of directors.

Following that, the chairman of the Canadian Wheat Board indicated to me that they wanted to appoint me. We negotiated a contract between me and the Canadian Wheat Board. There was then obviously the requirement for me to be appointed by the government. So the minister held a very short teleconference with me. He didn't indicate to me any direction and really wanted to talk to me about my credentials before he appointed me. From an outsider's point of view, I regarded that as a fairly proper process.

Coming to the point of your question, I work for the Canadian Wheat Board. I work for the directors of the Canadian Wheat Board. That's where I have my contract, and I take my direction from them.

Having said that, of course, we work in an environment where there is an act of Parliament associated with us, and the minister and the government do have the ability to do some things associated with that. I suppose I take it that if I act properly and commercially in all circumstances, then I won't really have any great trouble.

The Chair: Thank you.

Time has expired.

If you want to put on your interpretation device, channel one would be the interpretation.

Mr. Ian White: My apologies. I'm not trying to waste time. I might be some things, but I'm not technically very competent when it comes to mechanical things.

The Chair: There you go.

[*Translation*]

Mr. Bellavance, you have five minutes.

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

I wanted to tell you not to worry about your accent; mine is worse in English.

[*English*]

Mr. Ian White: Thank you. I'm hearing English.

[*Translation*]

Mr. André Bellavance: Did you understand my joke?

[*English*]

Mr. Ian White: Yes, I understand your accent.

[*Translation*]

Mr. André Bellavance: I wanted to welcome you. You assumed this position on March 31. Since we are talking about your curriculum vitae and your abilities, I would like you to tell us what you did when you were in charge of Queensland Sugar. We know that Australia deregulated the sugar industry and abolished the export monopoly, so I think that Minister Ritz would have been interested in that aspect of your career in your curriculum vitae.

Could you tell us exactly how you proceeded when you were in charge of Queensland Sugar, what impact this had and how things are working today? Australia is quite far from us. You are probably in a better position than we are to explain the situation following deregulation and the elimination of the export monopoly.

● (0920)

[*English*]

Mr. Ian White: Thank you.

I was the chief executive officer and managing director of Queensland Sugar Limited from 2000 to March 30 of this year, 2008—about eight years. When I started at Queensland Sugar, it was a new company set up by an agreement with the industry.

In the sugar industry in Australia, there are sugar cane farmers and sugar millers, and there's an interplay between them associated with the returns for sales of sugar. The government at that stage had an act of Parliament that meant there was a single desk in place for all the sales of raw sugar in Queensland. It was an acquisition act.

The company was just moving from being a government-owned corporation, the Queensland Sugar Corporation, to being a public company, Queensland Sugar Limited. This was a company that was owned by guarantee by the growers and millers of Queensland. When we say “by guarantee”, we mean it was a construct of a company, an ownership structure that was not for profit and didn't have shareholders as we know them in the public shareholder sense, but it certainly reported on an annual basis to a group of members who were farmers and sugar millers.

The act of Parliament continued, and it had a review date associated with it. There was in fact an early review of the single-desk arrangement by agreement among all the parties: the sugar millers, the government, and the sugar cane farmers. After five years, that review took place. It was decided that there could be a deregulation.

It was state government legislation; the Government of Queensland was the government. Their view was that they wanted to basically get away from the sort of regulation that had been associated with the sugar industry, and they were prepared to move away from it if the industry agreed on that movement.

After a process of negotiation between the government and the sugar cane farmers and sugar millers, it was agreed that they would move. However, there was one particular arrangement that just about everybody agreed on. This was that because the customer base, particularly the export customer base, was a relatively few large sugar refineries, predominantly in Asia, which had significant market power in terms of where they purchased their raw sugar or their ingredient from—I suppose a bit like a large flour mill—it was still sensible to continue to sell the product through a single sales channel and logistical channel; otherwise, there would be multiple sellers from Queensland trying to sell to what is a relatively small customer base.

It didn't make sense to them in principle that this would be a good idea, so there was an agreement that if 85% of the potential export product could be signed up to continue to be marketed with Queensland Sugar Limited on a commercial basis, the government would be prepared to take legislation away.

My role in this was really to advise the group that was contemplating this about the consequences and the implications associated with the move they were planning, and then to negotiate commercial contracts with the sugar milling companies to take the product they produced to the export market. We achieved 95% of the total tonnage going into those contracts. That was in about 2005.

● (0925)

As I left Queensland, we were having a further discussion, about the future of the company more than about the single-desk arrangement. There are some proposals being put forward now, particularly about the board of directors of Queensland Sugar Limited, which was a company that had four growers, four millers, and four independents including myself on the board—a board of twelve. They are now contemplating a much smaller board, of independent directors only and the managing director.

The Chair: Thank you. Time has expired, unfortunately. We're over by a minute and a half already.

Mr. Storseth, you have the floor for five minutes.

Mr. Brian Storseth: Thank you very much for coming forward, Mr. White. It's a pleasure to hear from you. I have heard a lot about you. You are a topic of discussion at local coffee shops in my riding, that's for sure.

One of the things I find is that our western Canadian producers are fairly in tune with what's going on up here. They hear things sometimes before I do.

One of the things I am hearing a lot about is that you and the Canadian Wheat Board survey regularly. Would you have some information on your surveys with regard to the increase in demand among western Canadian farmers for barley freedom?

Mr. Ian White: We have done a survey. We haven't had the opportunity yet to put it to the board of directors. We will be doing so later this month. I'm sure after that we could contemplate talking about it more publicly, but at this stage it is something that hasn't gone to our board of directors. I think it is appropriate that, as they have commissioned it, they should see the results first.

Mr. Brian Storseth: But after it goes to your board of directors, will it be something that's public for our western Canadian farmers to access?

Mr. Ian White: That is something that the board of directors will have to decide, yes.

Mr. Brian Storseth: I'll move on. The contingency fund is another topic I often hear about. It is pretty much common knowledge that in the 2006-07 year, the contingency fund lost about \$38 million. Do you have any idea what the losses are as of this point in time this year?

Mr. Ian White: That's something as well that we need to be talking about with the Canadian Wheat Board directors, but what I can tell you is that the contingency fund is designed to float up and down; it's designed to absorb surpluses and deficits and is designed, I suppose, to be in balance over time. That's certainly what my aim will be: to keep it in balance over time.

There is no doubt that if a market moves and you have a particular product in the marketplace, particularly such as some of the cash,

producer payment-option types of product, when they're compared with the pool pricing—and we always compare everything back to pool pricing—there ultimately, as we reported last year, may be differences in the way the execution of those contracts works, particularly in a market that is very volatile, as we've seen with the grain markets over the course of the last 12 months.

My aim will be to keep that fund in relative balance over years. There is no doubt that there will be deficits in some years and surpluses in other years. We've seen that in the past, situations in which the fund has varied between \$30 million and \$40 million, plus or minus, over a number of years.

Mr. Brian Storseth: That all sounds great, Mr. White, but I see this as an opportunity for you to maybe negate some of the rumours that are out there. I'm hearing upwards of \$100 million. That seems a little bit more than a surplus and deficit range, or up-and-down volatility. It seems pretty major to me.

● (0930)

Mr. Ian White: All I can say to you is that rumours are rumours, and that wouldn't be the case.

Mr. Brian Storseth: Then it would be your position that it is nowhere near \$100 million?

Could some of the volatilities that you talk about in the markets, these losses, be attributed to some of the mistakes made from hedging?

Mr. Ian White: I wouldn't call them mistakes made from hedging. In fact, I have to say I'm six weeks into this job, and a lot of these things I'm looking back on. We've had a very volatile market, and when we're giving people forward prices—and these are forward prices—you have to understand that they have to be hedged in the futures markets.

The main area or the main liquidity in the futures market is generally the first or second contract position in the futures market. It's not always possible to place hedges in further-out months in the volumes that you would like, so you take some risk. Everybody who offers a farmer a price takes some risk associated with the execution of the hedging of that product, and it would be no different in the case of the Canadian Wheat Board.

We are talking, you have to remember, in very large volumes here, not just small volumes. We are talking very large volumes and very large throughput numbers. The revenue of the Canadian Wheat Board in this year will be somewhere in the order of \$5 billion.

Mr. Brian Storseth: I'll move on. We will say that \$38 million is a lot of money, but we will move on to the last topic I'd like to talk to you about.

Are you familiar with an organization called Friends of the Canadian Wheat Board?

Mr. Ian White: I'm vaguely familiar with them.

Mr. Brian Storseth: Does the Canadian Wheat Board endorse or support this organization?

Mr. Ian White: I have no idea.

Mr. Brian Storseth: So you don't know if the Canadian Wheat Board endorses or supports—

Mr. Ian White: I don't think they do. I don't think the Canadian Wheat Board endorses any organization.

Mr. Brian Storseth: We've been talking a lot about truth in labelling, and one of the things I see here in their little sheet—I'm sure Mr. Easter has a copy he can show too—is that deductions may be tax-deductible. That doesn't really seem like truth in labelling to me when you put something in there that says that deductions *may* be tax deductible, when in fact through my investigations I've not found that they are a registered charity or would have that capacity.

I was wondering if the Canadian Wheat Board itself has any information or any services that it provides through this organization.

Mr. Ian White: I'm not aware of anything. I'm not aware of the sheet you're referring to.

Mr. Brian Storseth: We'll make sure you get a copy.

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

Mr. Atamanenko.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): Thank you very much. I will be very brief.

I'd just like to congratulate you, Mr. White, on your appointment, and welcome you here.

I'll defer my questions to my honourable colleague, Pat Martin, who is our critic for the Canadian Wheat Board.

Mr. Pat Martin (Winnipeg Centre, NDP): Thank you, Alex.

Mr. White, we expect the CEO of the Canadian Wheat Board to be its number one champion, to be its defender, not some saboteur. Believe me, these have been some of the allegations made, or some of the feelings.

You may not be a deregulator or here on a deregulation agenda, but the Prime Minister of Canada and the Minister of Agriculture are obsessed with deregulating the Canadian Wheat Board. It's one of their prime missions of this government. So when you were hand-picked and selected to come here with your past record, you can't blame us for coming to the conclusion that you may be here to cooperate with them.

The Chair: Mr. Storseth.

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

I think we've established that it was the directors of the Canadian Wheat Board who picked Mr. White.

The Chair: I just want to remind—

Mr. Pat Martin: I hope this isn't coming out of my time, because this is my time to question.

The Chair: Right, and I will add some seconds on for you, Mr. Martin.

I will just again remind you that public servants are excused from commenting on policy decisions made by the government. Mr. White is here talking about his management capabilities and responsibilities with the Canadian Wheat Board and not necessarily the policy decisions of the government.

I've added 30 seconds to your time, Mr. Martin.

Mr. Pat Martin: Mr. White doesn't work for the Government of Canada. Mr. White is the CEO of the Canadian Wheat Board. He's not a public servant. We've established that.

The Chair: Point of order, Mr. Bellavance?

[*Translation*]

Mr. André Bellavance: On a point of order, I would like to tell Mr. Storseth that I have here a government press release. I will read the first sentence:

The Honourable Gerry Ritz, Minister of Agriculture and Agri-Food and Minister for the Canadian Wheat Board, today announced the appointment of Ian White as President and Chief Executive Officer of the Canadian Wheat Board (CWB).

[*English*]

The Chair: That's a good point, Mr. Bellavance. It does show that he is an appointee of the Government of Canada to the Wheat Board.

● (0935)

Mr. Pat Martin: Mr. White is not a stooge for the Minister of Agriculture. He says he's not here to destroy this great prairie institution, and he wasn't sent here with a mission.

I'd like to ask you two very specific short-answer questions, and I'll remind you that you're under oath, Mr. White.

Mr. Ian White: Am I under oath?

Mr. Pat Martin: You are under oath at a parliamentary committee.

The Chair: We never told him he had to appear under oath.

Mr. Pat Martin: You are under oath, whether you swore an oath or not, and are subject to the same perjury provisions, etc., as in a court of law.

Do you or do you not believe that the single-desk monopoly for marketing Canadian grains is in the best interests of Canadian farmers?

Second, do you believe that there can be such a thing as a voluntary Canadian Wheat Board, that such a voluntary Wheat Board would be viable as per the plebiscite question that was sent around to barley growers?

Those are my two questions. And could you be brief? We have very little time.

Mr. Ian White: With regard to single-desk selling, I have run single-desk operations in the past, and I have to say that in the right market circumstances, the concept of a single seller rather than multiple sellers to a market makes ultimate sense. That's a theory, and from my point of view, I can see the sense in that. That's the way the Canadian Wheat Board is at the present time. I support the concept of single-desk selling. But we have to be able to demonstrate it, ultimately, because it's the farmers of western Canada who will, I hope, ultimately decide whether they want this or not. One of my roles is to demonstrate to them the value of the single desk.

Mr. Pat Martin: You should be the champion of the single desk, because that's what you were hired to do.

Mr. Ian White: That's the policy of the board of directors.

Mr. Pat Martin: You're duty-bound to uphold that as the CEO, right?

Mr. Ian White: That's correct. But at the end of the day, what I believe is important is to make sure that the marketing system we have in the future, not the marketing system we have today, adds value. So that's what I'll be looking at. I'll be trying to make sure that the single-desk selling system we have adds value, and I'll be looking to demonstrate that in terms of the way we operate.

Mr. Pat Martin: Second, do you believe that there can be such a thing as a viable, voluntary CWB, or is its universality its strength?

Mr. Ian White: I think its universality is mainly its strength. I think it's problematic with regard to whether there can be a dual marketing system or a choice system and what the role of the CWB might be in that. That's something I think we still need to have a good look at and discover. I think there might be circumstances in which that might be reasonable.

Mr. Pat Martin: Has any government official ever asked you to consider that as part of your mandate?

Mr. Ian White: I have not been asked to make it part of my mandate, no.

Mr. Pat Martin: Have you been asked if it is part of your personal background and personal beliefs?

Mr. Ian White: No.

Mr. Pat Martin: So no government official has ever raised the idea of how you feel about dual marketing versus a single desk?

Mr. Ian White: No.

Mr. Pat Martin: Thank you.

The Chair: Thank you, Mr. Martin.

We'll go to Mr. Steckle.

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

Mr. White, it's my first opportunity to meet you. I guess some of the members around the table met you previously, but this is my first opportunity.

I have been around this table for a long time, and have met various CEOs of the Wheat Board over my 15 years in attendance here. I look at your résumé and where you've come from, and you indicate in your résumé that you worked in Canada for a number of years some years ago. So you had some knowledge of the Wheat Board's purpose, the reason for it being there, and how it has served Canadian agriculture, particularly our wheat farmers and barley growers, over the last many years. You came here with some sort of background knowledge about the Wheat Board.

In coming here, obviously, you knew that some issues were going to face you. You came, I suppose, with some degree of trepidation, knowing that you were going to probably face some difficulties in some areas. Now that you have been in your job for six weeks and have heard some of the things mentioned this morning, which obviously were not new to you—you were expecting it, I'm sure—do you feel positive about the future of the Wheat Board? Because in the world, we have become known as the best marketers of the best product. Later this morning we're going to be talking about KVD. If we lose some of that identification and the ability to sell and guarantee that kind of quality, something goes with it, and that's our image.

If we lost the Wheat Board, could grain companies themselves do what the Wheat Board is doing today in terms of handling the large contracts? We have countries buying huge volumes of wheat. There's the financing of that and holding credit lines for those kinds of things. The Wheat Board changed its mandate about ten years ago. We now have farmer involvement. I would have to think that single-desk selling is still the best option. We have it in various other sectors in my province of Ontario—in the hog industry, in the white bean industry. We know it works. I was there when it wasn't done, and it didn't work very well.

How do you see yourself going forward with the challenges we've talked about this morning? And how do you work your way through this maze? What arguments can you come back with to assure us that the Wheat Board, going forward, unless there's government intervention or farmers decide to change course...? How do you see the Wheat Board functioning in the future?

● (0940)

Mr. Ian White: There's a lot in the question you've asked.

First, I came here understanding a reasonable amount about the issues here, but you can never understand those issues fully until you're on the ground and working through them. So I'm still in the process of working through those, to some extent.

As I said previously, I think the idea of single selling, of the single sales channel, is a good one, but you just can't assume that's the model for everything. It does depend on the market you're in, the customer base, and the arrangements you have. There's no question that the Canadian Wheat Board and the sale of Canadian grain, particularly internationally, has been aided by the ability to keep the product together and keep the consistent quality and the high level of that consistency together. In my view, there's no doubt that's been a very good arrangement, particularly in those products where the customer is very interested in quality, and that would be in some particular areas, wheat, malt, barley, etc.

I work for the board of directors of the Canadian Wheat Board, and as the president of the Canadian Wheat Board I'll be looking to chart the best future I can for the organization. As an organization we need to look at what the long-term plans for the organization are and we need to be able to contemplate what they might be. To some extent, there's no question that is a negotiation with government, because it controls the act and it controls the future of the Canadian Wheat Board in that sense.

It's not an easy task, and some people have asked me why I took it on. All I can say is that while it seemed to me a difficult task, and I'm finding out how difficult that is as I go through this, I felt it was one that my background and my experience in running single-desk organizations, in being involved in deregulation to some extent—but the learning is from that, not the model that's associated with that, necessarily—might be useful for me in terms of helping the Canadian Wheat Board and the government, and the industry in a sense, work through these issues, as we have to do.

● (0945)

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

Mr. Tweed, you have the floor for five minutes.

Mr. Mervin Tweed (Brandon—Souris, CPC): Thank you, Mr. Chairman.

Welcome back to Canada. And I certainly accept that your challenges are great, as you're dealing with it.

I'm sitting in on the committee for the first time today, particularly on the Wheat Board issue, but I find it very interesting that the discussion I've heard so far would be that several members of Parliament would choose to support an institution ahead of the people they're actually there to serve. I appreciate your comments when you state that we all have to have an open mind. Our opportunity and our job are to serve the farmer, and I think your comments today are very good. And I congratulate you in your new mandate as the head of the Canadian Wheat Board.

I think it is important to note that, because I find it quite interesting that the members from Ontario would fight so hard for an institution that only supports western Canadian farmers, and why they wouldn't want to open up the Wheat Board's jurisdiction to encompass all the Canadian farm economy. Would you see that as any part of your mandate in the sense of expanding the Wheat Board to include all of Canada, as opposed to just western Canada?

Mr. Ian White: I haven't really contemplated that at all, I've got to say. Our current mandate is for western Canadian wheat and barley, and I suppose that's something that, if it were contemplated, the board of directors would look at.

My role is to see a strong Canadian Wheat Board that is effective into the future and in marketing, however it's deemed that it should market. I would agree with you that the farmers, at the end of the day, are our servants, and that what we need to be doing is finding the best ways to add value to them. I suppose I can't say much more than that.

Mr. Mervin Tweed: I would suggest that based on the comments I've heard from the other side of the table, by encompassing the rest of Canada it obviously would build a bigger pool and it would make the Wheat Board stronger, better, and more functional. I would hope that the members opposite—in the strength of their conviction to the western Canadian Wheat Board—would actually want to enlarge it to encompass all Canadian farmers if they feel so strongly about it.

I do want to follow up on my colleague's questions in regard to the polling. We do know that there's been polling done, and you've readily admitted it. I respect the fact that you want to review it with your board. I would ask, if you would, to please provide those results to this committee. Quite often committees are not provided the initial report, but once it's been aired through the proper channels, I would ask that you do that. I would also ask, in discussion on the contingency fund, that you would provide this committee with those details once you've vetted it through the channels that you have to go through.

Mr. Ian White: That's on two fronts. First, in terms of the survey results, that's something I'll take back and talk to the board of the Canadian Wheat Board about in terms of your request.

With regard to the contingency fund, that's something that will be subject to our annual report and our annual accounts. Through the year those things fluctuate. When I talk about the contingency fund

or any of our accounts, I actually talk about our annual accounts, which will be ruled off at the end of July. After those accounts have been done, obviously they'll be published data.

Mr. Mervin Tweed: Thank you. I appreciate that. And having been in a business in my previous life, I can say that knowing where you're at financially on a month-to-month basis—and probably in today's world, on a day-to-day basis—is obviously vital for our producers when they're making their decisions too.

Do I have more time?

The Chair: You have 15 seconds.

Mr. Mervin Tweed: I'll pass then. Thank you.

The Chair: Thank you, Mr. Tweed.

Madame Thi Lac, s'il vous plaît.

[*Translation*]

Mrs. Ève-Mary Thāi Thi Lac (Saint-Hyacinthe—Bagot, BQ): Thank you for coming, Mr. White.

In your presentation, you stated that “KVD is only in use in western Canada, nowhere else in the world”. I should point out that I am a member from Quebec. Our nation has some excellent features.

• (0950)

[*English*]

The Chair: I believe, Madame Thi Lac, we're going to be talking about KVD in the next hour. Right now we're talking about the operations of the Canadian Wheat Board. Mr. White will be at that committee in the next hour.

[*Translation*]

Mrs. Ève-Mary Thāi Thi Lac: The Canadian Wheat Board operates exclusively in the west. There are also some things that are done exclusively in Quebec, and they are excellent.

I was taken aback to hear Mr. Tweed state that he was surprised to see members on this side defending activities that are taking place in the west. I often see that government meddling in sectors that come under provincial jurisdiction. I don't understand how he can be offended this morning by our questioning a board that is active in the west.

When you were appointed, was your real mandate to undermine the Canadian Wheat Board?

[*English*]

Mr. Ian White: No.

[*Translation*]

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

You stated in your testimony that if you took proper action, there would not be any problems. If the minister heads in one direction and the board of directors goes the opposite way, we are going to find ourselves in rough waters.

Are you accountable to the office of the minister or your board of directors?

[English]

Mr. Ian White: My contract is with the board of directors of the Canadian Wheat Board. In my terms, I'm accountable to them. I understand that the minister appoints me, and that could create a difficulty, as it has, I believe, in the past. What I'll be endeavouring to do is try to not have that occur, but I don't know the circumstances that may arise. I don't think it's worthwhile talking about hypothetical circumstances.

The Chair: Mrs. Skelton, you have the floor.

Hon. Carol Skelton (Saskatoon—Rosetown—Biggar, CPC): I want you to reassure western Canadian farmers that you are going to do the very best for them.

What is your vision for the Canadian Wheat Board right now? Maybe Mr. Tweed brought that point forward, that when we say it's the Canadian Wheat Board, it really isn't the Canadian Wheat Board, is it? There's a boundary there. It's western Canada.

Mr. Ian White: That's true.

Hon. Carol Skelton: Can you lay forward a vision of what you want to do? You want to make the best possible money for western Canadian farmers. The pool accounts were the big thing, and Mr. Tweed brought that forward. Do you think it would be better if we had huge pools that all Canadian farmers could draw from? All Canadian farmers could gain from having the large pools of money.

Mr. Ian White: It may be that farmers in other places think that they would like to join in what has been a fairly successful set of pooling arrangements over a long period of time. I'm not really very competent to answer that. I think those are more political questions than actual commercial questions.

What I can assure you of is what I will be attempting to do. My vision is to add value to farmers in western Canada, which is our current mandate. As I've said publicly, in doing that I also will be looking to see a successful Canadian Wheat Board.

Hon. Carol Skelton: Do you know if there have been applications from other provinces to join the board?

Mr. Ian White: I don't know that.

Hon. Carol Skelton: Could someone find that out for us?

• (0955)

Mr. Ian White: Certainly.

Hon. Carol Skelton: We talked about friends of the Wheat Board sending out those questionnaires that were going on, and you said you didn't know if the board was supporting them. Would you look into that to see if the board is funding that?

Mr. Ian White: No, I don't think I said I didn't know if that was the case. I said that to my knowledge, the board was not supporting any organization.

Hon. Carol Skelton: I'm sorry, I didn't mean to imply that. They're not supporting any organizations, then. There is no usage of farmers' money to support organizations at all?

Mr. Ian White: No.

The only areas that the Canadian Wheat Board puts funds into are those—and we'll talk about it in the KVD area—where there is some future commercial benefit, such as variety, selection, and so forth.

Hon. Carol Skelton: I guess we can't talk about KVD right now.

I hear from farmers that the board is wasting their money. Since you've taken over, have you asked your employees to look at where the money is going and how it has been looked after?

Mr. Ian White: Yes, just in the last month we have been doing our budgets for the next year, so I've had the opportunity of looking at those very extensively and going into them in great detail. They'll be the subject of discussions with the board of directors over the course of the next month or so.

All I can say is that from what I see of the activities of the Canadian Wheat Board, we spend our money very wisely. We're a relatively frugal organization. And I think given the job we currently have to do, our expenditure is quite appropriate. It is focused, actually, on marketing and dealing with farmers.

Hon. Carol Skelton: Thank you very much. I really appreciate it, and I wish you the very best of luck.

Mr. Ian White: Thank you.

The Chair: We will suspend.

Mr. Easter, did you want to go? I'll give you only two minutes, though.

Hon. Wayne Easter: There are three minutes left on the clock, Mr. Chair.

The Chair: We should suspend so we can get on to KVD, but I'll give you two minutes.

Hon. Wayne Easter: We'll have an hour.

Mr. White, you said one of the purposes of the Wheat Board is to add value. All legitimate studies to date have in fact shown that the single desk does add value.

My question really relates to the choices that are available through the board. There are clearly more choices available through the board now than there are in the open market. But there is one, the fixed price program, where the board is basically asking for repayment from farmers who were paid too much under that program. I think it certainly shows to the board's credit that those who stayed in the pooling system did better than those who made the decision to sell under fixed price and actually in part undermined the market. I wonder if you could expand on that.

As I understand it, producers sold at a fixed price, believing they were at a high in the market, and they got their money more quickly. They felt they would do better than the pool. At the end of the day, the pool pricing did far better, and those farmers really didn't do nearly as well as they would have by staying in the Wheat Board pool. Can you expand on that? Because I know there's a lot of spin on that issue out there.

Mr. Ian White: We give farmers the choice of choosing the price, depending on what the daily market price is that they want to hedge, and it's entirely up to them whether they think that's a good price or not.

We have seen a very large run-up in the wheat market, for instance, in the course of the last 12 months or so. Obviously, when the prices were starting to rise, coming off what has been for many years a very low base, both in Canada and in North America there are a lot of farmers who thought these were prices they should start pricing at.

We're talking about farmers choosing prices themselves, on an individual basis, and then we're talking about a pooling system that actually prices throughout the year. So in a sense, we're probably not talking about apples and oranges here. We're probably talking about apples and oranges, in a way. It's the same issue as what might be the price over the border on any particular day and what the pool pays, because they're not really the same concept.

The pool prices throughout the year. The pool had the opportunity of pricing throughout the year and therefore captured a segment of the higher prices. Some producers priced at a lower number and some producers priced at a higher number. Those who priced at numbers lower than the advance rate of the pool—all producers actually receive the advance rate—basically are going to have to refund some money because they did actually price lower than.... That's their individual choice. They have their own risk management to worry about.

What we are doing with those pricing options is giving them the choice about prices they might like or dislike. That's the choice they make, and sometimes they'll do better than others and sometimes they'll do worse than others. This year the pool has done better than some farmers, but on the other hand, because it's an average price through the season, it might do as well as those farmers who might have chosen to price at much higher prices, and some obviously did.

• (1000)

The Chair: Thank you. Time has expired.

I just have one quick question for you, Mr. White. You said the Wheat Board has no memberships in any organizations. I was under the impression there is either a membership or associate membership with the Canadian Federation of Agriculture.

Mr. Ian White: Yes, there is.

The Chair: Yes. I just wanted to—

Mr. Ian White: I'm sorry. I need to correct that. But I think that being referred to as sort of our farmer lobby—

The Chair: I was just left with the impression that you meant all farm organizations.

With that, we're going to suspend.

I'm going to ask that Mr. Hermanson, Mr. Stuart, and Mr. Dennis please come to the table so that we can go on to the KVD hearings.

We're suspended.

- _____ (Pause) _____
- _____

The Chair: I'll call the meeting back to order.

As we move into the second hour we'll be talking about kernel visual distinguishability. We'll be having a briefing today by the Canadian Grain Commission and the Canadian Wheat Board.

I want to thank all the gentlemen for coming in today. Joining us again is Elwin Hermanson, who is the chief commissioner, Jim Stuart, who is the director of industry services, and Randy Dennis, who is the chief grain inspector of Canada. Welcome. And of course Mr. White will continue on with his testimony as it relates now to KVD.

With that, Mr. Hermanson, I'll turn it over to you for your opening remarks.

Mr. Elwin Hermanson (Chief Commissioner, Canadian Grain Commission): Thank you, Mr. Chair.

It's a pleasure to be back before the committee. I think I made an offer the last time I was here that we'd be pleased to return and that if there were particular issues that needed to be discussed I would also bring experts. I've done that this morning.

I'm pleased to have with me my colleague Jim Stuart, who is the director of industry services. He is also a member of the industry working group on KVD. As you mentioned, Mr. Chair, Randy Dennis is the chief grain inspector for Canada. He also sat on the industry working group.

I have a short statement, which I will read. I'm not sure whether my colleague has a statement as well. We'd be happy to take any questions following the statement.

We're pleased to appear before the Standing Committee on Agriculture and Agri-Food to discuss the issue of kernel visual distinguishability, commonly known as KVD.

Before we answer questions, we would like to provide some background on how we arrived at this juncture. KVD has been used in western Canada as a rapid and cost-effective tool for segregating wheat within the handling system. The visual appearance of the kernel is indicative of intrinsic processing quality. However, it should be noted that it is only in use in western Canada, nowhere else in the world. In recent years KVD has come under pressure. Producers and end-users have expressed growing dissatisfaction with the range of wheat varieties available to them. All segments of the grain handling industry realize it is time to acknowledge the limits of KVD and implement alternative systems to allow for segregation of visually indistinguishable varieties.

To address these growing issues, the Canadian Grain Commission indicated its intent to do two things: first of all, establish a new general purpose wheat class—the Canada western general purpose class—with no KVD requirements; and secondly, to remove KVD as a registration requirement, beginning with the six minor wheat classes.

In December 2006 this committee tabled a government response to a review of the Canada Grain Act and the Canadian Grain Commission. This response recommended the removal of KVD from all classes of western Canadian wheat. The Minister of Agriculture and Agrifood's announcement, on February 11, 2008, extended the removal of KVD to all classes of wheat, including Canada western red spring and Canada western amber durum, to August 2008.

This decision sent a signal to seed breeders to facilitate the development and registration of new varieties. It also will give farmers more choice in what they grow and market. Farmers will have access to new markets, biofuels, feed, and specialty options. Also, it encourages the industry to act quickly to put alternative systems in place to ensure continued buyer confidence in grain quality. The government has made the decision to eliminate KVD, and grain sector participants are now implementing the necessary changes to shift from a visual to a non-visual system.

All players in the wheat system know they need to adopt new procedures. Substantial progress is being made, and I will note four examples.

First, the Canadian Food Inspection Agency policies, procedures, and regulations are being aligned to facilitate KVD removal. In February of 2008 the CFIA wrote to the recommending committee for wheat, rye, and triticale instructing that KVD requirements be removed from the guidelines used to recommend a variety for registration. As a result, new varieties will still be evaluated to determine which class they belong to, but they will no longer be excluded from Prairie Grain Development Committee trials based on KVD. In addition, changes are being proposed to the seeds regulations to remove KVD from wheat import requirements.

Secondly, since July 2007 an industry committee on the removal of KVD has been developing the key elements needed in a post-KVD environment. This committee is building upon successful protocols devised by a previous working group focused on ineligible varieties. The current committee is composed of producer representatives from all prairie provinces, we in the CGC, the Canadian Wheat Board, the Western Grain Elevator Association, the Inland Terminal Association, as well as Agriculture and Agrifood Canada. The committee meets approximately every three weeks and maintains ongoing contact with other industry participants to ensure a coordinated effort.

At this point, the committee has determined that a combination of an industry system of declarations, grain company quality management systems and protocols, and monitoring and sampling protocols will be relied upon to ensure the quality of Canadian wheat.

● (1005)

Through this committee, the Canadian Wheat Board and grain handlers have reached an agreement on a handling and liability protocol for the 2008-09 crop year. As part of this agreed-upon

protocol and the overall wheat quality management system, a declaration system has been finalized for the 2009-09 crop year. Producers will be required to sign a declaration form annually at each facility where they deliver. This declaration form states that the grain being delivered is eligible for delivery into the class of wheat for which payment is being requested. In addition to producer declarations, grain companies will be required to declare to the CGC wheat deliveries to terminal elevator position and to vessels.

Enhanced regulatory authority associated with declarations is also being considered to facilitate enforcement and compliance. Although regulatory provisions will assist the grain sector in a post-KVD environment, they are not immediately necessary.

As for the CGC's part in the quality management system, we will continue to conduct internal testing and monitor railcar and vessel shipments for the presence of ineligible wheat varieties. The CGC will continue to issue certification and report to grain handlers and exporters instances of shipment non-conformance.

The CGC has launched an extensive public communication campaign to explain the new declaration system and the changes. All members of the industry committee on the removal of KVD have agreed to the content of this campaign and are committed to working together to continue supporting Canada's brand reputation in domestic and international grain markets.

Campaign coverage includes both print and radio media sources spanning the western provinces, including the Peace River area of British Columbia. Information packages have also been distributed to grain handlers, producer groups, and provincial governments.

Rapid affordable varietal identification technology—commonly called VID—is part of the replacement strategy for KVD, and its development remains a priority. Several research projects are under way.

The Agricultural and Agrifood Canada cereal research centre is developing an innovative lab-based VID test. CRC is currently seeking proposals from private industry to pilot this technology to evaluate its potential for use in a commercial lab environment. NeoVentures, a private company, is in the process of developing a VID test for use in the elevator driveway. NeoVentures is projecting full-market entry by 2010.

Both the Canadian Wheat Board and the federal government have committed extensive funding to both of these projects. On top of that, the Canadian Grain Commission is working on VID technology development in single-kernel DNA systems to replace protein and electrophoresis testing, and on DNA analysis of composition of ground wheat samples for variety. Both of these are lab-based tests.

It's important to emphasize that the required steps are in motion to facilitate the removal of KVD for 2008. Significant effort is being expended by all sector participants to make this transition as smooth as possible and uphold the Canadian wheat quality assurance system. In addition, there will not be a flood of new, indistinguishable varieties into the system right away. In fact, at the recent February Prairie Grain Development Committee meetings, six general-purpose wheat lines were supported for registration. None of these lines indicate a KVD conflict with Canadian western red spring or Canadian western amber durum, and only two have actually been registered by the CFIA.

Other components of Canada's variety registration process will remain the same. The key quality, disease, and agronomic requirements for a variety of registration into the various wheat classes will not change. Removing KVD does not change the requirement for varieties to be registered prior to commercial production, and producers must still seed registered varieties if they want to deliver a milling grade of wheat.

In closing, the CGC and fellow members of the industry committee on the removal of KVD are committed to working together to make sure protocols and processes are developed for implementation beyond 2009. Ensuring the quality of wheat that domestic and international customers have come to rely on will remain a key competitive advantage for Canada.

I hope this information addresses some of your concerns.

Thank you, Mr. Chair, for the opportunity to make a statement.

• (1010)

The Chair: Thank you, Mr. Hermanson.

Mr. White.

Mr. Ian White: Thank you, Mr. Chairman.

The Canadian Wheat Board has marketed the wheat, durum, and barley produced by western Canadian farmers on the basis of a branding strategy with customers that established their products as the gold standard for quality, consistency, and reliability for many years. KVD is a visual quality-control system that was the basis of the ability to attest to this quality for wheat and durum. In the new environment, we cannot afford to let this quality slip or jeopardize the loyalty and confidence that customers have in the grain they buy from western Canada. We are therefore working on this issue on two fronts.

As Mr. Hermanson has said, we're working with farmers and industry, including the Canadian Grain Commission, to develop a set of protocols based on what we're already doing with ineligible varieties, to ensure the supply chain delivers the quality our customers require. The board of directors of the Canadian Wheat Board has made significant investments in the development of two tests, both laboratory-based, that will have the capacity to screen for

varieties on the driveway of an elevator to back up these protocols. This technology has been a long time coming, but we think we're close.

The CWB has been the leader in trying to get variety identification technology in place as soon as possible, but it is not available yet. In this regard, industry and the CWB would have preferred that the federal government stick to the original implementation date of August 1, 2010, for the elimination of KVD requirements in the major classes of wheat. It would also considerably facilitate the transition to a non-KVD environment if the federal government partnered with farmers of western Canada in investing in the commercial testing of the technologies that have been developed to identify varieties of wheat.

Thank you.

• (1015)

The Chair: Thank you, Mr. White.

We'll stick with the five-minute rounds so we can get as many people as possible on the record with their questions.

Mr. Easter, kick this off, please.

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

Welcome, folks, and former colleague of the House of Commons, Elwin.

There's no question that Canada is seen as probably the most reliable supplier of quality grains around the world, and to a great extent it's due to how careful we are in terms of the export of grains.

Mr. White, in your presentation I think you did mention the fact that the industry, and mostly all the industry, didn't want to move on changing KVD until August 1, 2010. There are good reasons for that. However, it's another case of how this government tends to operate. They shoot first and ask questions later. Now we're into August 1, 2008, which could in fact jeopardize the system somewhat.

I have two questions.

First, Mr. Hermanson, you outlined on page six the progress towards technology. So my question is simple. The government has led us to believe, basically, that there is already technology in place, that this can be handled on August 1, 2008. Just to be clear, I don't think there's a danger as yet, because those new products are not on stream, but it would have been far better, I think, because 2010 would have met the timeframe for those new varieties to come on stream without the international community looking at us with somewhat suspicious eyes. Are you saying that the technology is not in place, that it's only under development effective August 1 and absolutely not in place to give us the security that we really require?

The second question relates to page four of Mr. Hermanson's presentation:

At this point, the Committee has determined that a combination of an industry system of declarations, grain company quality management systems and protocols, and monitoring and sampling protocols will be relied upon to ensure the quality of Canadian wheat.

That leads me to believe that the technology is not there, certainly. But secondly, in my area, we know the difficulties you can run into when you ship a product to a foreign country and the quality is questioned. I've seen people lose millions of dollars, even though the quality was there, but for political or other reasons that quality was jeopardized.

So who is going to be liable if some producer, for whatever reason, ships a product that doesn't meet the quality, that goes into the hold of a ship and a portion of that grain is lost? Who is going to be liable for that amount of grain that doesn't meet that quality? What security is there in that declaration? Who will be held responsible for that quality? Will it be the minister who brought in the system; will it be the individual producer; or will it again fall back and be an attack on either the Canadian Grain Commission or the Canadian Wheat Board?

• (1020)

The Chair: You have about a minute and a half.

Mr. Elwin Hermanson: Thank you, Mr. Chair.

First of all, on the varietal identification technology, there is technology in place right now that can distinguish varieties. However, it's not low-cost technology. It's not elevator-driveway technology. The challenge for the industry is to provide that affordable technology that can be located at the initial delivery points.

That's not there yet. There are some promising signs that it could be there. Whether it will be next year or the year after, or whether it's many years off, we can't predict that.

That said, we are currently monitoring for ineligible varieties. We have been fairly successful in doing that without the low-cost technology and have maintained integrity in our system. As you quite frankly pointed out, we have high quality and a good reputation for that high quality in Canada.

Secondly, the answer for the declaration system is similar, in that we know the declaration system has been effective in the past for, again, ineligible varieties, and there have been ineligible varieties in Canada. It has not put our reputation in jeopardy to this point. I think that's why the industry and all the partners who work together on the committee determined that the declaration system would be the immediate tool used to ensure the integrity of our grain quality in Canada.

On liability, Mr. White may want to comment, but the liability for the upcoming 2008-09 crop year I believe will be assumed by the board, as it has been for ineligible varieties. The committee is going to continue to work to determine how that will be handled into the future.

The Chair: Thank you.

Can you answer that in less than 20 seconds, Mr. White?

Mr. Ian White: I think basically what has been said is correct.

The Chair: Thank you.

Your time has expired, Mr. Easter. I'm sorry, Mr. Easter, you're already over time.

Madame Thi Lac, *s'il vous plaît*.

[Translation]

Mrs. Ève-Mary Thaï Thi Lac: Mr. White, in your presentation you said that you would have preferred if the federal government kept the date originally set, namely August 1, 2010, in order to eliminate the KVD requirements. What are the primary reasons explaining your preference for this date?

[English]

Mr. Ian White: Just because that would give us more time in the process in terms of getting ready for it. In the event that this isn't the case, I think as has been said, we're working very hard to make sure that all the bases are covered with regard to testing the quality. There's no dispute between the Canadian Grain Commission and us with regard to how we are now coping with that arrangement. We're trying to make the absolute best of that to ensure the quality can be attested to as best we possibly can.

The only issue for us originally was it would have given us more time to try to put systems in place, particularly the development of technologies.

[Translation]

Mrs. Ève-Mary Thaï Thi Lac: You said that changing this date would have given you more time. Do you think that the tight deadline will have a negative impact on your efforts or do you think that you are going to be able to make the necessary changes all the same?

[English]

Mr. Ian White: We are adapting to the new date. As has been said, the committees have been put in place and the industry working group is meeting on a regular basis and has, in my understanding, developed the protocols associated with delivery and quality. Of course, no system is ever without some risk. However, what we're trying to do is make sure we eliminate all the risks associated with this. I think, as has been said, we really are in a reasonable position because there are no new varieties coming along that will have a different kernel identification in any case, at the present time.

• (1025)

[Translation]

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

[English]

The Chair: Mr. Storseth.

Mr. Brian Storseth: I would like to thank Mr. Hermanson and his associates for coming again. It's good to see you again. Hopefully this meeting will be a bit more productive than the last one we had with you.

There are a couple of issues that have been raised already. I know you've addressed the issue of liability, but I feel it's imperative that we bring it up once again. I want to ensure that any of the actions that are being taken to ensure, with the declaration process, that liability is not going to fall on our farmers.... That is clear—once the farmer has delivered it, his liability and responsibility is finished at that point in time?

Mr. Elwin Hermanson: I think I'll ask Mr. Dennis—because he worked on the committee—if he would respond to how that issue was dealt with.

Mr. Randy Dennis (Chief Grain Inspector for Canada, Canadian Grain Commission): Thank you very much.

The producer declaration is available on our website for those of you around the table to observe and review. The liability for the producer can be mitigated in a number of ways, primarily in knowing the variety that the individual is planting and growing and going to deliver to the elevator itself. That's a key component. The second piece is ensuring that when he does deliver or there is a delivery on his behalf, a sample is collected, and both he and the elevator company have a representative sample.

The only way that liability can come back to the producer is based on the handling systems, the processes that country elevators have. That's a requirement that they have to have put in place, and also the delivery through into the terminal elevator position or transfer elevator position, maintaining those declarations that will go forward to the CGC at those points, but also for those elevators to be able to actually trace that back to an individual producer if an issue is identified at some point in time.

Mr. Brian Storseth: I think it's important for us to have some clarification. One of the great things the Canadian Grain Commission is doing—and I'm sure the Wheat Board is doing it as well—is the advertising. They are making sure our farmers understand this new process, the onus that is on them, and how this is all going to work out. I encourage you to do as much of this as possible. As I'm sure you know, Mr. Hermanson, the local coffee shops are talking about you and these issues.

One of the things I often hear is that not having these regulations and changes in place has already cost our producers hundreds of millions of dollars. Is there any idea how much money our producers would have made had this been in place a year or two ago?

Mr. Elwin Hermanson: The Grain Commission is not in a position to answer that one. We don't focus on the economics of the grain industry; we focus on regulation and assuring grain quality.

But in response to your comments on the advertising, I should mention that we advertised extensively throughout our prairie region, where the KVD issue is relevant. We've gotten roughly fifty responses by telephone and e-mail. Primarily, they were for information. The most common question from producers was whether they would now be required to purchase certified seed or registered seed. Of course they aren't required to purchase certified seed, but they are required to know that their variety fits the class for which they expect payment. So we think the advertising program has worked. It's been effective, and it has sent the right message to producers.

Mr. Brian Storseth: I've received fifty phone calls on it, so your advertising is definitely getting out there.

With respect to the technology aspect, it surprises me that this kernel visual distinguishability is being used only in western Canada. Places like Australia have been away from this for quite some time. It surprises me that we don't have the technology at this time.

Mr. White, I understand the Canadian Wheat Board has invested a significant amount of money in developing black box technology. Can you tell us how that's going and whether we are getting positive results from the \$1.3 million we've spent?

• (1030)

Mr. Ian White: There are some positive results coming forward, but, as Mr. Hermanson said, it is still not at a stage where this can be used as a low-cost driveway test in all cases. That's what we're working towards at present.

Mr. Brian Storseth: Have you any idea how far away we are?

Mr. Ian White: It is a little difficult to tell how far away we are, because it's development of technology. All I can say is that the results look relatively promising. I am hopeful that maybe next year we may have something, but it would be hard to determine the exact time.

Mr. Brian Storseth: How long have you been developing this technology?

Mr. Ian White: I'm not sure about that, but I think it's been for a number of years. The Canadian Wheat Board has certainly invested some millions of dollars in this over the last couple of years.

The Chair: Mr. Atamanenko.

Mr. Alex Atamanenko: Our committee passed my motion, which recommended that the government abandon its plan to remove KVD. The motion recommended proceeding with its removal only when we had in place a variety identification system that had gained the confidence of those whose interests are protected by the current KVD system. Basically, it's recommending that we take our time. We need to make sure we have a quality system in place. Rather than move too quickly, we should wait until we have a replacement we can be sure of.

I'm hearing in your testimonies that it looks like we're on track. We have all sorts of protocols. We have CFIA on board. But as you said, Mr. Hermanson, we don't have an affordable technology that can be located at delivery points. You mentioned that there's no prediction when it will be in place. Mr. White, you said we don't yet have a low-cost driveway test. At the same time, we have the recommendation of the Wheat Board that we wait until 2010.

Would it not be prudent to proceed cautiously? Things are moving. Would it not be to everybody's advantage to wait, as this motion says, and not move until we have this affordable technology located at delivery points? That way, we could be 100% sure that the quality we're well known for throughout the world is maintained. We don't need to take this risk. I would submit that there is a certain amount of risk in embarking upon this without having something 100% sure in its place.

I'd like you to respond to that, Mr. Hermanson.

Mr. Elwin Hermanson: Thank you. I'm happy to respond.

First of all, I don't believe you'll ever come to the point where you have eliminated 100% of the risk. We've not done that with ineligible varieties, but we have managed that risk so it has not impeded Canada's reputation for producing reliable product, and so the buyer is getting what they expect when their commodity or their grain is unloaded.

Perhaps I'll ask Mr. Stuart to talk a bit about the history, but I can tell you that this has been an evolution in Canada. My understanding is that KVD has been limited only to the Canadian scene and was removed for red wheats in Ontario. I'm not sure about Quebec. I'm not sure if it ever was there. Perhaps Mr. Stuart knows. But it was eliminated for red wheats in Ontario, I think back in the 1980s, and last year it was removed for white wheat in Ontario. The western region is the last region to undergo the change, and I think there's been industry-wide agreement that it needs to happen.

The discussion, as you have quite rightly pointed out, is over the timetable, which has been accelerated. That decision is not within the ability of the Canadian Grain Commission to make, but we are determined to make sure that we maintain Canada's grain quality assurance. We've worked with our colleagues at the Canadian Wheat Board, the elevator associations, and producers, using models that have worked in the past to ensure that integrity will be there in the future.

Jim, can you add anything to that?

Mr. Jim Stuart (Director, Industry Services, Canadian Grain Commission): I would just add that the ineligible variety working group approximately three years ago developed a protocol that has worked. It relies on declarations, on grain company quality management systems, and on their own testing and monitoring. As well, the CGC acts as a regulator, testing, monitoring, certifying, and providing the results of that certification back to the exporter, the Canadian Wheat Board, and the grain-handling company involved. At that point, if there is an issue with a particular shipment, again through the ineligible variety working group, the Canadian Wheat Board and the grain handlers have developed a liability protocol.

If there is an issue with the shipment with respect to indistinguishable or ineligible varieties, the grain handler involved needs to demonstrate to the Canadian Wheat Board that they have performed due diligence, that they do have a quality management system, and that they do have testing and monitoring in place. And it's on that presentation that the CWB then decides to take on the responsibility of the liability.

That is the model that we're moving forward into a non-KVD world, and that is the principle we're operating on this coming crop year, knowing that producers, primary elevator handlers, terminal elevator handlers, and the Canadian Grain Commission will still be able to visually determine class, because we are not seeing varieties coming forward through the registration process that are going to present a KVD issue.

•(1035)

The Chair: Mr. Atamanenko, your time has expired.

Mr. Steckle, you have the floor.

Mr. Paul Steckle: I want to go along the lines of questioning and comments that have already been pursued this morning.

We have such a high level of confidence by the purchasers of Canadian wheat and other products, but particularly of Canadian wheat. This is what we're talking about this morning, the KVD. If we abandon something prematurely, even though there is probably good reason to do that—and I understand that—is that not sending a message to our buyers and the marketplace that somehow we're rushing something a bit?

Coming from the farm community as I do, and being very close to the dairy industry, I know that in the dairy industry there's a lot of trust placed in producers. We're talking about certificates, signing documents, and verifying. People can make mistakes; people can wilfully make mistakes, and it's when they're wilfully done....

We have the largest inland elevators in Canada in a community very close to my home. Farmers will place the wet beans in such a way that they can't be sampled and tested, so that the test that shows, and the test for which they're paid, shows a higher or a drier quality. Similarly, we're going to do the same thing.

In the dairy industry, if we in error milk a cow that shouldn't have her milk going to the milk tank, and that milk goes into the huge tank that comes and picks up our milk at the gate, there is liability. Here we're shifting all the liability back to the Wheat Board, when in fact the decision, as I see it, to some degree has been made by the Grain Commission.

I'm not sure that I quite understand if there were to be such a thing. The final test of the sampling, as I understand it, takes place at port. If you have a shipload of grain going someplace and there is a deficiency found in that grain, it doesn't mean just one farmer is affected; it affects a whole lot of farmers, and it affects the Wheat Board with a huge liability.

I have real difficulty in accepting that we're moving forward on something when we can't give full assurances. There is nothing foolproof, but to do that in that way of thinking somehow doesn't quite resonate in my way of thinking.

I want you to comment on that—and think about the liability, because sooner or later somebody is going to look for an opportunity. Let's not put ourselves into a vulnerable position.

Mr. Elwin Hermanson: Mr. Chair, I'm not sure if the question was directed at me, but I'll take the first stab at it.

Mr. Paul Steckle: Well, it's wherever it fits.

Mr. Elwin Hermanson: Sure, I'll take the first stab at it.

There is always moral hazard. As I mentioned, you'll never eliminate 100% of the risk, whether it's in the dairy sector, the grain sector, or the social services sector, I suppose, although I'm not an expert to comment on that.

There has been growing pressure among many in the agriculture sectors—including dairy, by the way—calling for the removal of KVD because they want access to higher-yielding feed wheats that may not be visually distinguishable from milling wheats. That's the conundrum that the industry is in. Of course biofuel is another sector that has been calling for the elimination of KVD, and farm organizations have joined in on that call.

All I can add is what I've stated before, unless Mr. Dennis wants to respond: the decision has been made. We didn't make the decision; this is not a Canadian Grain Commission decision, but a decision made by the Government of Canada.

Our challenge, working with our industry partners, is to use the systems that work to maintain the integrity of our grain handling system and make sure that customers receive the product they have requested. We know the tools that we've used for other hazards—ineligible varieties—and we know they've worked, so we're modelling what we're doing in this case on previous success stories.

Did you want to add anything to that, Randy?

• (1040)

Mr. Randy Dennis: Yes, thank you.

One comment in general is that you're alluding to the spiking of a sample: a truck being delivered and a producer or someone who's handling the grain purposely adulterating it or putting it in the truck so that it would miss a delivery point or a collection point from the sampling system. That opportunity has been there forever and a day. The potential for that to occur is there.

Based on what this committee has done and the driving force behind that, I would strongly suggest that we want to be able to continue to deliver our certificate final, which is a certificate I sign off on for quality at the end of the day. We don't want to have to wait until the vessel completes loading and have the sample come back to the CGC and be tested in the Grain Research Laboratory. On that basis, every individual and organization involved in this working group committee is pulling for that to be delivered again at the time of vessels sailing, because of the commerce involved.

The sampling systems are in place at the terminal elevators, the transfer elevators, and CGC is on site at primary locations. We collect samples of those—railcars going to a terminal position, railcars to Mexico, to the east coast—and we are doing testing on those, as well. We do a random testing, a monitoring program. We don't advise the industry the percentage of cars we are testing. We do it surreptitiously. We don't want to tell people how much we are testing. It keeps everyone on their toes. The companies are also doing this, and everyone knows that. That's one of the tools we will use.

With new varieties coming forward, we have a couple of years in which we are quite confident we will still be able to distinguish visually.

The Chair: Thank you.

Mr. Tweed, the floor is yours.

Mr. Mervin Tweed: Thank you, Mr. Chairman.

I have just a couple of comments.

I always find it interesting how the opposition is willing to fight for the status quo for someone other than their own constituents, and I put that in my opening comments about the Wheat Board.

I also find it interesting that Ontario and Quebec have been dealing outside KVD for several years, based on your comment, Mr. Hermanson, and yet they've never raised the question of confidence in the market or the liability issues in those particular cases. It

continually amazes me how they're willing to keep western Canadian farmers particularly, as some farmers would say, in the backwoods in delaying their ability to move forward in the industry.

I guess that is my question. With Ontario and Quebec having been outside KVD identification, what liability issues have arisen from that—I understand it's still under your jurisdiction—and do you see that the world's confidence in eastern Canada's marketing of grain has deteriorated because of it?

Mr. Elwin Hermanson: I'll put this question to my colleague, Mr. Stuart, who has lived through all of that.

Mr. Jim Stuart: Thank you.

The delivery system in eastern Canada, Ontario and Quebec, is somewhat different from the delivery system in western Canada. It's more a direct delivery from the producer to the grain handler. With the elimination of KVD in eastern red wheat back in the late eighties, I believe, the producer has the option to deliver red wheat as the class or to base as a declaration, say, red winter or red spring, etc. So they have been using a declaration system for quite a number of years, and it's more of a direct produce and grain handler contractual relationship. Issues of misdelivery or issues of the declaration not being what it is supposed to represent are dealt with between the grain handler and the producer.

The CGC's involvement in eastern Canada isn't the same as it is in western Canada, due to the Canada Grain Act and its boundaries of jurisdiction.

• (1045)

Mr. Mervin Tweed: Have you seen or heard of any concerns being expressed by people from Quebec or Ontario in that regard, particularly in regard to the confidence in the marketing and the product they're delivering?

Mr. Jim Stuart: No, I can't say I have.

Mr. Mervin Tweed: Thank you.

Mr. White, I just want to ask you a question. I noticed in your opening comments that you talked about the Wheat Board preferring the date of August 1, 2010, and yet we hear comments like "Why not wait another year?" I suggest western Canadian farmers have been waiting for years for this to take place. I would ask if you, in your role in the Canadian Wheat Board, and the Canadian Wheat Board itself are comfortable with the start date of August 2008?

Mr. Ian White: We've been participating in the working groups. Given the protocols we have in place, we're relatively comfortable that the system will work. We're comforted by the view that we don't have any new varieties coming on that will cause any issue in the course of the next couple of years.

Mr. Mervin Tweed: Mr. Hermanson, in your opening comments one of your notes was that the decision sent a signal to seed breeders to facilitate the development and registration of new varieties. I think this goes back to what Mr. White said. Obviously there hasn't been a lot of activity in that area in the last several years. I hope we're now going to see a move toward that.

Is that what you're forecasting?

Mr. Elwin Hermanson: We would expect the market will determine more accurately where wheat breeders will be concentrating their efforts. We have some evidence that Canadian breeders have been trying to register some non-KVD varieties outside of Canada simply because there was no possibility of registering them within Canada. Given the current economy of high price for milling wheats, I would suspect that perhaps that's where they're focused and less on non-KVD varieties. As we know, the marketplace and demands in the agricultural sector change from time to time, and the elimination of KVD will create opportunities for breeders of new varieties of wheat to go after the opportunities where they exist.

Mr. Mervin Tweed: If I may, I'll confirm that with you.

The constituency I represent borders on the U.S. My certified seed growers are moving into the U.S. to access an easier market—not necessarily easier, but a quicker approval system. I know they're looking forward to this step forward for their future opportunities.

Thank you for what you're doing.

The Chair: Thank you.

Monsieur Roy.

[Translation]

Mr. Jean-Yves Roy (Haute-Gaspésie—La Mitis—Matane—Matapédia, BQ): Thank you, Mr. Chairman.

My question is for you, Mr. White. You stated that there is new technology for analyzing the wheat delivered to us and you said that it was promising. Do you have any guarantee that this technology will be available in 2010? You said that the technology is promising, but as far as I can see, you have no guarantee right now that this new technology will be operational in 2010 and that it will be affordable.

In your opinion, to what extent, in terms of a percentage, can we be optimistic and believe that this technology will be operating by 2010?

[English]

Mr. Ian White: Our level of optimism is high. However, as I've said, there is no guarantee we will have it available at that stage in the form in which we want it. At this stage, what I'm hearing in terms of the research is that it does look very promising. We would expect to have it available. As I've said, there's no guarantee with that, so I really can't tell you anything more than that.

• (1050)

[Translation]

Mr. Jean-Yves Roy: So you don't have any guarantee. If I understood correctly, the technology is based on DNA analysis for each wheat category delivered to you. I would also like to know the turnaround times for the analysis. We hear that, obviously, not all of the wheat will be analyzed. Random samples will be analyzed.

Right now, with the technology that you are proposing, what are the analysis turnaround times?

[English]

Mr. Ian White: The technology we're expecting to use in the driveway is not DNA. It's wavelength technology. That is hoped to be a much simpler methodology.

I have to say, I'm not really competent to go into the technical aspects of that at this point. I can certainly go into that afterwards and get someone to provide some information if you want. At this stage, technologies are being developed that are also DNA technologies, but that's for a different purpose. The driveway technology would be one that we expect would be a relatively quick look at a sample in terms of wavelength technology. However, at this stage I think it's mainly a question of making sure we can identify all varieties and that we can make it quick and low cost. We're not quite at that stage yet.

[Translation]

Mr. Jean-Yves Roy: All right, thank you.

Mr. Dennis, you referred to the mandatory reporting system. Mr. Hermanson talked about errors. To what extent can the mandatory reporting system be viewed as reliable? If indeed the technology is not available and if, for the next four or five years, there is no mandatory reporting system, and the visual identification is removed and there is a percentage of error—that I don't know—will this not damage Canada's reputation? If four or five significant errors were to occur over the next four to five years, Canada's reputation may suffer seriously.

[English]

Mr. Randy Dennis: Thank you for the question.

The industry we're working with and importing countries in general are very familiar with and aware of what is going on with this change in KVD. We take the opportunity to have these discussions with them when they come through the Canadian Grain Commission or come with trade missions. We explain what the process currently is and what these changes are and what we will do to ensure there is a quality assurance system in place so customers can continue to have confidence in the quality of grain they are receiving from Canada.

Is there potential for challenges or for somebody to try to spike a sample? As referred to earlier, that's potential. I truly believe that for the deliveries producers are going to be making, they're doing that with the best of intent and knowledge of what they're actually delivering.

Where you may see a challenge is in the handling system itself, not attributed to the producer but in the handling system. It's going to be very important for those elevator companies to have the quality assurance programs in place that they need to have. Many of them have them now, whether it's HACCP or other quality management systems. It's important to have; it's necessary.

[Translation]

The Chair: Thank you very much.

[English]

Madam Skelton, take us home and bat cleanup.

Hon. Carol Skelton: Thank you very much, gentlemen.

To go back to this, my grave concern is I want western Canadian farmers to make as much money as possible, and I don't want the cost of this system going back on the farmers. I have concerns about that.

Mr. White, you talked about the Canadian Wheat Board investing money in developing tests. Do you know how much it's cost, and how long they've been working on this?

Mr. Ian White: With the two methodologies we're working on, there's been something in the order of just over \$3 million invested over a number of years.

Hon. Carol Skelton: But you don't know for sure how many years?

•(1055)

Mr. Ian White: I've got to say, being relatively new to this, I'm not sure of the number of years.

Hon. Carol Skelton: Could you get that information to us?

Mr. Ian White: Yes, I can get that information for you, sure.

Hon. Carol Skelton: I would very much appreciate that.

The controversy has been going on lately about world food shortages, and we need to feed the world.

One frustration for western Canadian farmers that I've heard over the years is that we cannot get the newer varieties. Mr. Steckle talked about farmers marketing, and they market wet beans, I guess it was.

The farmers I know are very proud of what they grow. There are some tough years with wet grain, but I know farmers who buy dryers and dry their grain and develop it and take it to market.

With the declaration, I don't know why our farmers couldn't deliver like eastern Canadian farmers. You've said yourselves that you haven't found much discrepancy in the declaration, when a farmer signs a declaration.

I really have a problem with the opposition saying that farmers might do something to this declaration, deliver something they're not supposed to. It's a question.

How long has this declaration been on the website? Is every farmer going to receive one at their home address, or do you have to go to the terminal or wherever you're delivering to get one of these declarations? Can you talk about that, please?

Mr. Elwin Hermanson: Thank you, Mr. Chair.

Again, I'll let Mr. Dennis speak to those specifics. I would say from my observations—and I have been following this quite closely since I joined the Grain Commission in January—I am reinforced in my belief that the stakeholders in the agriculture sector and particularly the grain industry recognize that everyone has to work for the good of the industry if it's to be successful, starting with producers, including grain companies, including the Canadian Wheat Board, including the Canadian Grain Commission. We all recognize that if we do our job well and we maintain Canada's reputation, we all win.

Obviously, 99.9% of producers would take no risk whatsoever or would take no actions that would bring risk to the grain quality assurance system in Canada. I think that speaks to our success over the past. These risks are not new. These risks have been with us for decades, and the industry players, including producers, have risen to meet that challenge and Canada has benefited. All of Canada has benefited.

My sense from the report of the industry working group, which Mr. Dennis sits on and the Wheat Board has representation on, where producers are represented and the grain companies are represented, is that this is the attitude they have taken with regard to dealing with KVD.

Specifically with regard to the availability of the declaration, where producers can pick those declarations up, I'll let Mr. Dennis respond.

Mr. Randy Dennis: The declaration is on our website. It has only been on our website for the past couple of months, or six weeks or so. The declarations will be provided to the producers by the grain companies. For producer-car deliveries, a copy of the declaration will be provided from our producer-car officer in Winnipeg.

Of the fifty or so producers who called in, I spoke with the majority of them myself because I was the contact. Once I had an opportunity to explain what the process was, the reasons behind it, and the rationale of moving forward, only one producer was still disturbed by what was going on. The declaration has been in place in the past through this other ineligible variety working group, but they were applauding moving forward.

The Chair: Mr. White, you might want to get in on this.

Mr. Ian White: I have information, Chairman, on the time we've been working on this. We started working on this in 1999.

The Chair: Okay.

Time has expired, Mrs. Skelton.

Hon. Carol Skelton: I just want to ask, are the provinces outside?

Mr. Elwin Hermanson: All the stakeholders are working together. I think we've contacted the provinces on other issues, but I'm not sure if they've been included in the KVD issue. It really doesn't fall within their jurisdiction. But we've had no negative response from the provinces.

The Chair: I want to thank Mr. White, Mr. Hermanson, Mr. Stuart, and Mr. Dennis for your briefing today on KVD, and Mr. White as well previously on the Wheat Board. I found it very educational and informative, and it will allow us to move ahead as a committee, especially as we consider Bill C-39 when it comes back to the House.

With that, I will entertain a motion to adjourn. Mr. Lauzon.

The meeting is adjourned.

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