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Chair

Mr. Larry Miller

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• (1110)

[English]

The Chair (Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC)): I call this meeting to order.

I'd like to start off by welcoming our guests from the Canadian Cattlemen's Association, Mr. Masswohl and Mr. Laycraft.

Thanks very much for coming at fairly short notice. We do appreciate that.

For the committee's information, we also tried to have the Canadian Pork Council here today and they couldn't come at short notice, but they are booked for next Thursday. And of course the NFU is here on Tuesday.

Before we get started, we do have some business to take care of, and perhaps I could suggest that maybe at quarter to one, if questioning is done by then, we could move to that.

Anyway, we'll start. Mr. Laycraft, are you going to start?

Mr. Dennis Laycraft (Executive Vice-President, Canadian Cattlemen's Association): I guess so.

First of all, thank you, Mr. Chairman, for the invitation. And congratulations on your appointment, and to all members of the committee.

We greatly appreciate the fact that you are looking at competitiveness. We feel that's obviously an important thrust.

The past few times we've been in front of the committee we have talked about business risk management issues. They're still very real. It's not our intent to get into that today, but if there are questions we'd be happy to answer.

As we speak, there will be an announcement in Saskatchewan. We were just informed of a \$40-per-head payout there, which in our mind continues to indicate that there are still deficiencies in that area that we need to address nationally so we don't end up with a proliferation of provincial programs. To us, a national approach is always the most important way to address these issues, and we'll continue to say that.

We do intend to talk a bit about country-of-origin labelling. It is very fresh and a very significant issue impacting our industry and the pork industry. And we agree it would have been ideal to have had the pork producers here with us. We work very closely with them.

When we speak about competitiveness—and I had the opportunity a number of years ago to help chair part of a working group on the

competitiveness council that existed—it really is a combination of what it costs to produce a product and what type of value we can generate from the markets around the world.

We're an export-oriented industry. We export, and have traditionally exported, to close to 60 countries around the world. That access remains impaired, but nevertheless it remains very important to us.

On the customer perception point of view, Canadian beef is well respected around the world. And we have an excellent reputation. We are the largest exporter of grain-fed beef in the world. I want to emphasize that that is our strength: producing high-quality beef. We're not going to compete on a cost basis with South America. South America has been growing. They're traditionally and typically now servicing markets like Russia and Europe in a very significant way.

We are building on our reputation. We have a global marketing strategy where we're looking at different markets around the world. And when we talk about the significance, I'll come back to why getting certain products to certain customers becomes extremely important to the bottom line, not just of the beef industry, but to every cattle producer in this country.

Our beef advantage initiative, which, again, we'd be happy to answer questions about, is really a main thrust of our global marketing strategy. We can circulate copies of a very comprehensive document on that. We're building on that reputation and intend to be a leader in quality, service, safety, and animal health. And certainly Canada has a reputation for veterinary infrastructure. While we've had challenges with BSE and getting markets open, in virtually every market that has reopened we've exceeded pre-BSE sales into those markets, with the exception of Japan, where simply the age requirement is so restrictive that it impairs our ability to produce enough cattle to satisfy the demand that exists there. We're hoping to see progress to move that to an age level that will allow us to move considerably more product to that market.

As we take a look at the future, one thing I will say is that virtually every study we've seen, including a recently released report by Gira, a group out of Paris that looks at the world, and a number of other international studies, are predicting growth in beef consumption between now and 2015. At the same time, we're seeing countries, including Canada, reduce their production. We know there is an opportunity that will exist out there, and as economies improve, we believe we have a real opportunity to serve and satisfy those markets. The question is, what will it take to be profitable to do that? What will it take to get to that point where we see demand start to improve again?

One thing we do want to talk about is our regulatory environment. There are a number of issues there that have continued to impact our ability to compete. We believe we should be looking at that differently.

One of the things that comes up, as a regulator—and you've talked about it—is how you address the balance between an independent regulator tasked with food safety, which you've heard about, and at the same an industry that's trying to sell and base its reputation on quality and safety.

• (1115)

In our view, the most successful countries around the world have been those that are export-based. They're not just producing product that meets their domestic standards. We're meeting the standards of 50 or 60 different countries out there, and we're particularly aware of the scrutiny you face going into those countries. We believe in a solution-based approach to how we move forward. It's a collaboration between industry and government that creates the highest level of food safety. You cannot inspect yourself purely to a high level of food safety. It's the systems. It's how you work together. It's how you find solutions together that create a competitive and effective industry that will be well respected around the world for that.

We have made some progress. We've seen the backlog reduced, for instance, on the approval of pharmaceuticals, but to some degree part of that is the result of fewer people applying. We have other concerns we've identified through the beef value chain round table, and that was the major thrust of our previous meeting in terms of how we can start to build on what have been a number of regulatory thrusts to make our system more efficient. You know, it's interesting that after there was a listeria issue, we suddenly had a number of products approved fairly quickly. If they had been approved before that, it would have been a useful tool to have had. We've had an irradiation petition in front of the government since 1998—it's one of the most effective technologies that could be used out there—and we're still waiting for a response on that. It's a clear indication that industry is equally as interested in finding solutions as governments are, and preferably before problems arise.

One of the things we have found with our feed ban, which becomes a challenge when we work together, is the regulatory approach and how people view tolerances. We know when the feed ban was put in place.... You take a look at the difference between a 99.5% and a 100% tolerance. There's no statistical difference in the impact of the effectiveness of that ban, but it makes the policy and the cost of implementing that a multitude of times higher when you

approach it that way. You end up making industries less competitive in comparison to our U.S. counterparts in particular.

Bear in mind, in our industry, every time an animal is put up for bid, there are Canadian and U.S. packers bidding if we're going to have a robust competitive bidding system. When we create a much higher cost structure in Canada, it puts our processors at a disadvantage, and over time it will cause less and less processing to be done in this country and more to move south of the border.

When you take a look at what realistic tolerances are—how you sit down and work together on a solution-based approach—we believe we both share the objective of achieving that high level of quality and safety, and we believe there are opportunities to work more effectively together. But it comes back to a cultural shift where we see the opportunity and benefit of approaching it that way. We know through the meeting of the all chairs round table that the rest of the round tables are very interested in sitting down, looking at the whole regulatory approach, and we'd encourage the committee to support a re-examination of that entire area, in a very constructive way. How do we look at taking, for example, the Canadian Food Inspection Agency or other elements—it could be environment—and working forward in a positive manner? We can come up with creative solutions that are effective.

We're also looking at how we can become more efficient. One thing we saw a year and a half ago when we went back up to par and grain costs increased quite dramatically—a fair amount, quite frankly, artificially driven by policies related to ethanol and bio-diesel around the world.... We clearly saw a number of deficiencies in terms of our system and how we had lagged behind in the adoption of certain new varieties of grain and why we hadn't seen the same level of yield improvement we had seen south of the border and why companies hadn't registered products and varieties in Canada. We completed a fairly extensive study that took a look at a number of reasons why. We're the only country that uses “novel” in its definition for approval of products.

● (1120)

For instance, we had one that would have been quite useful for reducing the phosphate in barley, but unfortunately we weren't able to get that approved in Canada in time because of the "novel". It got approved and used in the United States, and it was a variety we developed in Saskatchewan. So in working around that, it's not just creating the environment for research, it's also the environment to be able to use it first in Canada that becomes quite important.

Again, going back to a solution-based approach, we're not the largest market. So when you start to find more resistance or difficulty in Canada, are you going to go to a larger market if you're in that industry and trying to commercialize product? It really compels us to try to create a culture where we work with companies and find ways to get these products moving forward and registered.

I will also say that when we take a look at the approval of products, that's not just simply the answer; there's competitive pricing. We know there are certain pharmaceuticals today and there are identical products that can be bought for 25% of the cost in the United States. So continuing to allow access to bring those products into Canada is very important to competitive pricing and the ability to produce the various...whether it's beef cattle or hogs in Canada, it remains very important.

We raised issues about our feed ban that I mentioned earlier. Now it's clear the U.S. is taking a different approach, what's referred to as a short list. They're removing the brain and spinal cord, where you remove everything. They're allowed to use the product for fertilizer. We're essentially mandated to put it to destruction, so there's no beneficial use. And to be candid, we have not seen any new markets open up because of that since it was introduced in 2007. We'll certainly accept the importance of having a feed ban to maintain our controlled risk status. The day before that rule came into effect we were exporting meat and bone meal to a number of countries around the world. We removed the specified risk material out of it, and we were no longer allowed to export it the following day—even though it's perfectly safe to feed in Canada; it's by far the safest meat and bone meal we've ever produced in this country.

But we're, again, at a further competitive disadvantage as a result of a policy that was supposed to improve market access around the world for our country. We've tried to address those issues, but as you can tell, we're a bit frustrated with the lack of progress on them.

When we have impaired ability to market all our products around the world, it impacts the cut-out of every single animal we process. Let me give you an example of a number of things that are impacted by that. We estimate there's easily \$82 a head that we can gain by improved market access. For instance, Egypt is the highest market in the world for hearts. You can sell lungs to Indonesia. Currently, if the market's not very good, we end up rendering those products. There's long-cut feet that goes to Korea. Japan is the highest market in the world for short plates, and Cargill High River was their largest supplier previously. Liver went to Russia. All of those tongues into Japan all command a significant premium, and a lot of times they end up getting rendered or going into a grind in Canada at a significantly discounted value.

We strongly support the announcement to move ahead of the trade secretariat, and we encourage a lot of energy and effort in going in. We strongly support the recent emphasis on trade missions to reopen markets around the world, and we strongly commend the minister for the efforts he's making. If anything, we feel even more effort could be made. We've suggested possibly the appointment of a beef envoy at a cabinet level, because when you're meeting with other governments, it is significant in terms of the status of the individuals who attend meetings and participate with them. That's not in any way critical of the work of the minister; it's just simply the number of markets we have to work with in the schedule, which the minister also has to follow more or less to work in support of what he's doing.

We've also suggested recognizing that there is a delicate balance in Parliament. It may be sensible to have a number of the opposition parties participate in those missions and work in support of those efforts. We believe that's one of the most important things that can happen for our long-term viability and competitiveness.

● (1125)

There are other issues. For instance, a number of plants in the U.S. don't process Canadian cattle because we're not open to Korea. They'll start processing once we open to Korea, but right now the Koreans won't allow any Canadian product in those packing plants. So again, that directly impacts on our price and on what we refer to as the basis.

There are issues going into the United States. It is the largest beef market in the world. It is also expected to have significant growth because of population growth between now and 2015, at the same time that their supply is reducing. So we know that's going to be an important market for us.

Whenever we end up with additional costs going into the market.... Of course, our U.S. competitors don't have that because they don't have to go into the U.S. market; they're already there. So anything we can do to reduce those cross-border costs is extraordinarily important to the price that will be paid every single day of the year to our producers.

The country-of-origin labelling is one we remain very concerned about. We were very pleased when the government announced the WTO consultations last fall. We saw, as a result of that, a negotiation to create more flexibility in the rule. And while we were encouraged by that, once the new administration came into effect and began reviewing it, the secretary unfortunately announced what he referred to as “voluntary guidelines”. There's also a proviso that if he found the industry wasn't complying with that, he would look into introducing a new rule to force compliance with the voluntary guidelines—which in our view is a de facto rule.

We're not sure how the industry is going to respond to that, but we remain deeply concerned. What he is proposing is worse than what was put in place last fall. So we're looking for a strong response from the Government of Canada to make sure that doesn't happen, and we have suggested that if it starts to happen, that is abrogating the agreement that was reached and we should be right back to the WTO again. We're working with our Mexican counterparts as well.

There is a lot more on the regulatory side that I would like to talk about in terms of different areas where I think we clearly could improve our ability to compete. We feel strongly that there are opportunities out there. If you take a look at some of the inherent strengths in Canada... Just look at what's happening today in California with water. Canada has 10% of the world's fresh water supply. The interesting thing about our river systems is that most of them flow away from the population, whereas in most of the rest of the world the rivers flow into population. That suggests to us that this is going to be an increasing advantage as we move forward. We have one of the largest agricultural land bases in the world. If we are able to work effectively and open markets, we believe Canada will remain one of the most important food producers in the world and that our industry will be an important part of that group.

Thank you, Mr. Chairman.

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

We'll start our seven-minute round and move to Mr. Easter.

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

Thank you, John and Dennis, for coming on short notice.

A lot of your presentation was on the ability to compete. To be brutally honest with you, that's not what I'm hearing from producers out there on the ground. I am hearing yes, there's the need to compete, but I'm also hearing horror stories about people leaving the industry—in droves.

I had the dubious pleasure of listening to the minister at the CFA meeting this morning, and as we expected, there was a malicious attack on the leader of the opposition and misinformation about the Wheat Board.

Some hon. members: Oh, oh!

Hon. Wayne Easter: But he did speak about deliverables, and he basically left the impression of how wonderful things are on the farm. He talked about the fact that fewer than 0.5% of farm credit accounts are in arrears, certainly leaving the impression in the general arena that there are not problems on the farm.

But I've been hearing from farmers. We met with Brad Wildeman in Saskatchewan the other day. I hear from farmers in Alberta, Saskatchewan, Manitoba, and the east, and they're all talking about losing their farms.

We're holding this hearing because of concern about COOL and the red meat industry, which is in trouble as we're losing producers. In fact, in Atlantic Canada we're losing the beef industry; 60% of the hog industry is gone in P.E.I. and the beef industry is in huge trouble. Our bigger producers are leaving.

So I have to ask, why are you here? Yes, we asked you, but I'm wondering, are we wrong? Is what we're hearing wrong? Is the minister right that the industry is absolutely healthy and that there is no problem on the farm?

• (1130)

Mr. Dennis Laycraft: Actually, that's what we said. Clearly—look at the inventory numbers—we saw our industry reduced by another 5% this past year. In some years, the cow numbers were down more. In the last seven years, we've gone through four what I'll refer to as 50-year events. All of them have created tremendous trauma, particularly in the beef cattle sector.

The question when you're a producer is, what is the light at the end of the tunnel? If you take a look at it, a fair number of producers are retiring. Some had delayed that and others are just fatigued from everything that has gone on. There are clear challenges.

As I indicated, we believe that one of the things we need to do is address our business risk management programs. We still have serious concerns about how they're operating. They need to be addressed. For people looking at the industry—and there are decisions about people entering the industry as well—what's the future of the industry?

Hon. Wayne Easter: Dennis, if I could, then, let me ask you a couple of specific questions on that. You admit the breeding herd industry is in serious decline. The minister certainly didn't.

I would like to know if the Canadian Cattlemen's Association has any figures on how much the debt has increased for the beef industry this year at the farm level. We agreed with the government in terms of extending the advance payments and getting money out there, but we know you can't borrow yourself out of debt. I assume the industry is left with a much larger debt than last year's.

You mentioned in your presentation that Saskatchewan today is announcing a \$40-per-head payment. One of the things Brad mentioned to me was his concern about the Alberta program. Are we really, then, in this country, getting a patchwork quilt of programs at the provincial level because there's an absolute vacuum of leadership at the national level? Is that what's happening? We're getting no leadership at all from the national level.

I have three specific questions.

First, I believe the cattle industry asked for the elimination of the viability test. Has that happened? Has that been "delivered", as the minister says?

Second, they've asked for the better of the Olympic or previous three-year average for reference margin calculations. Has that happened?

Third, they've asked for the better of AgriStability, tier 1, or AgriInvest. Has that happened?

Those are deliverables that the government could deliver today to save this industry and it isn't happening. Have they been delivered?

Mr. Dennis Laycraft: That's a number of questions to answer. As far as the final three are concerned, no. We're also looking at increasing the 70%, but...

I'm not sure anybody has seen any recent numbers on debt that would be reliable. We meet with the Bankers Association at least quarterly to try to assess what's happening. The story is different across the country. The situation is probably most critical in Manitoba because of massive flooding in one part and drought in the other part, which is one of those hard-to-believe scenarios that can develop. There's a serious drought in parts of Saskatchewan. We've asked for, and there has been some work in terms of addressing, cash advances in those areas.

Depending on where you are in the country, clearly in some areas there is a significant issue of debt that has grown, more because of weather-related issues than other reasons. One thing that has helped cushion our industry, but is giving us all pause, is the fact that our dollar is dropping from par down to around 80¢ as we speak. That has probably made an enormous difference, but how long will that last? Everybody recognizes us as having the best financial system in the world. Common sense dictates that we're going to see prices improve.

Part of our message on some of these underlying issues that became apparent in 2007 is that we had better address them with solutions. Just ad hoc farm payments aren't going to change that. We have to make sure we create a very positive and competitive environment so there's a long-term future for the industry.

• (1135)

Hon. Wayne Easter: I agree with you in terms of the underlying issues, but solving the underlying issues and having nobody left in the industry in regions of the country is not going to solve the problem. As I said, we're losing the industry in Atlantic Canada and I see nothing coming forward.

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

Hon. Wayne Easter: Here's my question: in Ontario, how many people do not qualify for the safety nets in the beef industry?

The Chair: Could you answer that quickly, Mr. Laycraft?

Mr. Dennis Laycraft: We can talk.

The Ontario Cattlemen's Association is meeting today. That didn't come up at their meeting, but I can try to get an answer.

Hon. Wayne Easter: Okay, thanks.

The Chair: Mr. Bellavance.

[*Translation*]

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

Thank you for being here and for your testimony.

I was elected in 2004, and even then the cattle sector had been in crisis for at least a year. I was appointed agriculture critic in 2005. We met regularly as a committee. We prepared reports. I myself arranged for an emergency debate on the crisis in the cattle industry, right here in the House of Commons. That led to measures such as Bill C-44, which dealt with advance payments. Things are moving. Some markets have been re-opened, in spite of everything. But you are here again today to testify that, in 2009, the crisis is unfortunately as great as ever.

There are several matters to discuss, but my first question is about what is happening with our American trading partners. About a month ago, Mr. Ritz, the Minister of Agriculture, decided not to seek recourse at the World Trade Organization against the American decision on country-of-origin labelling, the COOL standard. The Secretary of State, basically acting like the American minister of agriculture, seems to be no longer using the same language as when the Americans previously announced their intention to relax that rule. Our minister, Mr. Ritz, said at the time that he was satisfied enough to not seek recourse at the WTO. The American minister of agriculture says that the standard is voluntary, while threatening to fine people in the United States who do not implement it. There is clearly a problem. This happened the day after President Obama came here to the House of Commons. The Prime Minister had to have discussed the fact that it is dangerous to impose unreasonable protectionist measures at a time of economic crisis.

Of course, President Obama was only here for a few hours. Despite the efforts in the media and the government's attempts to convince us that good will is the order of the day and everything is going to be fine, that we are best buddies, and that George Bush is long forgotten, we can all see that protectionist measures are being imposed in the United States. I think measures like that require a swift response from the government.

How does the American decision resonate with you? Is what we read in the media exactly what is going to happen? Do you think that Canada should intervene a little more forcefully on the COOL standard?

My second question deals precisely with this matter. I understand that the Canadian Federation of Agriculture is considering the possibility of establishing a labelling standard, if it has not already done so. It would not necessarily be the same as the American one, since we do not want to be subject to lawsuits ourselves. Do you feel that this is an adequate response to what the Americans are doing?

• (1140)

[English]

Mr. Dennis Laycraft: John may want to add something to this, as he attends numerous meetings throughout the U.S. regularly. He was in our embassy in the U.S. before he came to work for us. So I'll make a few brief comments and then ask John to comment.

I guess on the last point on whether we should we put in different country-of-origin labelling in Canada than our "Product of Canada" labels, I will remind everyone that the estimated cost of what they're trying to do down there is about \$3.9 billion, with negligible consumer benefits. So I don't think adopting bad policy to address bad policy is ever good policy.

I think we want to continue to make sure that the standards are based around the sound principles of substantial transformation. When you process an animal, that is a substantial transformation, which is what we're hoping to pursue long term. Even going back to the decision to suspend the case, we made it clear that we wanted to fully maintain all our legal rights.

Creating more flexibility only partially fixes the problem. There's still a significant issue with the way country-of-origin labelling... But bear in mind that the WTO case is a long, slow process. Whether it's at NAFTA or WTO, you're usually talking about years to get to a resolution. We have talked to the minister about this, and in a press release we issued in the last couple of days we called on the government to take all actions possible to address this. By this, we mean that intervention at the most senior level of government is going to be crucial right now. We have been assured there is going to be contact at that level by the government with the U.S. to try to address this directly.

We believe that the efforts of Secretary Vilsack.... As you pointed out, the timing of his decision was extraordinary, and what he has proposed is worse than what was previously in place. We believe there needs to be a strong message that it's unacceptable.

It is hard to bring a case forward until the rule actually comes into full effect, because we're dealing with the new final rule—although there's a de facto rule that becomes an argument, and you can build a case on that under WTO. We are gathering evidence as we speak to support the case, so when we hit that date.... Whether we will start to see the U.S. industry follow the voluntary guidelines is the \$60 million question.

The word from the National Meat Association to their members is that it will be impractical to do that, and they're not going to follow those new guidelines. The AMI has just said that they'll teach customers to decide what they're going to do.

We're going to be monitoring this over the next four weeks very closely. Unfortunately, one of the things they can do to meet the final rules and new guidelines is simply to handle U.S. product alone and not handle any imported product. That's another thing you have to

watch for when monitoring this, to see if companies that would have handled Canadian product are not handling Canadian product.

We're going to push for the strongest possible response. We are told that there is going to be senior intervention, but we'll be watching this closely as well. We appreciate the fact that you're taking a special interest in this.

John, did you want to say something?

Mr. John Masswohl (Director, Governmental and International Relations, Canadian Cattlemen's Association): I think you've covered all the bases there.

The thing is that President Obama said all the right things, and now we want to see those really occur. I think there's a role for everybody here. Both Canada and the U.S. had parliamentary and congressional elections in the fall, so there are people here, and there are new people there. We need to rebuild those relationships and take every opportunity to remind policymakers, whether they're in the administration or Congress, of the President's words, because he absolutely got it right. They just need to follow through and we need to press them. If we can avoid having these voluntary guidelines come into effect, we're better off avoiding them than having them come in and have to fight them.

The Chair: Mr. Atamanenko.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): Thank you very much for coming here on short notice. I really appreciate that, as all of us do.

We've all seen or looked at the National Farmers Union report on the cattle industry. By the way, I would like to thank you folks for responding to the report. It's good to have different points of view.

I'm not going to dwell too much on those reports. I have just one question. One of the main points the Cattlemen's Association talks about with respect to the reasons for the decline in prices is that the demand has decreased. That's an interesting point. I'd like you to comment on that.

I was elected in 2006, and ever since I've been here it seems that the cattle industry has been in crisis. My observation is that everybody has good intentions. Our minister is a farmer. Everybody wants to do the right thing, on both sides around the table here; nobody wants the industry to go down. But at the same time, my observation is that the system is not working. We're getting more of the same. We need some new approaches, and frankly I don't know what they are.

I thought today I would give you some feedback I have received from some producers on the ground and get your reaction.

We have a typical story. A gentleman in Stratford is saying he can't continue. That's it. He's not getting any money for cattle. His children won't be able to continue in the industry. It's a no-win situation. He's getting out. He's losing money.

A rancher in Keremeos, not far from where I live, is saying that he's forced to pay fees to the cattle development fund and the association's administrative expenses, but the cow-calf business is getting to be a nightmare. If it keeps going, most small producers will be out of business. Anybody with a mortgage will be walking away. No young people are going into the business.

We're all hearing these stories.

A gentleman from Moosamin, Saskatchewan, has written a letter saying the following. Right now he's getting roughly between \$400 and \$500 a cow. Before BSE the price was \$800 to \$1,200. These are cows that go the Brooks killing plant. At the auction at the Heartland stockyards in Virden, Manitoba, the maximum he is able to get is \$36 a pound. You're looking at \$360 for a 1,000-pound cow,

He goes on to say that in Minot, North Dakota, there are livestock commission auctions every Friday morning. The prices there are 10¢ higher on feeder and butcher beef. Here the price he can get is 38¢; there it's 60¢. The average price for butcher bulls is 80¢ there and 45¢ here. He says the cattle there don't appear to be as high quality as the cattle we have here, but the price is more.

He finished with two questions. Why isn't the Cattlemen's Association doing more to get cattle into the United States? Why aren't you doing more to cut this whole notion of captive supply we've talked about—it's in the report and the Americans are apparently starting to move on it—so we can regenerate the market?

I'll stop there. Hopefully you have some time to answer.

• (1145)

Mr. Dennis Laycraft: That's a fairly simple set of questions....

First of all, on the issue of demand and what happened, a number of us were very actively involved in the industry through the eighties into the nineties. There's an assertion that Cargill in particular coming in was the reason that a lot of smaller plants went out of business, but almost all those smaller plants had already gone out of business before the decision was even made to put a shovel in the ground. We saw a whole group of multi-storey plants that were antiquated leaving the industry during that period of time, and others, that were starting to build single-storey, double-shifting plants, beginning to develop.

As we headed into the late eighties, there started to be a very significant shift in demand that was health-driven. We also saw a very significant increase in poultry production and poultry consumption.

Now, it's interesting that since that period of time, we have seen a significant decline in demand for beef in Canada but a significant increase in both the growth of our cattle herd and the growth of cattle feeding in our country. You don't see both of those if you're losing significant money. In fact, we became the fastest-growing beef-grain-feeding region in the world during that period of time. It was driven by the fact that we were seeing enormous export success around the world, particularly in the United States as a result of the Canada-U.S. agreement. Then we gained a tariff advantage into Mexico. The U.S. and Canada were given tariff-free access while the rest of the world still had tariffs to go into Mexico. And we started to see access into Japan.

By the time we got toward the end of the nineties, we saw demand stabilize. There was a shift in terms of product focus on quality and how we marketed our product. In the last number of years, we've been going from crisis to crisis—a 50-year drought with Hay West, in 2002 the BSE, then 2003 was the highest our currency had been since 1954, and then the world economic crisis of proportions that some will argue we haven't seen in 80 years.

We don't like the fact that we've gone through all of this, but practically all of it was beyond the control of any "plan" or any other thing you could do. It's been one of the most remarkable periods in the history of our industry. The fact that we still have a large percentage of our industry coming forward and saying that we need to address the viability test.... The fact that they're still here to talk about the viability test is a strong testament to them.

What drives the price of calves up and down is the price of grain. If people want to start asking why, well, if we start to create policies around the world that artificially inflate the price of grain, we also need to start asking ourselves about the sense in doing that. We're going to see lower grain costs for a period of time. We're going to see lower fuel costs for a period of time. The question is how to get more value.

What happened a year ago is that you saw inflation in costs. At the same time, we hadn't seen a similar inflation in the value of our meat products. Now we've seen deflation in costs. Hopefully we haven't seen deflation in meat costs yet. What we have seen as a result of the crisis is a shift in the value of different products. We saw this in the eighties too. You started to see a manufacturing of lower-trim and less food-service sales, with a shift more to those products at retail.

No one's quite sure what to make of demand over the next period of time, but we believe there is an opportunity to get more value. We talk a lot about exports. We do that because those things are impacting directly on the value of each animal that's being sold.

As well, when we took a look at the impact of exports, for every additional dollar in improved value we got, we saw about a 67¢ improvement in live cattle prices. So for every \$100 that we could improve the value to our processors, if that historic relationship exists, we would see a \$67 return back to cattle producers. Right now they need higher prices to address their income.

• (1150)

The Chair: Thank you, Mr. Laycraft.

Mr. Lemieux.

Mr. Pierre Lemieux (Glengarry—Prescott—Russell, CPC): Thank you very much, Chair.

Thank you, gentlemen, for being here today.

Yesterday I was with the Ontario Cattlemen's Association, and certainly there are challenges facing the producer sector. One of the things I spoke to the Ontario Cattlemen's Association about was some of the work that Minister Ritz and our government has been doing to open foreign markets and to basically increase demand worldwide for our fine Canadian beef products.

I'd ask you to share your thoughts on the importance of foreign markets on the beef sector. Secondly, I'd also like you to comment on the National Farmers Union. They put out a report, which you're probably very well aware of, and in that report, just on exports, they made a comment regarding an export over-dependence. I wonder if you could answer both those questions.

The first would be based on your perspective and the perspective of the Cattlemen's Association on foreign markets and the importance of those. You did mention some of them: for example, Jordan, which had been closed to our beef for 10 years and now is open, Saudi Arabia, Hong Kong, Mexico, and we've got more chips coming up.

In the second part, could you also comment on that aspect of the NFU report that says that part of the difficulty of our cattle sector is related to what they would call an export over-dependence?

• (1155)

Mr. Dennis Laycraft: There were a range of things. When we analyzed it, I think it looked at part of the issue but not the whole picture, as we talked about demand and the ability to satisfy those customers around the world. I'm not of the opinion any longer that there's such a thing with globalization as a domestic or export market. You have larger or smaller industries. That's essentially what you face.

Every time an animal is processed in Canada you're going to get the highest value for that animal by exporting certain parts of that animal around the world. If we weren't exporting those products we would just get lower value overall. As I mentioned, whether it's the tongues, livers—I didn't get into the offals, but there are clearly markets around the world that pay a much higher price for those products than we do—skirt meat, flank meat, a whole range of those, having access to move where there is ethnic demand that creates premiums for those products is extremely important to the value of every animal, and more importantly to the ability of our processors to remain in business.

Again, I mention each day to get competitive bidding—and this is the whole question back to competitiveness and captive supply. We saw in Ontario when Moyer's started to process product again. Suddenly we went from about a minus 15, a negative basis, up to a plus 2 or plus 3 basis. That was about \$180 a head, because it became more competitive around the bidding.

To the question of getting those markets open and reducing some of the regulatory burden to go in there again, we believe that's extremely important. Every bit of that improves the value of every animal sold in Canada, and that really is going to be crucial to our future. So we strongly support every effort in moving ahead.

It's interesting. Last year we were taking a look at New Zealand and the emphasis they place both in their regulatory system and in their whole policy structure. Everyone you talked to, you could have sworn they had a pep talk about the importance of exports every morning, including their regulators. They're proud to go out and advocate their regulatory system everywhere. We have a constant struggle about whether a regulator can do that. Well, if we don't have good systems that we're prepared to brag about around the world, then we'd better make sure we do, and we're confident we do.

The U.S. may well be our largest market because it is the largest market in the world and we're the closest to it. Most countries are envious of our proximity. Is there more that we could do? I'm sure John has attended close to 25 meetings since September down there. We attend virtually every forum and we're in Washington every three to six weeks. We now spend close to \$1 million a year down there on advocacy.

Quite frankly, it's not going to be easy with the new Democrat-controlled Congress. There are a number of them who are more interested in obstructing trade. But we've also met with a number of others who don't feel the same way. We believe we can work with them, but it's going to take an extraordinary effort over the next four years.

Mr. Pierre Lemieux: Thank you.

I agree with you, and I'm glad to hear your comments about the importance of international trade for the beef sector and that it's an additional market or markets that increases demand.

Certainly an issue that comes up with international markets is the foreign trade agreements, international trade agreements, that we have in place. There's been talk about direct subsidies. Some people would like to see direct subsidies at a national level, a per-head payment program to livestock producers. I'd like to know what your thoughts are on the risks that might be posed with respect to NAFTA, with respect to WTO in terms of countervail risks, if a national direct payment subsidy was put in place.

Mr. John Masswohl: In our recommendations about business risk management and the approach to take, we certainly have not gone in that direction, other than at one point we were talking about an advance payment, a repayable advance payment, because, exactly as you say, countervail is a large concern for us, particularly for the number of cattle that we ship into the United States. As you go across the country, you hear people say we're too dependent. We hear other people say we don't have enough access, and you get it all the way around.

With the WTO agreements—I'm trying not to go too into depth on the WTO—you may have heard of these different coloured boxes—the amber box, the blue box, the green box. People will often talk about structuring a payment so that it's green and not amber. Amber is basically the bad subsidies, to put it simply. We try to avoid those, but all subsidies are potentially countervailable. We have groups like R-CALF and the U.S. National Farmers Union down there that watch the trucks very closely. The trucks all go through the same roads going to the same destinations, and that has sparked these groups like R-CALF, and they have brought countervail cases in the past.

We're quite concerned that this is going to happen again. If we have per-head payments, we run a very high risk that we could lose a countervail argument. Even having some of these ad hoc payments from time to time increases the risk that there will be a countervail complaint, and even when there's a complaint there's an investigation. It takes a long period of time to go through the investigation. Even if we win at the end of it, we'll have suffered many months of damage during the investigation because of the uncertainty that brings. So we definitely do try to stay away from these per-head payments.

We've advocated eliminating the viability test, making some changes as to how the reference margins are calculated. There are a number of recommendations in that regard. It's about trying to get a national program that works well for everybody across the country. What we've seen is, just over the last year, that Alberta had their program; Quebec has had a program for many years; we've seen an announcement today in Saskatchewan. Those are all temporary band-aids.

Fundamentally, we have to get to the underlying problems on this. I almost liken the situation to a patient who keeps getting sick year after year—it's a cold, it's the flu, it's bronchitis. Maybe there's a problem with the immunity system of this particular person. Why does this person keep getting sick? For us, our immunity system is having access to our international markets. Here we are, nearly six years into not having that access. I can guarantee that if we don't get these important markets open to us around the world, we'll be talking about a new crisis. I don't know what the crisis next year will be, but there will be one, because we don't have the ability to come out of it if we don't have access to our markets.

● (1200)

The Chair: Thanks, Mr. Masswohl.

Mr. Eyking, a five-minute round.

Hon. Mark Eyking (Sydney—Victoria, Lib.): Thank you, Mr. Chair.

Mr. Easter already alluded to the three initiatives the minister could be doing, and it's false, he didn't come through with those initiatives, so we know the failure there.

What also bothers me are the negotiations with Korea. We're still buying their cars, and they're not buying our beef products. I don't know why we're not being a little more heavy-handed with them. If they're buying U.S. beef, there's not much difference between a steer produced in Alberta or a steer produced in North Dakota, so I don't know why we're not pushing harder on that file.

You alluded to the fact that most of the problems cattlemen are having are weather-related. That's totally false, especially on the east coast. Our cattlemen back on the east coast are just not getting enough for their product.

I was talking to the new president of CFA yesterday, Mr. Pellerin, I think, from Quebec. He had 500 animals and he's going down to between 50 and 100. There's just no money there, and the graph will show you. When you look at the return in the last six or seven years, it says here the steer price as a percentage of retail price the farmer gets went from 24% down to 16%; that's a one-third drop from what they're getting on the retail shelf. When farmers send their cattle to

the market, they see the price they get and then they go to the grocery store and prices are going up, so that's the reality of it. That's why they're going out of business.

I don't know how you can allude to the fact that it's weather-related. I'm really concerned about your organization lobbying for the cattlemen. Why are you not pushing these guys a little harder on how come they're not delivering, and why are you not standing up for the farmers when you're dealing with the processors and the retailers?

● (1205)

Mr. Dennis Laycraft: First, we were talking about debt, and I said it was considerably exacerbated in areas by weather. The whole question of the current financial situation, as I alluded to, was a series of events that have created it, so I'd like to put that in proper context. In my mind it's important.

We recognize that improving the value that farmers and ranchers receive for their livestock is ultimately going to be the most important thing that will turn the situation around for producers across this country.

The various parts in there...there are people in New Brunswick who face very serious weather-related.... It doesn't mean everybody else has had an easy time either, and we don't want to create the impression that it's just purely weather-related. We fully understand and have talked about a whole range of things that have impacted on the ability of our industry to remain viable.

As we move forward we believe that concentrating on those things that can generate more value back, reduce some of the costs in our industry, and at the same time have adequate safety nets in place to deal with the current situation are all parts that need to be examined here. We've indicated we aren't satisfied.

I don't think you can put all that blame at the federal government's doorstep. We've been at a number of federal-provincial meetings, and a number of provinces have actively worked against the recommendations our industry and the pork industry have put forward. I think we need to find a better way of getting those various processes to work and address these real changes that need to be made. There's enough frustration to go around in terms of where the problem has been in fixing these programs. We've been advocating significant change for two years, and we are obviously frustrated when we see another provincial program put in place that creates a greater regional disparity across the country.

Hon. Mark Eyking: Yes, but back to the price they're getting for the product. If you were head of the chicken producers association and their return dropped by one-third, I would say your job would be in question to let that happen. How come there's not a big pushback from you guys to these processors killing plants and the retailers on giving the farmers a fair share for the product they bring to market?

Mr. Dennis Laycraft: First of all, in terms of the numbers that have been related there, we operate on the world market in what we receive. When you take a look at this—and it hasn't been easy, which is their assumption, that it's been a cakewalk—the question then is why are we seeing our processors operating at 70% capacity? Why have all the new entrants that came into business a couple of years ago now gone out of business? There isn't just a simple question of captive supply and their getting a much larger portion of this. There are regulatory and cost issues all the way through the entire value chain that need to be addressed. There hasn't been a single one of the producer-owned plants that's been viable, that's been brought forward on either side of the border over the last 10 years. There's been more rationalization. That's a reality that's occurred around the world in concentration.

What is going to be critically important to get competitive bidding—and I think at the end of the day that's the real issue here—is how we can maintain access to a sufficient number of plants so that every day there's active enough bidding that we're getting appropriate value back in terms of the finished product, the beef products and the other products, what they're worth from those animals. The great devaluation we've seen over the last three months is the price of tallow and hides. The beef product itself has actually held up fairly well.

That gets back to the question of how we reduce the cost going into the border and get rid of some of the uncertainty going into the border, because clearly, at this point in time, having access to those additional plants, they recognize, as was indicated earlier, that our cattle are some of the highest yielding cattle in the world. They like processing Canadian cattle. In our view, it is always going to get back to how to create enough competitive bidding around those cattle to achieve that.

• (1210)

The Chair: Thank you. Your time is up.

We'll move to Mr. Storseth.

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

I want to thank Dennis and John for coming. It's good to see you guys again. I've had several meetings with you. I have only five minutes, so I want to be brief.

First of all, I would like to set the record straight. You're absolutely right, we've had some very damaging weather out in the prairies. I know our member from Selkirk—Interlake has worked very hard with our minister to help out with the flooding in that area. I know guys in the prairies who've had some droughts. Minister Ritz has been on top of these things with some of the changes we've tried to make to our suite of Growing Forward products.

I'd also like to make another comment. I'm from Alberta. There's not another province in this country that is going to be able to match what Ed Stelmach has done and the commitment he's made to Alberta farmers with his per-head payment. But as John said, it's not the answer; it's a band-aid. It might be a little bit bigger band-aid than anybody else can afford, but it doesn't solve the real problems we have. I think you guys hit the nail on the head: competitiveness

and getting into other markets are the biggest problems we have with this industry right now. Would you agree with that?

Mr. Dennis Laycraft: Yes, we'd agree with that. As I mentioned, there are some regulatory issues, and we have a bit of breathing room that our dollar has given us. We'd better take full advantage of that as we speak.

Mr. Brian Storseth: I do want to talk to you about that. The parliamentary secretary has talked about the great work that Minister Ritz has done opening up new markets.

I would like, quickly, your thoughts on age verification and if your organization believes that will help our producers access more of these markets in the future.

Mr. Dennis Laycraft: We've always been a proponent of age verification. The only issue was whether it should be mandatory or whether we should try to encourage an environment for doing it and make sure the systems are ready for it.

Mr. Brian Storseth: But you are a proponent of it?

Mr. Dennis Laycraft: Yes, we are a proponent of age verification. And in regard to our beef advantage here, that's one of the conditions of being part of it, that producers will.

We believe that Japan is ready to move to 30 months. In terms of Korea, we are recommending to take Korea to the WTO. We would prefer that the talk about that will get them back to the table and we won't need to do it. But we need to get them off-centre, because they clearly are stalling right now, and that is a market where there is no excuse—nor is there an excuse in any of the other markets—to not open it up.

If Japan moves to 30 months, then that creates more supply than the under-20 months, but there are still other good reasons for age verification.

Mr. Brian Storseth: I'd also like to quickly comment on the WTO and filing the trade challenge that the minister did go forward with. I know he and Minister Day worked very hard in the back rooms to try to get some changes that we have been hoping to get.

Do you not agree that doing everything we can includes that action and trying to have a positive relationship with the U.S.? At the end of the day, if we have to go to the WTO challenge, whether we win or lose, our farmers are going to lose, because it's going to be five years before it's ever resolved and we'll never get all of our money back. Do you agree with that?

Mr. Dennis Laycraft: Absolutely, the more you can address it through good, effective negotiation and good relations.... The best dispute is one you prevent, and the next best is the one you can resolve quickly.

Mr. Brian Storseth: How much time do I have left, Mr. Chair?

The Chair: You have a little more than a minute and a half left.

Mr. Brian Storseth: I have many more questions for you. Competitiveness is the big issue that we have to deal with. Competitiveness talks about the Competition Act; it talks about pricing; it talks about, as you said, the value for dollar that our farmers get, whether they're buying or selling; and it also talks about the regulatory burden we have.

I have two questions. One, on the three deliverables that Mr. Easter talked about, if they were all solved tomorrow, would the industry be solved? Would we have no more issues if those three he was talking about were solved? Would we just be able to walk away from the table? Two, if not, would you agree we have to deal with the competitiveness issues as a priority, as I just talked about, the regulatory burden, the pricing?

Lastly, I'm sure you've seen R-CALF's and NFU's coalition. Could you just give me a couple of brief comments on that?

Mr. Dennis Laycraft: I'll take the first one, and I know John would like the pleasure of answering the final one.

Just simply addressing business risk management gives you the ability to get to where you can overcome these challenges. You have to create the right environment.

As producers look at this, they're asking those questions, too. As a young person, do I want to get into this industry, or do I still want to go out and feed cows every day or feed cattle every day in feedlots? They're looking at this as a long-term choice. When they can see the opportunity that we are going to improve competitiveness, that we are going to improve market access and the ability to compete and remove some of those barriers from them, that's going to make the main difference as to whether or not they keep those cows, whether or not they continue feeding. So absolutely, competitiveness at the end of the day is absolutely crucial to the future of the industry.

• (1215)

Mr. Brian Storseth: Thank you.

John.

Mr. John Masswohl: As we were preparing our response to the NFU report, one of the things we thought was that it's just an over-simplification of our situation. As we were thinking that, we were also thinking that it's very much like the R-CALF approach in the United States—over-simplifying what the market is, pitting one segment of the industry against another segment of the industry. R-CALF makes no bones that they believe there are only certain people who deserve to be in the beef industry. Then we saw that the Canadian NFU was invited to this meeting in Montana with a number of groups that are known to be of a certain philosophy that we just don't agree with, and a number of quotes were attributed to them that they have not denied, such as being allies with R-CALF, that R-CALF is not the enemy. It's very disturbing to Canadian cattle producers that we've spent millions of dollars fighting for our access in the U.S., fighting against these people, and to have people who claim to be interested in advancing the interests of Canadian cattle producers saying that these guys are our friends and we need to work with them is just beyond the pale.

Mr. Brian Storseth: I can assure you it's very disturbing to us as well having a Liberal agriculture critic as a huge proponent of the NFU policies.

The Chair: Mr. Storseth, your time is up.

Hon. Wayne Easter: On a point of order, Mr. Chair, I disagree strenuously with the NFU on that.

The Chair: That's not a point of order, Mr. Easter.

Hon. Wayne Easter: It is a point of order. I agree with what John said.

The Chair: No, it's not a point of order.

Order, please.

We'll move on to the Bloc, with Mr. Bellavance.

[*Translation*]

Mr. André Bellavance: Thank you, Mr. Chair.

No one can be against competitiveness; it is like apple pie. But the feeling I am now getting from the Conservative government is that they are trying to make it their trademark. They say that competitiveness is important and that they are going to do this, that and the other. But does it not actually harm competitiveness if our standards are not harmonized with those in place in the United States, our principal trading partner, particularly for specified risk materials, for example? We have regularly discussed this here and we have often asked you questions about it. I know that sometimes perhaps we are repetitive, but we really have no choice because the government and the Minister of Agriculture do not seem to be able to get it into their heads. On the new standards for specified risk materials, officials, and politicians on the government side, come here to tell us that it will all turn out fine and that, at the end of the day, our producers will not be penalized because the Americans are going to adopt the same standards eventually. But that is not so. We are losing \$40 or \$50 per head of cattle because of it. And, at present, we are in an economic crisis. Agricultural producers are not in their own separate box, they are not immune from the economic crisis. This is global, so it cuts into our market even more.

What do you think about that? It is always important, but, at the moment, is it not even more urgent to have standards harmonized?

[*English*]

Mr. John Masswohl: I was making a little list of some of the issues.

With the economic situation we're in right now, people are not buying cars, they're not buying shoes, they're not buying furniture, they're not buying things made with leather. That, right there, has reduced the price of cattle by about \$30 to \$35 a head on the price of the hide.

Also, on not having access to markets, we're not selling. Every animal has a liver and a set of lungs, and those aren't going to the markets that value them most. That is costing about \$80 to \$100 a head.

On the costs of the enhanced feed ban, which is not harmonized with the United States, depending on what type of cattle and on what part of the country you're in, the cost is anywhere from \$10 to \$50 a head.

Country-of-origin labelling is costing us about \$90 a head, and then there are other regulatory issues.

So easily, just with those items, we're at somewhere between \$250 and \$300 a head. Compare that to a per-head payment, which is sort of a one-time shot of \$40 or \$100 a head. It doesn't compare to getting your regulatory costs in order, getting your markets back, and getting your regulations harmonized, and to the economy returning to where people are buying leather and all those sorts of things.

We're much better off getting an additional \$200 to \$300 per head than we are getting a government payment of a fraction of that.

• (1220)

Mr. Dennis Laycraft: Yes, absolutely, the more we can do on harmonization with the U.S. and reducing those transactional costs.... Our prices are hinged directly to U.S. prices. Every time you add a transaction cost or a different cost, it costs the Canadian cattle and pork industries, but in this case, when you look at the feed ban....

But I also want to come back to the tolerance issues, when we're looking at the symptomatic issues underneath, which don't necessarily stand up when you look purely at harmonization. In the U.S., for instance, they're creating a tolerance whereby they can vacuum out the brain as part of their procedure. In Canada, we don't have that tolerance. We have to condemn the whole skull. So suddenly we still have another 25 to 30 pounds of additional material that they don't in the U.S., all because of a tolerance difference between the two.

You have to get back to that solutions-based approach: does doing this actually achieve anything more than doing that? That's why, first, it's the firm principle of harmonization, which we in the round table agree with, but secondly, it's back to how you put in place appropriate tolerances and looking at what the actual outcome of doing that is.

[Translation]

Mr. André Bellavance: Have you already...

[English]

The Chair: You have 10 seconds left.

[Translation]

Mr. André Bellavance: Have you already looked at the cost of establishing SRM standards since they have been in existence? Have you also looked at the costs that can be attributed to the fact that the United States does not have the same standards?

[English]

The Chair: Could you answer that quickly?

Mr. Dennis Laycraft: I've got a person who sort of concentrates on doing that. We could produce some information on the differences in standards.

The Chair: Thank you.

I'll turn to Mr. Richards.

Mr. Blake Richards (Wild Rose, CPC): Thank you, Mr. Chairman.

Thank you to the witnesses for being here today.

Certainly in my short time as a member of Parliament and as a member of this committee, I know you've put out a number of very good studies and reports that have been very helpful to me, and I know to other members of the committee as well. And I certainly appreciate all the hard work you do on behalf of Canadian beef producers and cattle farmers. Again, thank you for being here.

I want to go back to some of the points that have been talked about a little bit previously, but also talk about market access one

more time, because I think that's a very important point, something I know our government is working very hard on. I think we've had a lot of very positive results. Certainly, our minister has done a lot of good work there. I certainly get the sense you would agree with these comments.

I think it's important that here in Canada we can't be as reliant on the American market as we have been. We have to look at other markets. Just to make sure I'm clear on that, would you agree with these points?

Mr. Dennis Laycraft: Yes, absolutely. In fact, I was one of the people who helped create the Canada Beef Export Federation in 1989, to diversify. It's been a constant effort. That said, market forces still make the U.S. important, but these other markets are where you can add tremendous value as well. So we believe it's really almost a symbiotic type of relationship. You get the best of every market, to get the type of returns we need to survive.

Mr. Blake Richards: I appreciate that.

Now I want to go back to some of the points our Liberal opposition has made, because I think there are some fundamental differences in the way our government, the Conservative government, looks at the situation and the way they look at the situation on the other side.

Mr. Easter asked you a direct yes or no question on a few points concerning some deliverables, whether they had or hadn't been done. He asked you a direct yes or no question. Well, I'd like to do the same, ask you a direct yes or no question.

Would you say that these points of market access and competitiveness for the industry would be more important than the points the Liberals have raised today, yes or no?

• (1225)

Mr. Dennis Laycraft: Yes, long term.

Mr. Blake Richards: Okay, thank you very much for that. I appreciate that.

I want to move on to another line. It was touched on a little bit briefly: young farmers and the future. I want to, again, ask a pretty direct question. Do you see a future for the cattle industry, for young farmers just getting started?

Mr. Dennis Laycraft: Yes, we do. We see growth in beef demand, and we believe if we are able to address competitiveness issues, we will remain one of the largest exporters of beef in the world. But it will be built around our ability to produce and sell beef, not just in Canada but around the world.

Mr. Blake Richards: Great. Thank you.

What would you say would be the single most important thing we can do to help ensure that future for young farmers? Would you say it is looking at the competitiveness issues, looking at the market access, or is there something else you can point to as well that's important to help ensure that future for young farmers? I have a real concern for the future of farming, for our young farmers, and I want to make sure we're doing everything we can to address that. So any advice you could provide there would be very helpful.

Mr. Dennis Laycraft: Competitiveness is never simply one or the other. It's a whole range of things you have to do. We have to create an environment where we attract the right investment as well.

I take a look at what we are doing in terms of research and having access to new technologies, and we're one of the world leaders in biotechnology. Personally, I'm concerned right now about that whole industry. They depend on venture capital, and you ought to try to get venture capital these days. They seem to be being ignored right now in all of these discussions, and yet a lot of the significant improvements we're going to see are going to come out of things like genomics. They're going to come out of things like our Canadian Beef Advantage, where we start to develop and use these new tools more effectively.

Regulations and the changes in the environment help, but there are things that we as an industry need to do that will position ourselves stronger. It's not just traceability and it's not just age verification. They're important, but when we use these tools and do things differently and better, as an industry, we can continue to maintain a lead in genetics, a lead in quality, and a lead in safety over the rest of the world.

The Chair: You have a little bit of time left.

Mr. Blake Richards: Okay, great.

Maybe I'll just quickly address, then, the topic of COOL. We haven't really talked a lot about it today, but it has been brought up. Certainly there have been some developments in that area over the last couple of weeks.

I'd like to hear your evaluation of this voluntary labelling that the Americans are now asking for and are going to be evaluating. What do you think the impact of that will be? Are we better off with that than we would have been without any changes at all?

I know certainly we were looking at a serious negative impact on the Canadian industry prior to our government pursuing our action and the changes we were able to negotiate with the Americans, but of course now, with these changes being made by the new administration, what impact do you see? Do you see an improvement here over what could have been had we not been able to pursue any changes at all?

Mr. John Masswohl: About a dozen U.S. packing plants, fairly large packing plants, are important for us to send our Canadian cattle to, whether we send them as feeders to get finished in the U.S. or feed them in Canada and ship them for immediate slaughter.

When COOL came into effect, we lost access to about two-thirds of those facilities. Basically, the companies in the U.S. determined that the easiest way for them to comply with COOL was just not to take the Canadian cattle at certain facilities.

For example, Tyson, which had been taking Canadian cattle at four different facilities, said three of the four were not taking them. They'd take them only at Pasco, Washington. They'd only take them two days a week, and they were going to drop the price on them. That was their company strategy to deal with the logistical complexities of having to keep cattle separate, to label different meat with different origins.

JBS did the same, and other facilities did similar things.

One of the things we were pleased to see after the WTO consultations took place was that the Americans agreed that they had created a structure where Canadian cattle fed in the U.S. had an advantage over Canadian cattle fed in Canada. They said, "You can take those two different groups of Canadian cattle, commingle them, and label that beef all the same."

That's what came out in January and caused the government to say, "Okay, we'll suspend the case until we can evaluate how the market responds to that." In the discussions we had with the companies in the U.S., Tyson, for example, said, "You were at four, and we dropped you down to one plant. We're going to start taking them at two more plants." So now we're back to three out of four plants, and the fourth one is related to the Korea issue that Dennis mentioned earlier.

That was a very positive development for us. We had been losing \$90 a head because of the situation since September. We felt that this was going to get us a chunk of that \$90 back, but we won't know until we see how the market reacts.

With what the secretary has done last week, he has said that rule can come into effect, and it will come into effect on time, on March 16. That's positive. That's a good thing. But at the same time that he was giving with the one hand, he was taking away, potentially—potentially is the important word—with the other by saying, "I want companies to voluntarily, on every package of meat, show where it was born, where it was raised, and the country where it was slaughtered." By doing that, he's effectively causing all the cattle to have to be segregated again. The only way companies can comply with that is probably back to the strategy, and even worse than the strategy, that they weren't taking Canadian cattle at certain facilities.

Our response to the government definitely has been that this is very negative. It's worse than it has been. We have to use all actions, including getting right back to the WTO, if that's what we need to do.

The words I take from the minister are that he's evaluating this day by day; he's having discussions with his counterparts, and officials are doing the same. I think there's a role for members of Parliament to talk to congressmen as well.

The catch in there is that if these changes are implemented and the negative consequences do occur, we're right back at the WTO. So it's important to have that thread to try to prevent that from happening.

● (1230)

The Chair: Thanks, Mr. Masswohl.

Mr. Valeriote.

Mr. Francis Valeriote (Guelph, Lib.): Thank you, Mr. Chair.

This question is for either Mr. Masswohl or Mr. Laycraft.

I come from a community in which there is a large meat processing plant—Cargill. This plant provides a lot of jobs to the people in Guelph.

I understand the government is taking the need for an increase in slaughterhouse capacity quite seriously, to the extent that they have proposed to invest another \$50 million in the next three years to increase slaughterhouse capacity in various parts of the country.

This is the fourth program that has been implemented to increase slaughterhouse capacity since 2004. Yet there are media reports that suggest that some small slaughterhouses that receive government assistance actually had to shut down following the BSE crisis when the borders were reopened.

Could either of you enlighten us a little more and give us your opinion about slaughterhouse capacity and whether these strategies to increase capacity have been successful thus far?

Mr. Dennis Laycraft: We have certainly increased capacity, so from that point of view they were successful.

Early on, back to 2006, we raised concerns about the competitive burden on Canadian packers, whether it was the enhanced feed ban or other issues that would put them at a competitive disadvantage when the border fully opened to U.S. plants. Many of the plants you talked about—Natural Valley Farms, Rancher's Beef, or Blue Mountain Packers in British Columbia—have all gone out of business.

A number of the large plants have certainly expanded and modernized their operations. The plant you referred to in your riding, as far as I know, is still operating on a single shift; it's capable of a double shift. Last year we exported 1.5 million head of cattle. We want to create an environment where it's more competitive to process those cattle in Canada. That gets down to the cost of their production. Again, if they're making a huge amount of money, there's no reason that many cattle would be going south. We need to improve their ability to maximize returns. We have a carcass optimization strategy that looks at a whole range of things to achieve that. Once we're able to bring those costs into a similar range as the U.S., and while the dollar had pushed labour... We're starting to see that correct as we speak.

One of the things the government did do, and we have been working on it for a number of years, is to pull in more workers from other countries. We're beginning to work quite effectively with those programs and we've overcome a labour shortage. Talking about labour shortages seems to be a world away right now. But those things helped.

It's going to be critically important that we make sure we've addressed the competitiveness issues. You could keep building more plants, but it would be difficult to sustain them if we haven't addressed those issues.

There are certain regions in the country that are looking at capacity, and we have to make sure we give them a fair opportunity to survive.

●(1235)

Mr. Francis Valeriote: From some of the reading I've been doing, I understand this captive supply arises in the context of the cattle sector, which is referring to practices whereby beef packing corporations own or control cattle on feed and finished cattle—in effect feeding themselves the cattle they need. I am curious about the degree to which they are allowed to manipulate the price that farmers are receiving by holding cattle in their own pens. Does it create a stress on the prices farmers receive? In your opinion, what if anything should be done about that?

Mr. Dennis Laycraft: It gets down to a market power question. We analyzed this a number of years ago. It changes if we have access to a large number of U.S. plants bidding, because then the market power is quite different from when they don't.

Captive supply is one of those things where there are good things about it and there are things that aren't good. If you happen to be one of those people who is on a formula system and developing contracts where you are able to forward-price your cattle because you're on a grid and you produce them to certain specifications, to be honest that's the type of innovation we want to encourage.

From time to time they will own more cattle on feed. If you happen to be the custom feeder who's doing that work and keeping your feedlot full, you'd be doing that differently from the person who is selling cattle the same week they're pulling cattle out of the pen.

It's never a completely simple question. The big debate in the U.S. when we went through this is that they would essentially be taking billions of dollars out of the ability to put cattle on feed if they limited packers from owning cattle.

I think the question always gets back to how you make sure in that environment that you can effectively create a competitive bidding environment. Certainly the rationalization we've seen in the packing industry is to make sure we have U.S. plants bidding actively at the same time as Canadian plants so no one plant is able to exercise over-influence on a market.

The Chair: Mr. Shipley.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you, Mr. Chair.

Thank you for being a part of this.

First of all, I want to apologize that you were only given 10 minutes to present. When the NFU comes next week, the opposition agreed to give them at least half an hour to present. That wasn't the direction from here.

I have four questions to lead off, if I might. Dennis, you mentioned at the start of your presentation that some of the provinces were working against not only the commodities but the federal government in terms of the federal-provincial negotiations. What provinces would those be? Could you help us with that?

Secondly, in the province of Ontario they've brought in the unionization of workers. You just talked about workers from other countries coming in and working at our plants. We know that in the processing plant, as much as technology has come in, those jobs often are still a high-labour job and many workers come in from other countries. I'm wondering if you would have a comment about how that affects our competitiveness, or might. Maybe you don't know that just yet.

Third, I always want to go back to exports because we've talked so much about them. As you mentioned earlier, the success of the industry and the open market business is having access to markets. You mentioned earlier how we're the largest exporter of grain-fed beef in the world. I wouldn't mind having a comment about the opportunity you've seen or that we may have to expand on that particular one because of the high use of the beef we produce.

It was interesting to hear your comments about some of the costs we have. John, you mentioned we may be out \$250. I don't think I comprehended how much the auto industry likely affects the beef industry, because very few vehicles do not have leather in them, or leather seats, or panelling and what have you. So I would like to have some thoughts on that.

I was struck by the amount. You said there's \$82 at least per head, as an average, if we don't get these markets open; these are the ones we're talking about now. I would like clarification on that, a lot of things...and help me understand that getting to the bottom line where it works is not about one bite. If you're going to eat the elephant, I've always said, you have to eat it in a few bites, so obviously the markets and the expansion of....

When I talk to people in Canada, consumers, about the animal, when we kill an animal, what we eat in Canada and what we consider to be prime parts of the animal in Canada, there are certainly prime parts of the animal we don't eat. We can't comprehend, we likely wouldn't want to think about it, but they are a delicacy in other countries. So I think it's always about the market and being able to expand that.

Fourth, you have a market development council report of a sort. I apologize for not having the name of it. I don't know if you could expand, because I'm not sure everybody comprehends what might be in that report and its value.

Thank you, Mr. Chairman.

●(1240)

Mr. Dennis Laycraft: Federal-provincial meetings are an interesting process. You appear and then you leave, and then they discuss after you've left, so we get feedback from a number of sources. I can tell you where we've had support. I believe we've had good, strong support on moving forward from government in Saskatchewan, interestingly enough, and from there the support has declined throughout the country. We've been questioned on any number of occasions about the future of the industry, period, from some parts of the country. We've heard from many of them that they can't afford this. For a variety of reasons they felt they wouldn't make changes that would make those programs important.

I was asked earlier if this was more important than this. All these things are important when you're trying to survive to address these problems. Business risk management programs are very important in the short term. They are intended to give you breathing room while you get through difficult circumstances and move forward. We're going to continue to try to push in each province to get more involved in this. I don't know that much, sorry.

Mr. Bev Shipley: Sorry to interrupt, but I'm from Ontario, so I wouldn't mind having a—

The Chair: Your time is up, Mr. Shipley.

Would you answer briefly, Mr. Laycraft?

Mr. Dennis Laycraft: As far as Ontario goes, I'm not sure yet of the impact of that. It's not just bringing in foreign workers. We've been able to bring in very good, skilled foreign workers from these countries. Meat plants aren't the easiest places to attract people to. We often sort of joke that we wish that when they're deporting people from the U.S. we could set up a recruiting station there, because they have people who are really motivated to work and are very skilled at doing it.

Let's not kid ourselves. There still is this bulge, but we're going to see a decline in employable people in the near future. What we're going through right now is not a long-term circumstance in terms of employment, in our opinion. We are going to see that available group of people to employ, as the baby boomers age, change here shortly. We have to think about this more long term than the next year or two.

As for exports, we've talked a lot about how we maximize those dollars. I didn't talk about the WTO. In our opinion, beef is one of the highest protected products in the world as far as tariffs go. The study by the George Morris Centre talked about there being the equivalent of about \$100 a head on the table there as well. It's going to be hard this year, but I think that as we move forward, we still believe it's crucial that we get an ambitious outcome there.

I'm sorry, what was the final question?

●(1245)

The Chair: Bev, your time is up.

We'll move to Mr. Hoback.

Hon. Wayne Easter: Excuse me, Mr. Chair, are we going to have time to deal with these motions?

The Chair: Yes, I'm hoping to. We still have 12 minutes left that are being eaten away.

Mr. Hoback had a question.

Mr. Randy Hoback (Prince Albert, CPC): Thank you again, Mr. Chair.

I'll be very quick, Wayne, so don't worry.

Again, we've seen a lot of information, and you've reconfirmed that the minister has been doing a bang-up job trying to address the needs of the industry. He is not just putting a band-aid on it but is actually trying to put the proper infrastructure underneath it.

What I'd like you to do is maybe just summarize what you've told us today and prioritize what you think would be the best thing for this committee as a whole to address.

Mr. Dennis Laycraft: Clearly, put the energy and resources into the trade secretariat, which the government has announced is moving forward. When you look at the ability of countries to negotiate, Australia and New Zealand have done some extraordinary things. I don't know how many of you are aware, but last year New Zealand was able to negotiate trade agreements with 10 Asian countries, representing close to 2.5 billion people. Talk about punching above your weight.

We believe that we clearly have the capability to greatly enhance this. It should be a legacy of the problems we've gone through that we become the world leader in that area. We have to tackle a number of the regulatory issues immediately. With the threat of our dollar going up, which I believe is a real threat, now is the time to address them. That became painfully clear a year ago.

We need to fix the business risk management programs. We continue to face the continual problems. It's not just the beef industry; it's Canadian agriculture over the last number of years. We're going to move forward with our efforts on the industry side with a plan, and it's largely built around solutions. We'd like to answer the question of how we move forward with a global marketing strategy that gets the highest value for every single product we produce. It might surprise people to know that right now, today, the top priority with respect to China is tallow. Tallow fell from \$800 a tonne to \$200 a tonne. Yet we can't get tallow into China, which is the largest market for tallow in the world. That is our top priority for that market. So it's beef and other products that could realize some immediate returns back to the industry.

Is there anything I overlooked, John?

Mr. John Masswohl: No. I think that as we go into what the priorities are in each market, they will be a big part of this market development plan.

The Chair: Okay.

Thank you very much, gentlemen. I appreciate your coming in. As always, it was very informative. I appreciate your time, and I'm sure that we'll see you back here at some point in time. Thanks again.

We'll move on. I have three notices of motion that were indicated at the last meeting. The very first one given was Mr. Hoback's. Do you want to read your motion into the record?

Mr. Randy Hoback: Sure. Thank you, Chair.

My motion is that the committee travel to western Canada to meet with representatives of the Canadian Wheat Board and other professionals to investigate the CWB's substantial losses in commodity trades over the last two years, despite the windfall in crop prices.

We also have it in French.

The Chair: Is there any discussion on the motion?

Ms. Bonsant.

Hon. Wayne Easter: Yes, there is.

The Chair: Ms. Bonsant has the floor.

• (1250)

[Translation]

Ms. France Bonsant (Compton—Stanstead, BQ): Mr. Chair, I am new to the Standing Committee on Agriculture and Agri-Food, and so I am interested in finding out how it works. It seems a little problematic and irresponsible to move a team the size of this committee, given the economic crisis that we are going through at the moment and the possible costs of the trip. But I am sure that we need to understand what is happening at the Canadian Wheat Board. Would it not be more responsible to invite people from the west, the president and the administrators of the Canadian Wheat Board, to come here? We have all our interpreters and our clerk right here. The Conservatives are always talking about taxpayers' money. I think that it would be better spent inviting people from the Canadian Wheat Board here rather than having us travel out there.

[English]

The Chair: If I could comment on that, Madam Bonsant, my understanding is that the reason this was suggested is that we had an invitation from the Canadian Grain Commission to come and visit their facility. Of course, you would have to go there, if that was the committee's wish, in order to do that. Also, the subcommittee, which is investigating listeriosis, thought there might be a good chance to also visit a Maple Leaf plant that is in Brandon, when we're in the area. So I throw that out there, and I'm not speaking for or against, but that was the rationale behind it.

Mr. Easter.

[Translation]

Ms. France Bonsant: Agreed.

[English]

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

In the beginning, Mr. Chair, we believe it's important certainly to review the Canadian Wheat Board and establish the facts. There is no problem there.

But Mr. Hoback's motion is I think questionable in its factual interpretation in and of itself when it says, "substantial losses in commodity trades over the last two years, despite windfall crop prices".

Mr. Chair, I would like to go to the Wheat Board report, because I think we need to look at both sides of this issue. This sums it up in its entirety, Mr. Chair. The *Melfort Journal* had an editorial in it that really deals with this issue, and it starts off with, "Ritz fails to be objective on CWB". This is a serious matter. Mr. Ritz, the minister, is minister responsible for the Canadian Wheat Board, and the parliamentary secretary is David Anderson. This is what the article says, and I quote:

Last year, the CWB registered \$7.2 billion in returns for Western producers, a year that saw nearly a 50-per-cent increase in wheat revenues and nearly a 100-per-cent increase in barley and durum revenues from the previous year.

Simply put, the board outperformed its international competitors, an outstanding performance that should be recognized even by the board's most strident critics.

Mr. Chair, I think it's important to note that.

When you go to the financial records, which are in the Canadian Wheat Board, and the minister has these.... I'm certain the parliamentary secretary has these. I would think that the members opposite have these. When you go to the Canadian Wheat Board financial statements—not their annual report, but the financial statements—and turn to the auditor's report here, I would refer committee members to page—

The Chair: Mr. Hoback on a point of order.

Mr. Randy Hoback: Again, I appreciate all the background information, Wayne, but the idea of the trip and the motion is for us to go and explore that document. I don't think we need to explore it in front of the motion.

Hon. Wayne Easter: No, that's not a point of order, Mr. Chair, and the reason—

The Chair: Would you stick to debate on the motion, Mr. Easter?

Hon. Wayne Easter: I am, Mr. Chair.

The fact of the matter is that the minister provided information to the House, and it was only half the story. So if you go to page 4 of 6 in the auditor's report in the annual report, you'll find the audit shows that the Wheat Board did \$1.8 billion better than the previous year.

Let's turn to the contingency fund, Mr. Chair, which this motion deals with specifically. I want to quote on the contingency fund. On page 19 of the notes to the financial statements, just to help you find them, it says the act provides for the establishment of a contingency fund. The contingency fund regulation provides that “the balance of the fund cannot exceed \$60 million. Pursuant to the Act, the Fund balance can be negative; there is no limit specified.”

Now, Mr. Chair, I read that into the record because, as has been explained by the Wheat Board at their district meetings, the contingency fund is there for a purpose: in firm language, to work something like an operating capital or an operating fund. So it's transparent. It's in the audited financial statement. It's doing its function. And for the minister and his parliamentary secretary to go on a smear campaign.... I would hope the member for Prince Albert is not participating in that.

So Mr. Chair, before we consider this motion, I believe we need some answers from the parliamentary secretary and the minister.

● (1255)

The Chair: Mr. Easter, you're getting into another issue. We have a motion on the table, and you're either speaking for or against it.

Hon. Wayne Easter: I am speaking; I am speaking to the motion, Mr. Chair.

The Chair: Well, stick to the motion. No, you're not.

Hon. Wayne Easter: Yes, I am.

The Chair: I'll decide that.

Hon. Wayne Easter: What we need to know is this. When was the minister apprised of these losses in the contingency fund?

The Chair: Mr. Easter, you had a chance to ask the minister that. You're off topic. We're discussing the motion. You're asking

something totally off the motion. That's my ruling on it, and my ruling is going to be final on it. If you want to speak to the motion, do so.

Hon. Wayne Easter: Okay, Mr. Chair. Yes, I'm speaking to the motion, and these questions need to be asked, Mr. Chair, so I'll move it this way. I will table these questions with the committee, Mr. Chair, and I will move a motion to table this motion of Mr. Hoback's until such time as either the minister and his parliamentary secretary appear before this committee and answer these questions or answer them to us in writing, because we need some answers.

For the minister to say in the House that farmers asked him to do it.... Farmers never had the annual report until such time as the minister has tabled it. So there are a number of questions here, and I'll table them with you.

The Chair: I believe there is no debate on a motion to table.

Okay, a point of order.

Mr. Brian Storseth: As you have already discussed, on a motion to table there is no debate. Furthermore, you can't add an amendment to a dilatory motion—

The Chair: I was about to say that as well, Mr. Storseth. Thank you.

So we have a motion on the floor to table this motion. I'm going to call the vote.

A point of order.

Mr. Pierre Lemieux: There's already a motion on the floor, and the motion is Mr. Hoback's motion.

The Chair: It is, but a motion can be brought forth, Mr. Lemieux, to table that motion, and there is no debate on a motion to table another motion. That's the ruling.

Mr. Pierre Lemieux: Explain that again. I'm not able to follow that. There's a motion on the floor—

The Chair: There's a motion on the floor. Then we had a motion to table that motion, and the rules are that there is no debate on that motion, and therefore I'm calling the question.

So I call the motion. All in favour of the motion?

Mr. Randy Hoback: Who wins here? Farmers or you?

The Chair: Order, please.

[Translation]

Ms. France Bonsant: Is that your motion?

[English]

Hon. Wayne Easter: My motion, Mr. Chair—

The Chair: You cannot add the amendment part, and your motion will be to table it.

Hon. Wayne Easter: But I want it understood that my motion is to table until we have some answers from the minister, for which I will give you the questions.

The Chair: That would be a separate issue altogether.

We have a motion on the floor to table Mr. Hoback's motion, period.

All in favour of that motion?

(Motion agreed to)

The Chair: We move on to the next notice of motion, and it's a motion actually seeing it as—

Hon. Wayne Easter: A point of order, Mr. Chair.

I raised some conditions on the tabling. Are you going to allow those questions to be provided to the minister so that we can get some answers on what and when he knew and whether he's talked to the Wheat Board or not?

The Chair: If you want to put that forth as a motion for the next meeting, then you do so, Mr. Easter.

Hon. Wayne Easter: I will then.

The Chair: Seeing that it's one o'clock, we will continue the discussion next time.

The meeting is adjourned.

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