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—
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Mr. Larry Miller

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•(1105)

[English]

The Chair (Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC)): I call the meeting to order. I apologize for being a minute late. I should have checked my schedule. I went to our regular meeting place.

I'd like to thank all of our witnesses today.

I would invite our other witnesses to join the table.

With no further ado, we're going to turn it over to the NFU for their report.

Is there a point of order?

Hon. Wayne Easter (Malpeque, Lib.): Mr. Chair, I don't know if it's a point of order or a point of information.

I understand that debate on Bill C-13, the Grain Commission act, could start right away. Some of us may have to leave if that's the case. I certainly will.

The Chair: It'll probably be up to each individual.

Hon. Wayne Easter: It is an agriculture issue and it will be coming to this committee.

The Chair: Yes, I'm quite sure it will be.

Mr. Robertson, are you starting?

Mr. Grant Robertson (Board Member, National Farmers Union): Thank you, Mr. Chair.

Before I start, I just want to express my personal absolute delight at being able to address you as the chairman of this committee. For those who don't know, the committee chair's riding starts at the back of my fence.

You're also my mother's MP and I know she'd want you to treat her darling little boy quite nicely while he's in Ottawa.

Voices: Oh, oh!

The Chair: I always treat everyone here very nicely, Mr. Robertson.

If I may, colleagues, I've thanked all the witnesses for being here, but I should recognize that Ms. Haley is here by video from western Canada.

Welcome to you as well, Ms. Haley.

Please go ahead, Mr. Robertson.

Mr. Grant Robertson: At the National Farmers Union, we got to the point where we were starting to ask the question, what's happened in beef? What's going on? One of the things that occurred when I started quite near the chair's riding, at the back of my farm, was that I was walking up one day from having fixed some fence back there after a bad thunderstorm and it was knocked down, and we're on kind of a little ridge, and I was looking down over our cattle. It occurred to me that if my grandfather had had a herd the size that we have, he'd feel that he was doing pretty good for himself. What I had to do was hurry up because I had to get cleaned up and get to my off-farm job so that we could pay the bills on our farm. It struck me that something had gone wrong, and that started a general discussion in the NFU about the situation in beef. What's happened, and why are we at the point we're at?

One of the things we did, and I'll refer you to the first graph in our handout, is we wanted to look at what has happened with pricing over time. The graph that you're looking at is a graph that has never been done before in Canada. It looks at pricing adjusting for inflation, or purchasing power. To explain purchasing power, I'll go back to my great-uncle Bill Engel, who was in fact a constituent of the chair, living in Elmwood. He lived to be almost 100 years old. He used to say that when he was a young man he had to work a hard day's work to afford a pair of shoes. That would be about enough to buy a pair of shoes. It's pretty much the same now: a good hard day's work is what it takes to buy a pair of shoes. Even though the amounts of money have changed, the purchasing power has remained the same. But that's not true in cattle.

When we did this graph, we found that there were three distinct periods. We started in the midst of the Great Depression and moved it right up to the present day. You can see there, and I'll refer you to it some more, three distinct periods during that time. All of this is, again, adjusted for inflation so that a price of an animal in 1936 is equal to a price of an animal in 1986 and 2006, so we could compare apples to apples. We thought it was important to do this analysis because we really haven't been talking about these kinds of issues in this way in Canada, about really what has happened to the pocketbooks of farmers.

I'll be honest, we ran this graph a bunch of times because we didn't think it was right. We didn't trust our own data. It just seemed too easy that it would break out this way. We were expecting that you would have the BSE situation and then we would see the decline from there. We approached this with no agenda. We just wanted to find out. We had no preconceived ideas. So we have three periods, and we're going to talk about that.

We have the period of the Great Depression, and you can see there where prices are basically running from quite a low to around just a little bit above around \$150 or \$140 a hundredweight. Then you have a period of relative stability in there from 1942 to 1989. Prices rise and fall; you have some peaks and some valleys; you have foot-and-mouth in there, which causes a big drop. But basically they run in this channel, and you can see where we've highlighted it across the top.

Then in 1989 something changes, and you start to see that the normal range now becomes less than what the lowest part of the normal range was, so even the highest of our new normal is below what was the lowest of the old normal. Then we started looking around at what happened in 1989 and where we went from there.

• (1110)

Mr. Fred Tait (Board Member, National Farmers Union): As Grant said, when we first looked at these numbers we anticipated that we'd done something wrong, because we did not perceive 1989 as being a turning point in our economic well-being, but indeed, that's what it shows.

What happened in 1989? There were some major events that we think are related. First of all, Cargill came to Canada and opened its large plant in Alberta. With Cargill's entry into the beef-packing industry in Canada, it rearranged the whole industry into a whole different structure. There were things happening immediately. Companies started to fold in this new regime. Companies that were there pre-1989 were gone. We lost Burns, we lost Swift Canadian, we lost Intercontinental, and so on. And in Alberta alone, where we had 17 federally inspected plants, we've ended up today where we're down to just three. We had plants that previously were killing a maximum of 2,800 cattle in a week, and now they kill 28,000. This is the way the industry was restructuring itself at the processing level.

Today, in Ontario alone, the restructuring during the past three decades has moved Ontario from 17 medium-sized federally inspected plants in 1974 down to seven plants, and now down to even fewer.

We also had Iowa Beef Packers move into the system, and they took over a plant that was later sold to Tyson.

So that whole structure changed.

We also had the Canada-United States Free Trade Agreement come in, which reorganized the way cattle were traded in North America. Rather than an east-west Canadian supply system, they went to a continental, integrated system. Exports became the buzzword of the time. We had to ramp up production to meet exports, which was coupled with the corporate concentration that was massively effective during that time.

Another thing that was introduced during the same timeframe, of course, that hadn't been here before, was the U.S. captive supply, where packers owned or controlled large volumes of cattle. It has doubled since 1989, and this also happened in Canada.

If you turn to page 7 in the pamphlet we have given you, what you see in that graph is what the Canadian packing industry looked like on Friday morning of last week. We had three major players: Tyson, Cargill, and XL Foods. XL Foods is owned by Nilsson Bros. Group. These three companies had 80% of Canada's overall slaughter capacity, but they had 95% or better of the finished cattle slaughter capacity.

On page 8, it shows what that graph looked like at three o'clock on Friday afternoon, with the decision of the Canadian Competition Bureau. We now have two packers, Cargill and XL, that control 80% of the overall capacity and somewhere between 95% and 98% of the fat cattle slaughter in Canada.

If you look at page 9, you'll see a similar situation has developed in the United States. You see that back in 1969, the four main packers in the United States controlled 30% of the overall slaughter capacity. Moving to 2007, you see they have 84%, and the lines of dots indicate the producer return as the concentration in packer ownership increases. Those have consequences, and Grant will show you some of the consequences of that change on page 10.

• (1115)

Mr. Grant Robertson: If I go back to the graph I referenced at the beginning, in that 47-year period between 1949 and 1989, the price of Ontario slaughter steers never fell below \$130 per hundredweight, nor did it breach Depression-era prices. Then in 1989 it did drop below \$130 per hundredweight, and after 1989, cow prices continued to oscillate, as I mentioned, but they did so within a much lower range. So between 1989 and May of 2003, with the announcement of the case of BSE, instead of ranging between \$130 and \$280, prices actually went up to between \$98 and \$140 per hundredweight, so again a much smaller channel of returns available to cattle farmers.

At the same time, we see that the graph on page 10 looks at Ontario slaughter cows and the price of ground beef that someone going into the grocery store might pay. Some have suggested there has been a decline in consumption, therefore prices went down and therefore farmers are making less money—one plus one equals two. The problem is there's a “three” in the middle of all that, so you have relative stability for quite a long time of about \$1.25 difference between what a farmer receives for his cull cow per pound and what was charged for ground beef in the grocery store. Then in 2003 it increases to about a \$2 gap.

So this isn't about consumption. This is about the return to farmers, about who's actually receiving the income in the system, and by 2008 that gap had grown again to \$2.25. So that's \$1 a pound of the retail price that has gone elsewhere. That's not consumption. That's not anything else but money that used to go into the pockets of farmers. It's now being captured elsewhere in the system, and the only way around that is to make sure that farmers are empowered to get back that food dollar.

There's the old saying that there's lots of money to be made in agriculture; the problem is, none of it's in farming. We can see this graph bears that out, that there's money to be made in beef in Canada, but farmers have not been receiving a return.

Another way to look at this, and this is from CanFax on page 11—this is from the Canadian Cattlemen's Association's own documents and own data. We suspect that if the data went back beyond 1999, we would discover the retail percentage of that steer that ended up in the hands of the cattle producer was probably more than 25%, and that we've seen a gradual decline, but the data just doesn't go back that far to be able to do that.

The Canadian Cattlemen's Association data is saying that between January of 1999 and July of this past year, the farmer's share of that retail price of the steer, what a farmer is receiving when he receives a steer and then it goes to the processor and ends up on the grocery shelf and what a consumer pays there...that farmer's share of that price has shrunk from 25% to 16%. That's a dramatic change, and again that's not about consumption; that's about the percentage of profit coming out of the retail price of beef that is no longer being captured by farmers.

Mr. Fred Tait: What Grant has just described needs an explanation, and there are two possibilities here. One is that the concentration of ownership in packing and in retail is taking a larger portion. The other explanation is that as packers and retailers become larger and more concentrated, they become less efficient and have to take a larger share. I'll let you pick which one of those you want, but either one of those impoverishes farmers.

This whole issue of captive supply has not been discussed in Canada. It has not been an issue until we made it an issue. It has been an issue in the United States for decades, and from time to time it has almost become an issue in the Farm Bill. The Obama administration in the United States now is indicating quite strongly it's going to deal with this issue of captive supply once and for all. Our figures in Canada that we use—50% to 67%—came from two economists who studied the situation in Alberta. They found that, on the average, there was 50% to 60% of total slaughter in recent years, and some months that would go even higher.

If you turn to page 13, you'll see two pictures that are taken from Google Earth. This is the Tyson's plant near Brooks, Alberta. The top picture is the plant and the bottom picture is the feedlot that's directly across the highway from the plant. That feedlot is a mile and a half wide. It has a one-time capacity of 70,000 head of cattle. In the real fine pictures you can see trucks moving the cattle from that feedlot into that plant. That is captive supply. That is only one of the many feedlots of that capacity that serve that need.

When we look at what happened in the integration that took place, we see we were driven into increased livestock production by the

loss of the Crow rate in western Canada. We were told that if we had the lowest feed grain prices in North America, our industry would thrive. There's one problem with that: farmers who grow grain cannot produce grain below the cost of production; they switch to higher-value crops. Then, because we lost our packing capacity in Manitoba, we had no place to put finished cattle. We then started producing double the number in calves to try to maintain our income, which then of course made us export-dependent.

If you turn to the graph that shows our continental integration on our exports, you'll see that from 1989 up to 2008, we multiplied our export capacity by a factor of eight. There isn't any other sector in the Canadian economy that has a record of that type of success in the export market.

I'd like you to turn to the next page, the food exports and farm income graph. I call this the weapon of mass destruction, because it shows what we as producers earn for our effort in multiplying agricultural food exports out of this country by a factor of eight. In 20 years, we produced three-quarters of a trillion dollars worth of agriculture products, and our income shown on the bottom line of that graph over 20 years was zero. Yet we were told on Thursday before this committee that the success of agriculture in Canada depends on us producing more and exporting more. There's a factor, you know. If you keep doing the same thing and expect a different result, perhaps you should look at doing things differently.

We also have a number of recommendations. Grant will do the first eight and I'll do the next.

• (1120)

Mr. Grant Robertson: You can't do a report of this nature or be in the National Farmers Union without trying to look to the future and make sure we're working towards the best interests of family farmers.

We came up with some solutions. We're not saying that these solutions are the be-all and end-all. We're saying they're a place to start the discussion about moving the industry forward. There are going to be discussions around some of these things, but we think this is the place to get started.

Our number one recommendation is to ban packer ownership and control of cattle. Putting a high proportion of cattle through open and independent auctions creates significant benefits: increased bidding intensity; transparent price discovery; enhanced access for small farmers and independent feeders to important markets; opportunities for small processors to buy fed cattle; and protection from packer retaliation.

The other thing that is important is the fact that we're going to always have contracts. Contracts reduce travel, handling, and auction costs. On both sides of the equation, there are always going to be those who want contracts. We're not suggesting that contracting cattle is wrong. What we're saying is that the contracts should be much more open and transparent. They must have a fixed price in them so that the farmer is not taken advantage of through predatory practices. Also, they must be fully disclosed in real time.

Related to that is restraining packer power and reversing concentration. To restore prices to the levels that were routine from the 1940s to the 1980s, when they were double what they are today, we must rein in this concentration. Only by fixing the power imbalance in the beef chain can we fix the profit distribution and balance. We're saying that we need to stop mergers of packers, takeovers, and plant sales.

We're saying that we need to work with the U.S. government towards a deconcentration in the North American beef sector. It's going to be happening in the United States. In a continental market, if we don't move with the United States in the direction they're going, that of restraining packer control and banning outright some of these practices, we're going to leave Canadian cattle producers in a very, very vulnerable position.

We also need to create and implement a national meat strategy for Canada that shifts the ownership, the location, and the conduct of our major packing plants and moves us towards a meat system that better serves the economic, nutritional, social, and community development needs, a system where we actually have regional processors. They can work with regional producers and move us towards a system where it's not all concentrated in one single location. Not only does that single location concentrate some of the good parts of it, but it also concentrates an awful lot of very bad things that are happening.

Connected with that is decoupling vertically integrated packers. Packers are now starting to own the feedlots, the trucking companies, the insurance, and so on. It leaves farmers in a very vulnerable position.

We need to examine and restrain retailer/wholesaler power. What we're finding is that, adjusted for inflation, consumers are paying somewhere around what they did for hamburger 20 to 30 years ago, but rather than the price differential being passed on to farmers, that's all just been scooped up through the system. Consumers have been able to have relatively stable prices, but farmers have had the brunt of that, because the cost benefits of the efficiencies that have gone on have not been passed back to farmers.

Another recommendation is to succeed in creating farmer-owned packing plants. A lot of that has to do with regulatory work.

● (1125)

As well, we need to change some of our food safety regulations in order to encourage abattoirs. If you go along the side roads and concessions and range roads, and what have you, across this country, and talk to small processors, they will tell you that the regulatory burden placed on them under the guise of food safety often has almost nothing to do with food safety, but impinges on their ability to compete and to be able to expand and work with local markets.

We also believe that we need to build collective marketing agencies. It stands to reason that in the concentrated system that we have now, where we have three, or maybe two, packers controlling the overwhelming majority of the system, we need to have some collective concentration on the farmers' side as well.

The last point in my section of the presentation is tests for BSE and banned hormones. Canada is a trading nation. We agree with the many who say that we need to export our beef. But one of the main constraints we have is this ban on testing for BSE. It excludes us from some of the most lucrative markets in the world. If there were no ban, we could maintain some kind of alliance with the United States through their packers.

The irony is that we've now moved to the point where testing for BSE is actually significantly cheaper than the costs associated with SRM removal. Testing for BSE is way cheaper than what we're now paying to remove SRMs, and yet we are continuing to do that. We're continuing to put in regulation after regulation after regulation, all jammed down onto farmers. We now have to birthdate our cattle, we have to register them, we have to age verify everything, all of this just so that we don't have to test for BSE.

There's a reason that the Americans are worried about testing for BSE. Why we continue to ensure that Canadian farmers pay the price for that fear in the United States about testing for BSE is absolutely beyond me.

● (1130)

Mr. Fred Tait: Thanks, Grant.

Another issue related to that is reducing antibiotic use. We should not be using antibiotics in the Canadian food production system for non-therapeutic use. As a farmer, most of the vials of antibiotics on my farm expire before they are ever opened. We use very little. The non-therapeutic use of drugs is, in many medical practitioners' view, reducing the availability of effective drugs to treat human bacterial illness.

We need to develop markets for grass-fed beef. There is a market, but the structure in the packing industries is so concentrated now that we cannot service it.

We should embrace country-of-origin labelling and be proud of it. I believe that if a consumer wants to buy my product, which I'm proud of, they have a right to know who produced it, where it was produced, and how it was produced. I believe we can develop markets with that Canadian label on. It might say "Product of Manitoba", "Alberta Beef", "Product of Ontario", right down to the county or farm for that matter. But whatever it takes to access consumer confidence, we will take it.

We also need a better focus on local food. In Manitoba, only 14% of the beef consumed there is processed in Manitoba; the rest of it is moved someplace else at my expense and is hauled back at consumer expense. There are more effective ways of serving consumer needs.

And there should be a better balance between production and consumption. When a BSE cow was found, we were 34% above the domestic consumption level, and it was 34% of cattle that caught us in the bind that bankrupted us. If our herd had been anywhere near domestic consumption levels, there would have been some disruption until we reoriented movement east and west, but we would not have suffered the multi-millions of dollars of losses and the demand on the public treasury that we will not recover from in another decade.

There needs to be immediate aid to farmers—and the Saskatchewan government did something like that the other day. I see a news release from the federal Minister of Agriculture really questioning that and saying that we may be countervailed. If you're in a situation where you can't help people in the most dire economic conditions of their lives because doing so might be a trade irritant, you should be looking at trade as the problem, I think.

And farmers should be given a choice among cattle organizations. When groups come before this committee, ask what they do. Are you a cow-calf producer? Are you a facilitator who supplies a service to the captive supply side of the cattle industry? Each of us can legitimately speak on our own behalf.

Also, use policy tools to support the appropriate size and scale of production. If you look in a recent issue of *The Manitoba Co-Operator*, you will see that out of this governance system, a producer in Manitoba received \$1,460 per day for seven days a week for a full year as assistance for what was considered to be the most efficient farm in Manitoba. One could only wonder what one could have done with \$100 a day to 14 farms, or \$50 a day to 28 farms. One could only imagine. If you have a social purpose and a goal to retain rural communities, then you would redirect that money in a different direction.

I would also remind some of the members present, who see rural Manitoba and rural Canada as their power base, to be careful about weakening the power base of the constituency that keeps you in office.

Thank you. That's the end of our presentation.

The Chair: Thank you very much.

I should have explained to the rest of the witnesses that we had a motion at committee to allow the NFU to go on beyond our normal 10 minutes. I'm going to suggest that if each organization could keep their presentation to 10 minutes, I would appreciate it, but at the same time, in fairness, if you do go over, I probably won't stop you.

At that, I'm going to turn it over to the lady of the group, Mrs. Carol Haley, as an individual, by video.

Mrs. Haley.

• (1135)

Ms. Carol Haley (Rancher, As an Individual): Thank you very much, sir, and I'd like to thank the committee for this opportunity to speak about the future of the beef industry in Canada.

I wanted to begin by telling you just a little bit about the work that I was involved in, work that resulted in the creation of the Alberta Livestock and Meat Agency, which has radically changed the way the Government of Alberta interacts with the beef and livestock industries in our province.

In 2007 and 2008 I had the opportunity to co-chair a committee for the Minister of Agriculture, the Honourable George Groeneveld, tasked with reviewing the Alberta beef industry. I'm sure you're all aware that 61% of Canada's beef processing and 67% of fed cattle are produced in Alberta. Our exports of beef, pork, and livestock accounted for over \$2 billion in 2007, farm cash receipts in 2006 for cattle sales were about \$3 billion, and the value of manufactured red meat sales was \$3.9 billion. It's an important industry by anyone's standards, but as we all know, it's also an industry in trouble.

When we started our committee work we knew that the higher Canadian dollar had eliminated the industry's historical cost advantage for beef going into the United States. We knew that feed prices had risen by 50% or more. We knew we had restricted access to foreign markets because of the 2003 BSE case. We knew that the industry was dealing with persistent labour shortages, that packers were operating significantly under capacity here in Alberta and were in fact giving signals that they would not continue to operate for longer than two years unless there was a major turnaround for them. We also knew that regulatory costs were adding between \$37 and \$66 per animal, depending on who you spoke to and which particular livestock sector it was in.

We also knew that environmental issues were having a greater impact on farming operations and their ability to be profitable. We also learned that beef and pork exports had been falling and livestock imports had been increasing since 2005. In 2005 Canadian imports of beef were valued at \$301 million, but by 2008 that level had increased to \$747 million; \$616 million of that was coming up from the United States. Pre-BSE beef exports in 2002 for Alberta were valued at \$1.6 billion, declining to just over \$1 billion in 2003 when the BSE case hit. What was most interesting was that in 2004 exports of Alberta beef moved back up to \$1.5 billion, and of course that was boxed beef, not live. However, by 2007 we were down to total export sales of \$887 million, or just over half of what we had been following BSE.

It's a significant issue considering that the Canadian Cattlemen's Association and the Alberta Beef Producers both insisted that what mattered was the fully integrated North American beef industry. However, it wasn't and isn't working well for anyone in Alberta right now. The reason this matters to us is that in the 2002 to 2007 timeframe, the Alberta government invested over \$2 billion of taxpayers' money into the beef industry to try to help stabilize it. This is money over and above anything the federal government contributed in payments to cattle ranchers. Industry had come back to the Government of Alberta in 2007 asking for at least \$400 million to try to help deal with their latest crisis. It was at this point that the minister asked Jeff Kucharski and I to write a report giving him some direction on what needed to be done to try to assist this industry.

Our major recommendations to our minister were to move from a commodity focus to differentiated products, or, in other words, we have to brand our product. One of the best examples of this would be the Angus breed and what they're doing right now with their ads in restaurants and in stores. They're very successful, and they've been doing it on their own. We recommended that we move to a more diversified export market with less dependence on our single market, which is the United States, and greater emphasis on markets that pay a premium for beef, such as Asia.

We recommended the creation of the Alberta Livestock and Meat Agency to help focus a vision around all livestock and meat produced in Alberta, including beef, pork, sheep, bison, and cervids. We also recommended that we had to meet our international consumer needs, which include things like age verification, traceability, and the ability to track both feed and drug therapy for individual animals so that we can meet the needs of marketplaces like Europe, where they do not want growth hormones in their beef,

or Asia, where they want age verification before they even consider buying your product.

• (1140)

We had to view the entire industry as an integrated chain from producer to feeder to packer, with information flowing both ways, to enable the packer to package shipments for specific destinations, but also information flowing back to the producer on the cut and grade of his animal.

We believe that government has a role to play. It is not of constantly subsidizing a private industry but rather assisting the industry with marketing, research, and production. In this instance, production would mean an information system that would give traceability, age verification, and on-farm food safety programs. Research, from our perspective, meant things like looking at genomics or BSE-related research, technology commercialization, and development wherever possible.

Market development meant international and domestic marketing, as well as branding our products as the best in the world and going aggressively after the high-end marketplace. It is not enough to just slap a maple leaf on a package; we have to show the world that our beef is safe, healthy, and of the highest possible quality. We have to allow the marketers to do what they need to do to sell our beef products.

We asked that government funding align with the strategy we had developed, and that meant a complete realignment of the Department of Agriculture here in Alberta, that funding currently being used inside and outside the department for beef or pork had to be realigned into the new agency.

We had to shift the emphasis to longer-term systemic change and eliminate ad hoc payments focused on short-term issues. It is imperative that government stop distorting market signals for this industry, and I believe that every time we come up with another short-term ad hoc payment, that is what we do.

And finally, government had to realign legislation, regulation, and policy with an industry vision.

I also believe that rather than fighting the United States on COOL legislation, we must in fact embrace it. We are three years too late to fight them. Where has our plan been? We have been told for three years that it was coming. Well, it's here, and we don't have three more years to change it.

Our lack of success on softwood lumber, and even a border challenge on pork a few years ago, not to mention what R-CALF did to keep the border closed, should have taught us that we need to plan better. And rather than preparing to fight this issue now, three years late, we should be bringing in our own legislation. We should be encouraging Canadians to support their own food and livestock industries.

Alberta, under the leadership of Premier Stelmach and Minister Groeneveld, has taken the lead in creating the foundation for a market-driven, customer-focused, differentiated product, and safe and traceable beef and beef product industry. We need the federal government to take a stand, rather than watch and pay for the inevitable decline of the beef industry.

We have to build a new reality, not based on reliance on a low Canadian dollar and cheap feed grains, but by providing a high-quality, differentiated product that matches the expectations of the consumer globally.

We have paid billions of dollars through programs such as FIDP, CAIS, and AgriStability, and still the industry continues to fail. We need to stop investing in the past and begin to put our money to work in ways that will be proactive and ultimately highly profitable to the entire value chain, not its subsections.

We have to stop regressing to the lowest common denominator and move forward on re-branding, on things like age verification, and, more importantly we have to pursue high-end markets for what is arguably one of the best meat products produced in the world.

Alberta has shown bold leadership, but we need the federal government to add its voice and its support to the discussion. Everyone, from CFIA to the Canadian embassies and consulates, needs to play a role, but it must be from a strategic position. We believe that we have found that position in Alberta, and we ask you all not to invent new programs and new payments but rather to join with us.

Thank you for your time.

The Chair: Thank you very much, Ms. Haley, for staying under the time as well.

I'm going to turn it over to Mr. Strawbridge or Mr. Jeffrey, on behalf of the Perth County Beef Farmers Association. Your time can be for one person or combined, but please try to stay under the 10 minutes.

Ken, thank you.

Mr. Bill Jeffrey (President, Perth County Beef Farmers Association): Thank you, Mr. Chairman. I truly thank you for the opportunity to come and share what we have found as we have moved through an inquiry into the beef industry of Ontario.

I am William Jeffrey. I was born and raised on a beef and dairy farm near Stratford, Ontario, in the county of Perth. My wife of 34 years and I have raised four boys together on our beef farm.

Today we are in the business of finishing cattle with a feedlot capacity of 900 head. We buy calves weighing 600 pounds and feed them through to 1,400 pounds, marketing them directly to the packing house.

I've been raising cattle for 50 years, and I'm a member of the Ontario Cattlemen's Association, and of the Perth County Beef Farmers Association, where I am currently serving my third year as president. The ongoing financial crisis in the beef industry, not only on our farm but on all beef farms in Ontario, has caused me to realize that we cannot continue to market our beef the way we have for the last 50 years.

I recently found a definition of the word "insanity". Insanity is continuing to do the same thing over and over again and expecting different results. Because of this, I took the initiative to form a committee of 14 members from six counties in southwestern Ontario. We are all elected officials, serving as presidents, vice-presidents, and county directors. We have engaged a professional marketing consultant, Ken Strawbridge of ALPHA Strategic Consulting, to lead our inquiry into the entire industry, starting with the consumer, through the retailers, wholesalers, processors, packers, beef feedlots, and the cow-calf producer. We believed it was important to look outside the box for a fresh look at our entire industry.

In the past, we in Ontario have relied primarily on two research centres for understanding and direction of our industry. Beef farmers have believed that we could independently market our product, but our committee now realizes that independence stops at the farm gate. The beef farmers I've met everywhere, not only in Ontario but in Canada, are independent. I'd add that I believe beef farmers are fiercely independent. In order to be viable, we must receive a farm gate price that includes the cost of production, including wages. To be sustainable we must receive a reasonable return on our investment.

Of late there has been much effort put into developing risk management programs to sustain producers through the low points of what has been viewed as industry cycles. This reactive response to these low points will never fix a problem or even provide a wage. It's time to become more proactive through the implementation of improved management and controls for the whole industry. We can no longer continue in the direction we are going, which not only exploits beef farmers but allows for the importation of beef raised through methods prohibited in Canada. If we continue to lose young farmers who have been forced to pursue off-farm income and who are now exiting the industry, who's going to produce the food for the citizens of not only Ontario but all of Canada?

Our inquiry has uncovered significant evidence for what has caused the current state of the Canadian beef industry and what must change if we are ever to be viable and sustainable. Despite a significant amount of activity in the beef industry aimed at improvements, there remains little sustainable change. In the past five years since the onset of BSE, there have been only two months when the average beef producer could cover costs of production. Indeed, what faces us is the likelihood that this significant source of food will be increasingly supplied through foreign markets.

Farmers in Canada will no longer provide beef due to the year-over-year inability to even cover our costs. Furthermore, when the primary source for the supply chain vanishes, all other stakeholders in the industry will also suffer.

● (1145)

We have developed three goals that stakeholders believe must be embraced. Aligning supply and demand of beef to these goals will cause all members of the industry to be successful without negatively impacting others. It will deliver what is required, to whom it is required, and it will do this consistently. Only then will we have a viable, sustainable future.

Our scope required us to see an all-inclusive view of the marketplace. In order to manage influences between stakeholders, we needed to identify key factors for an organized production from producer to consumer. We have worked to identify a business model that showed us to be business oriented and customer focused.

Finally, a sustainable future will not be possible if we cannot demonstrate operational excellence for a return on an investment and key business goals to drive our industry.

We have met with consumer groups, health officials, bankers, retailers, processors, harvesters or slaughterhouses, producers, pharmaceutical companies, feedlot operators, and provincial government officials. The consumer groups emphasize the importance of balance between consumer and industry. It is clear that focus in this area is not consistently viewed by all stakeholders and as such requires improvement for the industry.

Today's consumer is going beyond quality and flavour and is becoming increasingly concerned with health, safety, methods of farming, and the environment. On the other hand, beef production has recognized some aspects of quality but tends to focus predominantly on price. This means that stakeholders further up the chain must become brokers for the difference.

At the onset of our investigation, we studied sustainable business practices, and it became apparent that environmental stewardship is also key to long-term viability. It is true that the industry needs to align with the government's agenda of reducing our carbon footprint. There are numerous opportunities that we can pursue that will move us towards a greener environment for now and future generations in Canada and around the world. We believe that regulations governing standards of quality are required by everyone, but the applications of these standards are currently inconsistently applied. We are not opposed to such standards. What we do know is that these quality management practices must be unilaterally employed.

The evidence is clear that government subsidy programs, although sought after with good intentions, are actually undermining the

industry. All things being equal, it is those with the largest subsidies that have remained standing at the end of the day. Where is the consumer in this? What about the purpose for raising beef? Does this ensure that the producer who has worked to develop a well-balanced operation survives? Industry best practices confirmed a long time ago that subsidies tend to be viewed as free money and usually instill the bad behaviour of always looking for more. Return on investment, on the other hand, causes one to focus on the viability in business. Simply put, stop subsidies; they're killing us.

For much too long we have just pushed beef onto the market. We believe it is time to focus on those who consume our product, providing delivery through an adaptable business structure that will see us through the good and bad times. Our inquiry found that standard business capabilities do not exist in our industry. The adoption of these capabilities is imperative if we are ever to improve management and controls. With the increased rate of change around us and no mechanism available to change, our industry will drift like an ocean liner that has no captain or rudder. We will be left to the wind and the currents. It's amazing. Can you see them? No, you can't. It's like our beef industry, as we watched the fluctuating dollar. Did we see that coming? Did we see BSE coming? No. The things we don't see will hurt us.

● (1150)

The fluctuating dollar, the potential of disease, changes to regulation, inputs such as feed, fertilizer, and fuel, and external pressure from foreign beef imports continue to push us where they will. We have no mechanism to respond to these industry pressures. They will eventually leave our industry on the rocks of disaster.

● (1155)

The Chair: Wrap up briefly, if you would, sir.

Mr. Bill Jeffrey: I am, sir. Thank you.

For every industry there's a critical point that when reached will cause a complete collapse. Although we remain optimistic for what can be, we see enough to know that without significant change in the beef industry of Canada, we'll reach this critical point when it is too late.

While we still have time, together we can build a business structure for our industry that will provide the capability to deliver a healthy nutritious product that is preferred by the consumer of Canada, sustainable by producer stakeholders, and financially viable for all. It will take willpower and it will take skill sets.

The Chair: Thank you.

Now we have Mr. Ed Fossen from the Kettle River Stockmen's Association.

I believe that's British Columbia. Am I correct?

Mr. Ed Fossen (Director, Kettle River Stockmen's Association): That's correct. As Mr. Miller said, I'm Ed Fossen and I'm a rancher from Rock Creek in the southern interior of British Columbia. Our ranch is situated about 40 kilometres east of Osoyoos on Highway 3. Our ranch almost touches the U.S. border. The southernmost property is about two kilometres from the U.S. border.

Our ranch consists of 1,700 deeded acres, and we have about 60,000 acres of crown range on which we have the right to run 250 mother cows, replacement heifers, and bulls. We also rent about 300 acres from neighbours, where we graze replacement heifers. We are self-sufficient in feed, putting up about 800 tons of hay and silage to feed to our overwinter herd of 400 animals. Our area is quite dry, and we rely on 300 acres of irrigated land to maintain our feed volumes.

My wife Louise and I purchased our home ranch and moved to Rock Creek in 1976. We raised our four kids here. My two boys, along with their own families, now run the ranch and business together. Our ranch is supported by a contract weed control business and custom farming business.

When we first got into ranching in that area—I'm calling it pre-BSE—cattle moved back and forth freely across the Canadian-U.S. border. Canadian cattle were custom fed in the U.S., and U.S. cattle were fed in Canada, depending on the dollar and the markets. We and other ranchers bought breeding bulls across the border, and vice-versa. When we sold our cattle there was always American interest at our local auction mart buying calves, yearlings, and finished cattle to supplement the feedlots and packers across the line.

This fall it was reported that with the absence of the American buyers, and because of concerns of the country-of-origin labelling, the average calf price was reduced by about \$150. In our part of the country pre-BSE, the industry was totally integrated, with cattle moving back and forth. There was a good working relationship with our American rancher peers, feedlots, and packers. There were a number of packers in the Lower Mainland, along with processing facilities in the interior of B.C., that would result in competitive bidding for our cattle.

We have lost most of the packing plants in B.C. that in the past served us well by increasing competitiveness in the market for our cattle. With our first case of BSE in May 2003, everything changed.

In the last six years, everything that made our integrated beef industry strong, predictable, and competitive has fallen into uncertainty and economic hardship for all producers in our area. I believe the protracted BSE crisis and the COOL legislation are driven by the R-CALF organization to disrupt our strong, integrated industry, and hopefully benefit their short-term goals. I'm also certain that the money and time spent on trying to shut our beef out of the North American equation has been bad for the growth of our beef industry.

While we have been fighting with each other, other countries have been picking up our international markets. The pork and chicken industries have picked up market shares as a result of our problems. COOL is another way R-CALF and their political allies have of putting further trade restrictions on our Canadian beef entering the U.S.

Last summer my family, along with other southern interior and Washington State cattle producers, was invited down to tour a 60,000-head Agri Beef feedlot and state-of-the-art packing plant in Yakima, Washington. It is capable of processing up to 1,700 head a day, and 40% to 50% of the cattle fed in Agri Beef's 60,000-head feedlot were from Canada. This feedlot, along with other smaller

feedlots, supplied the 1,500 to 1,700 cattle per day required to keep this modern, efficient packing plant operating.

• (1200)

In our discussions afterwards with the manager of the plant, we talked about the country-of-origin labelling. They had no idea how to cope with the proposed COOL regulations coming at them. The logistical problem was that the many lines of branded products, combined with the separation of Canadian beef, would overwhelm their system. He was clear: they did not want COOL to be fully implemented, and they needed our cattle.

We visited one retail store that handles their beef products in Yakima. The point made by the meat manager was that they did not want COOL fully implemented. The reason was simple: shortage of counter space and logistical problems in keeping Canadian products separated.

Our industry has been through a terrible economic time over the last six years. I want the Canadian federal government to challenge the Country-of-Origin Labelling Act. I think COOL will be the final economic hit to the cow-calf industry as we know it in the southern interior of B.C.

We have had the BSE crisis, drought, a fluctuating dollar, our own input cost steadily increasing, and depressed markets for the last six years. I know that COOL implementation will negatively impact on our industry, my ranch, and my family. Our government must negotiate a balanced implementation of this potentially destructive ruling.

Thank you.

The Chair: Thank you very much, Mr. Fossen, and thank you for keeping it brief.

On that comment about calving cows, I think most of us around this table—certainly myself—know what you're talking about.

Our last witness, here from Manitoba, is rancher Mr. Henry Rosing.

We'll turn it over to you, Mr. Rosing. Thank you for coming.

Mr. Henry Rosing (Rancher, As an Individual): Thank you, Mr. Chairman.

I was invited to speak to the committee late Friday and was asked to be available for questions and make a few short comments, so you can look forward to a few short comments.

I operate a ranch at the southeast corner of Lake Manitoba, which is about an hour north of Winnipeg, at the bottom of what we call our Manitoba Interlake district. Most of the area is quite limited in its agricultural usefulness. It's characterized by thin soil—maybe four inches of topsoil—stony, with poor drainage, and a large percentage of the area is only suitable to ruminant grazing, specifically for cow-calf or maybe bison.

The area was in the news quite a bit last summer because of extensive flooding as a result of excessive rainfall all summer, leading from insult to injury.

Over the last five years there's been a lot of equity erosion in these beef operations. There is not a lot of wiggle room left. Disaster relief hasn't been coming very effectively. The area has asked for a Canada Revenue Agency tax exemption that is sometimes used in areas that suffer drought whereby farmers are allowed to de-stock and forward the income from the livestock sales to some point in the future, allowing them to buy back in at a later date without tax implications. To my knowledge, this still hasn't happened. It would be a relatively simple thing to do.

Maybe it's not a good time to go into the complex working of the CAIS system. It's well intentioned but ill-equipped to deal with the current situation in the beef industry. There is no margin left. There is no room for advances, and so on. The result in our area has been a sell-off of cows far beyond the rate we've seen all over the country as a response to economic conditions, which is a shame because ruminant grazing is really one of the most logical things to use the land for in our area and it is an ecologically sound option.

Manitoba is really at the centre of the North American beef market. Livestock or meat has gone east-west, and local feeding has gone south for a long time. This integrated market, to my knowledge, as the previous speaker alluded to, has existed for a very long time, starting a century ago with beef being trailed north to the Canadian mining camps. Around the turn of the century, the Matador ranching company started to move their herds north into Saskatchewan, and there is a long history of an integrated beef market.

This notion was strengthened in 1992 with the signing of NAFTA, whereby we formalized this agreement more and thought this was all in place. In the 1980s, Alberta brought out its Crow offset program, reimbursing users of feed grain by about \$14 a tonne, and this was one of the factors aiding the demise of the feeding and packing industry in Manitoba. One by one the packing plants closed and feeding capacity moved to Alberta. For the last 15 years or so this left Manitoba with the only viable option of killing our cattle to economically defend ourselves. In 1995 we saw the end of the Crow. It also saw a period where the government actively promoted red meat production on the prairies. The mantra was that it was the end of an era of large wheat exports—mostly to Russia, who never paid anyway; the Canadian government picked up the tab. This paradigm was to be replaced by red meat production in the prairies. Value-added products of high-value animal proteins were to go all over the world.

● (1205)

This met with relative success, aided by a period of low grain prices and a favourable exchange. It resulted in very significant

investments all over the prairies, in barns, packing houses, transport, feed mills, and so on.

Then, of course, 9/11 happened. Fortress U.S.A. emerged. Then the BSE crisis in 2003 set off a period when the whole vision was put on the rocks. The whole system has suffered a lot of injury.

Where do I see the responsibility of my government? Responding to market signals and trying to produce below the cost of production are maybe my responsibilities at the farm level, but I feel that my government has to hold through to their vision and hold the borders open. I think the Canadian government really has two choices: work our butts off and restore the vision we had for the prairies of a value-added meat industry or go back to producing for domestic consumption only. We have to be aware, though, that we export almost 60% of our beef, so one would face a massive writeoff in the investments that have taken place in the last 15 or 20 years, and probably buy out 50% or 60% of the production. People would lose their livelihood without any fault of their own. We'd lose billions of dollars in gross domestic product. And it would be hard to measure the social and ecological fallout.

Speaking anecdotally, I talked to somebody from the sandhills areas of eastern Nebraska. It's traditionally been a cow-calf area. Over the last decade or 15 years, it's been bought out by the Ted Turner empire. The man owns now about a quarter of a million acres where they run bison. People out of that area say that the social fabric is gone. Once a year, a crew comes in and handles the buffalo. In the summer, for about a week, a fencing crew comes in, bringing all the materials with them, to maintain the fencing. And that's it. The towns are dead.

Currently, I believe 80% of our export goes to the U.S. We're all well aware of the implication of COOL. To me, I wish there was more attention paid to this issue. When there was a hint that there would be an exclusion clause in the aid packets by Mr. Obama in the U.S., our government went into overdrive; 24/7, Stockwell Day and everybody else got on the issue of rectifying this problem of Canadian steel being excluded. I don't sense the same level of activity regarding the COOL issue.

So is the model of our original vision of value-added protein production on the prairies broken? I don't know. In pork our competitors are Denmark and Holland, countries with clearly higher cost-of-production structures than we have on the prairies.

•(1210)

In the Interlake, I believe there are about half a million beef cows, or a little more at the moment, in Manitoba. We have a good million people. We can't very well eat half a beef apiece—maybe a tenth of that. Should we reduce our beef herd to 10% of what it is and leave all that land bare? I don't think so.

People in Hong Kong are better at producing toys, but not very good at producing beef. The Interlake is very good at producing beef, but I don't look forward to starting to produce cheap toys.

Thank you very much.

The Chair: Thank you very much.

And to all the witnesses, thank you for keeping it as brief as possible.

Our first round is going to be seven minutes. Due to the fact that we've used up about an hour and 15 minutes of our time allotted, I'm going to be very strict about keeping the question and answer at seven minutes. I don't like cutting people off, but I am going to, and I'll be fair all the way round the table and restrict that.

Yes?

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

I would like a clarification. I believe it was discussed at committee, and in the motion that we were going to—

A voice: Forego that.

Mr. Brian Storseth: In bringing the NFU forward and allowing them to have 30 minutes, I was under the understanding that we were going to have two other witnesses. This is exactly what the committee said we didn't want to have happen—have five or six witnesses and not have the time to have a fulsome discussion with each one of them.

The Chair: That can be discussed as committee business, but the point is well taken, Mr. Storseth.

Mr. Eyking, seven minutes.

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

I thank the guests for coming here today while they could be home on their ranch.

I've got to commend the National Farmers Union for the report they did. There was a lot of work on it. I'm disturbed with it, but I'm not surprised, seeing the return our farmers are getting. It's beyond me how the Minister of Agriculture can get up at the Canadian Federation of Agriculture meeting and state that all's well on the farm and ranch.

A couple of years ago I visited an operation in the United States. It was a broiler producer operation, and they were producing broilers

for Tyson. He pretty well stated that he buys the feed from Tyson, he buys the chicks from Tyson, he has to sell them to Tyson, and he gets this printout. He pretty well stated that he's like a tenant farmer. He owns the building still, but he doesn't have enough return to put back into the buildings.

My question—why I'm telling you this story—is this. Are we on a bit of a slippery slope here, where, yes, we're still going to have these big processing plants, and we might have farmers in a situation where they're going to be caught in this, where they will have no choice but to buy the supplies and get the return? That's my first question.

My second question is, do you believe we should abolish the vertical integration of these packers, put them under examination or abolish it?

I think it was one of your witnesses here who alluded to the retailers' responsibility here, and I also heard something about grass-fed beef, how it's not getting the recognition and the help from retailers and processors.

My third question is, can you expand on this and tell us how the retailers can be playing a better role in helping the Canadian beef producers?

•(1215)

Mr. Fred Tait: I'll deal with the retail issue.

We had great difficulty in that we could not determine who was taking what portion of the wealth that we, as farmers, are producing. We know it's disappearing. Our graph shows that. There's no debate about that.

We would need this committee to bring both those sides, the packers and the retailers, before this committee and open the books and determine where it's going and if there's an unnecessary abuse there. As I pointed out, it can be two ways. Their size has made them so inefficient that they have to take a greater share, and if that's the case, one can make a good argument for breaking up the size. The other side of it is if their size allows them to take a greater share, there's also an argument there, because obviously this situation cannot continue. It impoverishes people at the local level.

To that piece, when you talked about a person who was producing broiler chickens in the United States, the industry moves to where it can do its maximum consolidation. In chicken, it takes everything, and the farmer becomes just a tenant who operates the facility. That has now happened in the pork industry in Manitoba.

In the cow-calf industry it can't work that way, so they capture where they can capture, and that's when it leads our farming into the feedlot system. They're capturing all of that. And through a captive supply system, they deal harshly with any of us who try to do our own little thing and feed some finished cattle.

I'll let you comment more on that, Grant.

Mr. Grant Robertson: On the banning of the vertical integration, we think that has to take place. There are some steps obviously along the road that you would have to take to make sure you're protecting economic activity and you're protecting jobs and those sorts of things, but we think that's a step we need to go to.

One of the things I find absolutely fascinating as a student of history is that we, as a people, as Canadian people, came to this land to create a different kind of community, a community based on merit, to grow and to get rid of the lords of the manor and that sort of thing. Now we're getting back to that again, only now we're calling them CEOs. It just seems to me that somewhere along the line we lost touch. That might be my independent Grey—Bruce nature, that I think I can probably do a better job running the business of my farm than some CEO who tells me I have to do A, B, and C in order to sell my cattle, but I think we've taken a step in the wrong direction. One of the steps back in the right direction is to ban some of the vertical integration that's taken place, because then farmers are without options. You have to start at A to be able to get your count up to D, and all the way through there you're picking up little bits of profit being taken away.

The Chair: You have two more minutes, Mr. Eyking.

Hon. Mark Eyking: Do you see a difference across the country? I'm from Atlantic Canada, and we only have one processing plant and it's on a shoestring, and we have a problem with the retailers supporting our beef. Is there a big difference between beef producers in British Columbia and Atlantic Canada on how they're treated and the price they're getting for their product?

• (1220)

Mr. Grant Robertson: There's not an appreciable difference. It moves around. There is some better programming in some of the provinces. We have a patchwork quilt of programming across the country right now, which is a significant problem because it's driving down prices in lots of places. So the short answer is yes, it is different, but the long answer is that basically everybody is still getting whacked the same way, when you move outside the programming and the government purse to the public purse being used to go back into the system.

We retail all our beef, absolutely. We finish all our own cattle and put it through. We can't retail it in a store. We cannot get it on the shelves. Even though our local grocery store may want to, there's just no possible way to be able to do that, because of the way the system works. We have a high-quality gourmet product that comes from what the chairman and I might agree is the best beef producing area of the country, and yet we can't get it on grocery store shelves.

The Chair: You have a few seconds, Mr. Eyking, if you want to make a run at it. I don't think you have time for a question.

Hon. Mark Eyking: Thank you, Mr. Chairman. I'll pass on that.

The Chair: Okay. We'll give you that time.

We'll move on to Mr. Bellavance.

[*Translation*]

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

Mr. Tait and Mr. Robertson, one of the key points you raised in your report concerned the concentration of operations. You also

stated, however, that some small slaughterhouses were not profitable or they were inefficient and that that was perhaps the reason why there were less slaughterhouses. That is the case in Alberta, for example, where there used to be 17 average-sized beef slaughterhouses. Larger businesses are establishing more and more very large slaughterhouses. For example, if Tyson Foods succeeds in selling its Brooks slaughterhouse in Alberta to XL Foods, XL Foods and Cargill Foods will own 80% of the slaughterhouses in Canada.

Your reports states that part of the solution lies in creating meat processing plants that belong to the producers. That raises the whole question of slaughtering capacity. There's only one good-sized slaughterhouse left in Quebec, in all of eastern Canada, probably, and that is the Levinoff-Colbex plant in Saint-Cyrille-de-Wendover, not far from my riding. It is very difficult to get the federal government involved, even though we have heard over the past few years that the federal government is open to the idea of providing assistance to preserve the slaughterhouse. Ever since the SRM standards, that is the specified risk materials standards, were enforced, it has become very difficult. Apart from the verbal expression of openness, nothing has actually been done.

In the 2009 budget \$50 million were announced, but it should be clear that this will be spread over three years for the whole of Canada. The budget also mentions new slaughterhouses. It is far from probable that our slaughterhouse will qualify for the assistance.

According to your report, the solution, or one of the solutions, would be to encourage the creation of a greater number of slaughterhouses in various regions. However, how do we avoid repeating the experience of closing smaller less efficient plants? Increasing the number of slaughterhouses only to close them again is not a solution.

[*English*]

Mr. Fred Tait: The assumption that the smaller plants were inefficient perhaps needs to be looked at a bit. What I saw happen in the context of Manitoba was that when Cargill established its presence in Alberta, Burns was quite active in Manitoba. Cargill's buyers in the spot market, purchasing fed cattle in Manitoba, bid the price up to a level that would put Burns in a negative position. Then Cargill used its big volume and its assets, which are deep, to do a loss-leader in the retail market that Burns had formerly been servicing. Burns cried uncle pretty quick at that. In this country we do not have competent antitrust legislation to protect the producer and the consumer and society from these types of abuses.

I took some good advice from a colleague of yours from Quebec, Gib Drury. He said that being successful in the local provincially oriented packing industry is not possible without provincial government support, and I would add to that federal government initiatives.

You talked about \$50 million being announced in the budget. In all likelihood, if we follow past precedent, that \$50 million will be administered so that it flows through our hands into the pockets of the multinational packers, as it did with BSE compensation in 2004. I suspect that the result of that would be that the members of this committee, perhaps, would block any effort, again, to open the packers' books so that we could examine why they took that money. I would expect that this is the way it would be.

If one wanted to be creative and wanted to strengthen the constituency one represented in rural Canada, one could say that if one could get the province to match that \$50 million with \$50 million and could get the producers themselves to match with another \$50 million, with a joint effort we would have \$150 million to invest in local packers across the country. Then we could provide local food to local people with local brands. One can only dream that those things are possible. Let's see which way the people around this table who have the power to determine that recommend that it go.

• (1225)

[Translation]

Mr. André Bellavance: Would you agree with me that in the area of slaughterhouses there will have to be measures to increase the number of plants throughout Canada? I was referring more specifically to eastern Canada, especially since the Ontario Gencor plant closed. There is indeed increased concentration. For example, in my area people need to go to the States. Our producers are therefore absolutely dependent on prices offered by larger businesses which are concentrated and, worse still, are American. Mr. Rosing mentioned the COOL measures. These measures will mean that American plants will become less and less interested in taking our animals. Once again we will be in a vicious cycle.

[English]

Mr. Grant Robertson: I would agree that we have to start looking at regional, provincial, and even local production. I'm sure the chairman knows well the old Paisley plant right in my community that used to produce some of the best quality products around. An unfortunate fire took place there. It's still a federally inspected plant. It still has most of the stuff that you would need to go ahead with. But trying to get investment, including from the successive federal governments, has been difficult. That's the kind of action we need.

The Chair: Thanks very much.

We move on to Mr. Atamanenko for seven minutes.

Mr. Ed Fossen: Mr. Chair, could I make just a brief comment?

The Chair: Keep it very brief, Mr. Fossen.

Mr. Ed Fossen: You were asking at the end about different pricing in different parts of the country. Just to give you some idea, when we sell our cattle at auction, they will probably end up going to Alberta or closer to a packing plant. Usually I think we're anywhere from 4¢ to 10¢ off the Alberta price per pound. In our operation that could make a difference of approximately \$10,000 a year. The distance from a packing plant and the consolidation of packing plants are also factors.

The Chair: Thank you, Mr. Fossen.

Mr. Atamanenko.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): Thank you.

Thanks to all of you for being here. I'd like to first of all thank you folks at NFU for this report. I think it's very clear. It makes me understand the industry a bit better. I think it bears strict and critical analysis by government, perhaps in consultation with your organization and the Cattlemen's Association.

I would like to see us move forward. We've been back and forth on this issue since I've been elected. Everybody has good intentions. Whether it's the minister, whether it's members around this table, we all seem to react, but we don't seem to have moved very far. I think this report may be a key to start looking at this. I would like to submit that now is the time for our government to do something in cooperation with all of us, and I'd like to encourage that.

I have one question for each of you, and I'll try to be very brief to give every one of you a chance to respond. I'll ask the questions first and we'll come back to the answers.

Ms. Haley, you mentioned that the federal government must take a stand. I'd like to find out from you what specifically you'd like the federal government to do.

Bill, thanks for attending our food security tour in Stratford. You talked about collective marketing and independence. You mentioned—and I'll never forget—that the rancher is only independent until the end of his driveway. You said it again today. You talked about collective marketing. Can supply management work in the cattle sector? This is a question that people don't want to touch, but can it work?

Ed, what if we're not able to successfully challenge COOL? What if we're not able to do that? What if this continues for two or three years as we do the process and we try to challenge it? What's the answer to keeping our beef industry alive?

Mr. Rosing, I guess this question is in the same vein. You talked about two choices: restore the value-added meat industry with its domestic consumption only or export the beef. It's my understanding that Ontario, for example, imports most of its beef from the United States for consumption, whereas western Canada exports something like 60% of it, and it goes back and forth. I'm not sure of the statistics. Is it maybe time now to look at encouraging more domestic consumption? If so, how can we do that?

My last question is to you folks, Grant and Fred. Of all these recommendations, if we could sit down tomorrow and start implementing them, which would be the two or three you would recommend that we do immediately?

Having said that, maybe we can start with Ms. Haley, please.

•(1230)

Ms. Carol Haley: Thank you.

From my perspective, what the federal government should be working on is being very aggressive on their policy statement. The government needs to embrace and endorse things like age verification. I don't think the government should be afraid to move forward on COOL, because I don't believe we can win this battle with the States. Three years from now, if we do finally win it, I'm not sure what the end results will be anyway, and it will probably already be too late. I think we need to work aggressively to re-establish our presence in international marketplaces. The Canadian embassies and consulates could be very beneficial to Canadian farmers on that. I think the government needs to look again at what the legacy fund is doing, and at policies such as E. coli testing—issues that impact farmers on a day-to-day basis.

The Chair: Thank you.

Do you want to respond?

Mr. Strawbridge.

Mr. Ken Strawbridge (Consultant, Perth County Beef Farmers Association): During our investigation we had a conversation with dairy farmers to talk to them about what they were doing with their industry, especially with supply management. We made a statement to them that when we looked at their industry, it looked like there were two product lines. One was the dairy product line, which they had managed very well. The other product line was their quota system, which hadn't had very good management and was going to cost them. Their response to us was that we were right and that they were concerned about that.

So in that sense we don't believe that type of supply management is what the industry needs. We do look to other industries around the world that manage their supply chains, and they are very careful to make sure that all stakeholders within that supply chain can meet the demands that the consumer is placing upon it. That is what we believe the industry needs.

The Chair: Thank you.

Mr. Fossen.

Mr. Ed Fossen: I think if COOL were fully implemented it would be very bad for our industry, and as my neighbour here, Henry, alluded to, we still have this 50% to 60% of the cattle numbers. What would we do with them?

I believe that in the end, COOL will be implemented, but I'm just hoping, Alex, that it's done in a balanced way so that our cattle can be sold into the U.S. There will be a COOL implemented; it's just whether it's balanced or not.

•(1235)

The Chair: Thank you.

Mr. Rosing.

Mr. Henry Rosing: Regarding the east-west movement of beef, I think the cattle and the meat seem to go where the market is or where it's most efficient. We sell feeder cattle to Quebec or Ontario. It all depends on the cost and gain.

It comes back to the central question, though, that whether we realign where the beef is produced or what goes where does not address the issue that we currently produce 60% too much, and the enormous implication of letting that go. So I think it remains standing that we have to fight for our export markets.

Historically, from where we are, the mechanism of price discovery in beef is through the Chicago Mercantile Exchange, where futures prices are set. For the live cattle, for decades and decades—I'll be very brief—we've looked at the Omaha or Nebraska price. That's the live cattle. In the futures we sometimes see divergence of the basis because of speculation in the markets or delivery problems, but the relation to the live cattle usually clues off the Central American plains, and then it's off where the beef has to go, the transport costs.

So in a normal world, the price to us in Manitoba would be the Nebraska price minus transportation, which is about 6¢ per 100 pounds. Our negative basis is minus 21 in the latest CanFax report. The other 15¢ has to do with other costs. We cannot get that price because of export permits due to the anti-terrorism laws by the U.S., compliance with COOL, and a whole host of other issues.

The Chair: Thank you, Mr. Rosing.

We'll move on to Mr. Storseth, for seven minutes.

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

I'd like to thank all the witnesses for coming forward today and giving us some excellent presentations. I only wish we could have more time with each and every one of you.

I have just a comment for Mr. Rosing. I understand the farmers in your area have been undergoing some significant problems with flooding and with the weather over the last year. I can tell you that your member of Parliament has been very vocal and somewhat of a pain in the butt about it at times. He came out to my riding last fall and ended up telling my farmers, "If you think you have it bad, you should see what we have going on here." He has been working very hard to get a resolution to some of the issues you've brought forward.

Ms. Haley, I'd like to talk to you about a couple of things. First, when you started out, you really hit home on marketing, research, and production when you talked about the new reality. I believe those were the words you used for it. I think these all fold under the umbrella of competition and our competitiveness in the world. There's one other aspect I would add to it, and that would be our regulatory burden on our farmers. Sometimes it's necessary, but as well, we have to put our farmers on a level playing field with others around the world.

Would you agree that these four items are probably the most significant long-term changes and challenges that we have to face for the industry?

Ms. Carol Haley: I think there are many challenges inside this industry, Brian, but we did a lot of work on the regulatory burden prior to the report that I participated in last year. We were trying to find out where we're really at, competitively speaking, with the United States. There was some indication that our regulatory burden is higher. I think it's because it's regulated in every province as well as federally, so we have overlapping and contradicting regulations. Work needs to be done on that.

I think TILMA, the agreement between Alberta and B.C., helps to reduce some of those things. At least it highlights them and brings into the light what they might be.

Work needs to be done. We have to do a much better job of marketing our cattle on a global basis. We need to take a step back, look at what Australia has been successfully doing, and wonder why we're not doing it here. I don't have an easy answer for you other than to say that I'm disappointed in the Canadian Cattlemen's Association and our own local organization of Alberta Beef Producers, because they take millions of dollars every year from livestock producers under check-offs, and what's the result? I don't see a result, which is why we decided to move forward with ALMA.

Research is important. There's global research on beef, and we can be part of that global research pattern if we take the time to get involved with it.

Production lines are important. Traceability, age verification, and on-farm food safety programs are key to making sure the world believes that our beef is safe again.

• (1240)

Mr. Brian Storseth: I agree with you.

On the age verification aspect, I would like to ask for your thoughts on how important you feel this is. You made it very clear that you think age verification should be on a more national scope rather than what Alberta has gone for. How essential do you feel age verification is going to be in opening up new markets for our producers? Everybody here has said that we need more markets and larger markets. How essential do you see age verification being in that? Do we have any proof of it working as of yet? Alberta has had this in place for a year now, I believe.

Ms. Carol Haley: Actually, it's the 2008 calves that we've been trying to get registered on an age verification.

I think it's absolutely essential. Anywhere you go to try to sell your product, like Hong Kong or Korea, for example, the very first question is, "Are they all age verified?" There are strict limits. Everybody wants 30 months.

We don't want any limit, but 30 months is bearable. Twenty-one months is much more difficult. But how do you prove it if you don't have an age verification system? We're doing it because we have roughly two-thirds of the cattle in Canada. We have to move forward.

Mr. Brian Storseth: There's one last question I have for you, Ms. Haley, before I give the rest of my time to Mr. Richards. You mentioned the legacy fund. This isn't something that we've heard about at the committee yet. Do you have concerns about the legacy fund?

Ms. Carol Haley: Well, I don't believe it's doing anything. The Alberta government has put in \$30 million and the federal government said it would match it. It's being managed through the Canadian Cattlemen's Association through another committee they've set up, one of many, and I'm not sure that anybody could actually find any results for any of it. I think it matters. It was for marketing.

Mr. Brian Storseth: Mr. Richards.

Mr. Blake Richards (Wild Rose, CPC): Thanks, Mr. Storseth, for letting me use some of your time.

Thank you to all the witnesses for being here today.

I want to say a special thank you to Ms. Haley. She was my MLA for 15 years, until just recently, so I have to give her a special welcome. It's nice to see a familiar face from back home up on the screen today. That's great.

Ms. Carol Haley: Thank you.

Mr. Blake Richards: I appreciate all of you taking the time to address the committee.

I am going to focus my question to Ms. Haley, given that she is from Alberta. I want to give the opportunity for the committee to hear more of an Alberta perspective as much as I possibly can, because that's representative of my farmers and ranchers back home in my riding.

Ms. Haley, can you give me and the committee a bit of perspective, on behalf of grassroots farmers and ranchers in Alberta, on your take on the two approaches to the problems the industry faces? Certainly our government has focused very extensively on opening up export markets, new markets, market access. It's something we've been very successful in doing. So I wanted to get a sense of how you feel that approach works. Maybe you can contrast that with the more protectionist approach that I've heard from others, to the idea of more ad hoc government payments. Could you give me a bit of a sense as to how Alberta grassroots ranchers and farmers feel about those different approaches?

Ms. Carol Haley: Well, I'm sure there are as many different opinions between the farmers and ranchers here as there are everywhere else in Canada. There are, of course, some that want supply-side management, which I don't agree with, and as somebody who ranches for 17 years, I'm horrified by even the concept of it. But I guess we could start selling quota for beef as we do for everything else. We are fighting these things in the World Trade Organization, so I'm not sure where we would go with that if we're part of the World Trade Organization.

As for the approaches that Minister Ritz is taking, I appreciated very much his trip into Hong Kong and getting some marketing things happening again. But it's a big world, and we need to be in Russia, we need to be in India, we need to be in China, and we need to be doing them now, and we need to be supplying the product that those countries want.

Thus, all of these different branding tools that we can use—age verification, traceability, hormone-free—are absolutely essential, and I think a lot of farmers in Alberta, whether they're part of a feedlot or part of a small family operation with only 30 or 100 or 400 cattle on it, would agree that if we don't do something, then a lot more is going to get lost.

•(1245)

The Chair: Thank you.

We'll start a five-minute round.

Mr. Valeriote.

Mr. Francis Valeriote (Guelph, Lib.): My question is for Ms. Carol Haley. I don't want to assume any preconceived notions about what your answer might be about this. I read the report from the National Farmers Union, and it really is almost an indictment of the captive supply issue. I look at the budget and see \$50 million being provided over three years to expand slaughterhouse capacity. Really, I think this is advancing Mr. Bellavance's question.

If you look at this industry from 20,000 feet, it seems to me that small slaughterhouses are ultimately going to be consumed by the larger ones. For a neophyte like myself in this area, it really looks to me like there's going to be a big problem if slaughterhouse capacity isn't addressed, and by capacity, I mean their ability to really control the prices that farmers are getting.

I'm looking at page 11, particularly, of the presentation by the Farmers Union. Mr. Tait, I believe, said that the reduction that farmers are receiving in profits is a result of either the concentration of ownership in packing or the fact that their being much larger is making them less efficient and therefore requiring them to take a bigger piece of the profit.

Without taking a position myself, I'm curious about your position on that issue and what you see is the solution. Without going all the way to supply management, which I understand you're not in favour of, don't you agree that something needs to be done about that issue?

Ms. Carol Haley: Allow me to go back just a little bit. Years ago we had government loans, back before I was elected in 1993. There were government loans to organizations such as Gainers, which as you all know is a packing plant. Of course, they went broke and didn't pay their loans back, so the taxpayers of Alberta picked that up. Along came BSE, and we found ourselves with an enormous number of fed cattle ready to be slaughtered and absolutely no place to send beef. So the Alberta government once again went to work through Agriculture Financial Services, and we helped come up with loans for organizations such as Rancher's Beef and Ranchers Meats, both of which are broke again now, and once again taxpayers are paying off that money.

This is a much more complex issue than just saying vertical integration is bad, Cargill is bad, or Tyson is bad. The truth is that a

lot of the smaller companies couldn't make a go of it, and that's why they sold or just shut down. Burns moved out of Alberta a number of years ago because the labour unions wanted more wages. Burns was already operating on a razor-thin margin. They just shut down. I don't think there's a quick or easy answer. Regional packing plants are not easy to establish. They require large amounts of water. They require large amounts of cattle to be run through them to make money. Rancher's Beef had no end of problems just trying to get started, but we helped them because we were trying to help the farmers in our province sell their product.

There is not one simple answer, sir. I wish there were.

Mr. Francis Valeriote: Thank you.

First of all, I'm not suggesting that Cargill or Tyson is bad. Those words didn't cross my lips.

Ms. Carol Haley: There have been comments.

Mr. Francis Valeriote: Those words didn't cross my lips.

I am concerned, however, that this idea of captive supply is something that is not being taken seriously and not being more actively pursued. I would really like it if you could just focus your answer on whether you feel that some form of regulation should be undertaken with respect to the size of these abattoirs and their ability to maintain their own stock of cattle right across the street, so they can control the prices.

•(1250)

Ms. Carol Haley: The last time I checked, we were still living in a free and democratic country, where people could sell and enter into contracts to sell their product to someone else. I have to tell you that I do have concerns if I hear that somebody is not being treated fairly by a packer, but I think that with your antitrust legislation, if you feel there's a problem you can look there. But I don't know that we need to be telling somebody who is already barely hanging on in our province.... We only have two major packers; there are smaller ones, but there are two majors. If we tell them now that we're going to step in and change the rules they're operating under yet again, in a market where they're not making any money, I'm not sure where that leaves us.

The Chair: Thank you. Your time is up.

I'll move to Mrs. Bonsant.

[Translation]

Ms. France Bonsant (Compton—Stanstead, BQ): I am not a producer, but I am faced with a dilemma that I would like to raise with you.

Last week, the newspapers reported that American producers wanted to kill and chop up 1.5 million dairy cows. That is a lot of hamburger meat! One also has to take into account the cost of getting rid of carcasses, the fact that the price of leather is going down, partly because of the automobile sector crisis, and the financial consequences that COOL will have. We've been talking about exports, but I would be surprised if we were able to export to the United States. If I understood correctly, imports from the States have doubled since 2002.

How are you going to survive in these kinds of circumstances?

[English]

Mr. Grant Robertson: One of the things we have to realize is that we're going to have to get money into the pockets of farmers right now.

Mr. Atamanenko asked us a question about what needs to be done right away. Unfortunately, we didn't have enough time to answer it. The number one thing we think needs to happen is that we need to support farmers, but we need to start at the farm gate. We need to make sure that it's actually getting to farmers. The last time we tried to do this through BSE we ended up helping the packers consolidate the industry and move forward. It's not going to be easy over the next little while between COOL, the complete meltdown in dairy in the United States, a couple of things that are happening in Mexico, and the onslaught of Brazilian meat now too. There are a lot of issues that are coming forward, so we need to get at that.

We also need to get at the issue of captive supply. The National Farmers Union is a pro-trade, pro-market organization, but we recognize that we're not in a free market situation right now; we are in a market that actually undermines the free market. So all we're asking in the NFU is that we actually have a free market for our cattle in Canada. We think it would be a novel approach to have for the next little while, to actually move toward a free market system, where we're not in a captive supply system where the market itself is being manipulated and moved. That is the direction we think we have to go.

Mr. Fred Tait: I'll add one little bit more to that.

We spent most of my adult life proving that central planning doesn't work. We were successful in that only to have it replaced domestically by a centrally planned non-competitive market system that pulls all the wealth out of rural communities.

One of the criticisms we had of our great enemy was that it was undemocratic. That's why we're here before a democratic body, hoping they will break up this centrally commanded system that takes all the wealth out of rural Canada, and hoping that it will be distributed equally again among the people who create it. That is your mandate for being here in this chamber.

• (1255)

[Translation]

Ms. France Bonsant: Fine. Does anyone else want to respond?

[English]

The Chair: You have about a minute and a half, or close to that.

[Translation]

Ms. France Bonsant: I'll give the floor to my colleague, Mr. Bellavance.

Mr. André Bellavance: Mr. Rosing, I share your concerns about the labelling rules. What do you think of the government's response? Although it has received no formal confirmation in this regard, it has said that the Americans appear to be easing their stance. When Mr. Vilsack, the new Agriculture Secretary, took up his duties, the rules were not eased. In fact, he is expected to take a very rigid attitude concerning labelling rules.

The government decided not to file a complaint with the World Trade Organization, but now we are wondering whether we should have done so. Farmers are asking for a complaint to be filed, but the Canadian stance on these labelling rules seems to be vague. That's what I'm hearing from your testimony. Am I right?

[English]

Mr. Henry Rosing: In Manitoba, as I mentioned, we are used to trading agricultural commodities into the U.S. Pigs are being slaughtered in the U.S.; cattle are being slaughtered in the U.S. At the times when the advantage shifts to the Manitoba producers, it's usually because of currency issues or cheaper feed grain, if our barley is cheaper than their corn. Then a significant amount of exports takes place.

This usually rattles protectionist sentiments in the northern states, typically among Democratic senators, like Mr. Conrad and others, who are fighting to get re-elected and are playing to their constituency who don't like the Canadian trucks driving by every day. They were limited in their scope by other forces in the U.S. political system, by a Republican majority in one of the houses or a president who tamped down their proposals.

What worries us now is that we have a situation where they have a lot more influence. Now that Mr. Vilsack is agriculture secretary, the Democratic senators find a far-more lending ear to their concerns, and they are not being opposed by a majority in the houses or a presidency that will temper their intentions. So I continue to think it should be the number one priority of our government to monitor this, to be very actively involved, and to make it a top priority.

I'm not a trade expert, so I'm not the one to ask. I did agree when the challenge under the WTO was dropped and the regulation was changed. As for what to do now, I don't know. I do know that Mr. Vilsack has sent a clarification letter in his approval dated February 20.

Mr. Bezan and others may have a far more educated opinion than I have.

The Chair: Thank you, Mr. Rosing. Maybe you can enlarge on that later. I'm just trying to be fair to everyone.

I got out of order the last time, and I apologize to Mr. Bezan. So it'll be Mr. Bezan for five minutes, and then Mr. Shipley.

Mr. James Bezan (Selkirk—Interlake, CPC): Thank you, Mr. Chair.

It's great to be back at the agriculture committee, visiting with some friends and some foes, who've been hailed to look at this important issue that is of great concern right across this country, but especially in my riding of Selkirk—Interlake.

I'm one who's still involved in the cattle industry. I have a brother who's ranching in Saskatchewan and another brother ranching with my father in western Manitoba. There's no question that the hurt is real and substantial, and we have to address it.

I do appreciate everybody taking their time out of their busy schedules to be here and presenting to us today. In the NFU presentation, there's actually some stuff in here that I agree with. I do have a concern about packer-controlled cattle, and packer ownership specifically, but I don't want to see us get too carried away and forego some of the risk management tools that are out there, like foreign contracting. As a producer, and I know lots of producers, I want to have access to those tools to manage the risk. So we have to make sure we don't get carried away with some of these comments.

The one thing I was hoping to hear from NFU today, though, was an apology. I was kind of hoping that Neil Peacock would be here to talk about what he was doing down at a meeting with R-CALF in Montana. I look at the press releases from the 13th, from the 19th, letters to the editor from Stewart Wells. There's no question, not once does it denounce R-CALF and their behaviour as it relates to COOL and how that is causing significant injury to the cattlemen, taking dollars out of our pockets today because of that support they have for Mr. Vilsack and everything they're doing in the U.S. to stem the flow of Canadian goods, Canadian cattle, and Canadian beef into that marketplace.

You do talk about what R-CALF did on BSE. I can tell you that the chair of this committee and I have been in the courtrooms in Seattle, in Portland, in Sioux Falls to make sure the Canadian position was carried forward in those courtrooms. I see CCA is at all those hearings, so it's nice that NFU has finally come onside and said that the BSE challenge by R-CALF is bad. But they don't denounce what they're doing to our market today and how they're injuring our producers on COOL. So I was kind of hoping you guys would say, "We're sorry we were there. We're sorry that we betrayed the Canadian farmers, sorry that we actually went there and gave legitimacy to an organization that doesn't have any ground to stand on within the more progressive cattle circles within North America."

Now the one thing we have to realize is that when you talk about country-of-origin labelling, as a producer—and I know when I chaired this committee, and the committee travelled down to Washington to meet with our counterparts, we challenged the Americans that what they're doing is in complete violation of trade law—I'm not scared to label my product as Canadian. We know it's good. We know we can go out there and sell it, and that when consumers eat it, they will love it.

The problem is that it's adding cost to the overall production system, and it's being used as a hammer to decrease the value of our product rather than increase it and allow us to get more out of the marketplace. So this is a problem, because it's mandatory. This letter

that Vilsack sent out to the industry has even created more concern out there, and it's leading prices to fall farther. So rather than talk about embracing country-of-origin labelling, we need to be talking about getting rid of the mandatory side of this, and if we can make some value-added opportunities through labelling, I think it's a better route to go.

You also talked about, and I also heard Mr. Jeffrey talk about, the better balance of production and consumption. I have a great concern. I agree with Mr. Fossen and Mr. Rosing in what they're saying, that we'd have to lose 60% of our producers; 60% of the cowherd has to disappear. That's not even taking into consideration the amount of dairy beef that we have in the industry that's not going to disappear because it's in the supply management system. So the question becomes, who leaves? Who do we take down to the average levels? Where does that number stand at, and what is that going to do to our rural communities?

Mr. Rosing said that in Selkirk—Interlake, in the riding that we have there, all we can do is run cattle. There isn't any other opportunity. If we have to cut down our numbers by 50% or more, we'll lose every small town. We'll lose our schools, we'll lose our hospitals, and the socio-economic impact will be too great to even be able to deal with it.

• (1300)

I want to turn my questions over to Mr. Fossen and Mr. Rosing to talk about how they think we should be moving ahead to stimulate our rural economies rather than have our ranching communities decimated.

Mr. Alex Atamanenko: On a point of order—I hope this is a point of order. You made some pretty strong accusations, James. I think they should have a chance to reply to those accusations.

The Chair: That isn't a point of order. He's correct.

Mr. Grant Robertson: You are going to allow an MP at a Commons event to question my patriotism and not give me an opportunity to respond?

The Chair: I'm sorry, Mr. Robertson. You're here to answer questions.

It's his five minutes. A member can bring up a point of order, and that wasn't. It's his.

Mr. Fossen and Mr. Rosing, could you answer briefly, please, on this question?

Mr. Ed Fossen: I did touch on that in my report. I am very concerned about the impact of this country-of-origin labelling and how it will be implemented. I think it will impact heavily on the rural areas, particularly in our area. Compounding that, as you're probably all aware, our forest industry is being hard hit in our area, all over British Columbia, and again that's putting pressure on agriculture, ranchers in our area, who by the way were tied in to ranching and forestry. It would have a huge impact.

I say again that I would like a balanced implementation of the COOL.

• (1305)

The Chair: Mr. Rosing, you have 30 to 45 seconds, if you could, please.

Mr. Henry Rosing: I hope I got my point across from our perspective, because we're so dependent on selling our product out of our province and out of the country. We really hope the government can focus on maintaining and expanding our export markets. Ms. Haley has alluded to that too.

It becomes a time factor. I relate it to the costs now. I agree with some of the concerns that NFU has too. We sometimes wonder what capital supply does or what packer concentration does, but to my knowledge, apart from the little spike during BSE and others, we are talking about cents per pound. I've tried to get across right now the basis between what the beef will fetch unimpeded and what I get. There is 14¢ that is all incorporated because of the restrictions in movements and regulations because of the interference in the market. If we could get our beef to go where it wants to go, we would see an immediate increase of 14¢ per pound. That would solve most of my problems.

The Chair: Thank you, Mr. Rosing.

Mr. Shipley, for five minutes.

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

Thanks to the witnesses for appearing from across most of this country today. I think that's always good.

We've heard a diverse number of opinions about the cattle industry, everything from being very protective to having the opportunity for the industry to expand its borders in terms of export and how we might do that. I think that's good. One of the things our minister has done in following through on a number of the comments....

For a sustainable industry—and this is coming from the beef producers in my area—the belief is that if you're going to survive you have to have markets. One of the things, certainly as individuals, I think we often forget is that when you market an animal, the intent is to market 100% of that animal. If you were to take that live animal and dress it out, there are many parts of an animal that we, as Canadians, don't consider to be prime cuts of meat or products we would sit down at a table to. Yet in other countries those parts are considered delicatessens. People will pay very high premiums for those.

As you have seen, with our minister going to many countries in Asia, we're looking at how we can market that whole animal at a

premium. I think Mr. Fossen, for example, has some comments on that.

The other part is the COOL challenge. We have differences of opinion on it. Certainly before Mr. Vilsack, the new secretary, came in, there were significant changes to the good for the Canadian cattle industry on COOL.

To Ms. Haley, I wonder if I could have a comment on that. In terms of COOL, was that an appropriate position we were in prior to Mr. Vilsack coming in?

I wrote down an interesting comment from the Farmers Union that banning cattle from packers has taken over. I agree with my colleague. I think there's always a concern. I don't want to lose the democracy that we have in this country, but we need to make sure we have instruments in place that will help protect us.

Anyway, I'm going to leave it to those two questions right now. If we have time, I'll come back.

• (1310)

The Chair: Mr. Fossen.

Mr. Ed Fossen: I'll go first. That's a lot of questions, but anyhow

Mr. Bev Shipley: I think there were only three.

Mr. Ed Fossen: —I'm just going to concentrate.

With respect to the packing plant in Yakima, that was one emphasis. I'll give you an example. They would take cattle tongues—I'm not sure what they do with them in Canada, maybe make dog food—and ship them overseas. They get a very top dollar for that. And there are some advantages in hides—very much so. The large animal can probably be utilized better than in a small plant. I'm not sure what a small plant would do with tongues.

Mr. Bev Shipley: On COOLs? Ms. Haley?

Ms. Carol Haley: I want to say this. We learned through the BSE experience that we don't have a lot of ability to influence U.S. government policy on a particular issue. We all had to work very hard to try to get the border open—even to removal of SRMs, and on and on. I understand we tried, but I don't believe we had an adequate plan several years ago when this issue first came up. While we may have wanted to believe they would be nice to us, the truth is that they're doing what they do.

We have to find other ways to deal with the realities. On one hand, you can continue to fight the issue. I have no problem with fighting the issue. But at the same time we're importing \$1 billion worth of beef. Why is it not labelled? It's just a quid pro quo. At some point you must say this is the way you want it to be and maybe we need to play your game.

Mr. Bev Shipley: Do you—

The Chair: Sorry, Mr. Shipley, your time is up. I turn it over to Mr. Eyking.

Hon. Mark Eyking: Thank you, Mr. Chair. I have two types of questions. My first question would be to the NFU, and I would ask you to answer within two minutes. My next question, for three minutes, is for someone who knows the programs.

Could the NFU comment on the statements made by James Bezan earlier?

Mr. Grant Robertson: I'd be quite happy to do so. I absolutely can't believe that at this time and place you would question the patriotism and the honour of an organization that has spent its entire time dedicated to family farmers.

What happened was, there was a meeting of beef industry leaders, farm groups from Mexico, the United States, and Canada. One of the people who happened to be there was from R-CALF. That was it. We found out R-CALF was speaking on captive supply—something you say you now agree with R-CALF on—saying there needs to be something done around captive supply. Maybe you are not surprised that you might be able to agree on something with R-CALF, but the NFU found it quite surprising that we could find something to agree with R-CALF on, and that was captive supply. That's what those comments are.

It's absolutely beyond me that you would play these silly political games around this kind of stuff when we have a real thing. We have seventy-year-old people who are continuing to farm, not because they want to but because they can't get out of the industry. There's no way they can get out. If they try to get out they're going to lose everything. The only thing they can hope to do is hang on and lose a little bit at a time. Yet you want to play these silly little political games.

We have young people who can't take over farming—

Mr. James Bezan: There are rules of procedure. Is he taking up my time?

The Chair: I'll adjust for that.

Mr. James Bezan: There are rules of procedure that say that witnesses have to address the committee with proper respect, and I'm not hearing that respect right now. I do ask that you call them to order based upon chapter 20 of Marleau and Monpetit.

The Chair: I think Mr. Robertson has made his point, and I turn it back to Mr. Eyking for questioning.

Hon. Mark Eyking: Let's talk about helping farmers and getting money into their pockets. My question is about some of the programs the government should be doing immediately.

My first question is for whoever among the witnesses best knows the programs. Should the viability test be changed? My other question is, should the option of the better of the Olympic average or the previous three-year average be used for reference margin calculation? Which one should it be? Or should it be the better of the AgriStability Tier 1 or the AgriInvest? For the programs I have alluded to, what should be changed immediately, and what reference margins should be used?

Mr. Fred Tait: If you were to look at the graph in the opening of our brief that showed the price of cattle from the 1930s up until 2008, you would take that piece from 2003 up until 2008, and then you would overlay that with a farm support program that is based on 70% of that price. You would see a farm support program that would

have a net that was far below the returns that were given to us during the Great Depression by the marketplace. The reason we can't have an adequate farm safety net is because it would compromise our trade. You can't have this push, push for trade and then negotiate into the WTO. It's right in the text: the farm support program shall not be more than 70% of the five-year moving average. Move the highest and lowest off that equation.

As long as you insist that trade is the answer, there are no solutions to our economic problems domestically. It's that simple.

• (1315)

Mr. Ed Fossen: I'd like to comment on the reference margins. I think they should be dropped. The whole program is too cumbersome, too bureaucratic, and it's not paying out. There is something basically wrong with the program.

The other point about AgriInvest and some of these programs where cattle ranchers are supposed to come up with money and matching funds—that's a joke. There's no way a cattle producer, a family owned ranch or cattle producer, could come up with matching funds right now. I know that for sure.

The Chair: Mr. Eyking.

Hon. Mark Eyking: I come back to you, Mr. Fossen. You're in the business—and I know the trade; let's not talk about the trade. How can we help beef producers immediately, in the next few months?

Mr. Ed Fossen: In my opinion, because we're exporting over half our animals, we have to somehow get the country-of-origin labelling implemented in a balanced way.

I think you can make the new programs simpler, more straightforward, and less bureaucratic, because I don't know if some people can even fill out the forms and handle it. Some straightforward help right now would be great.

In my mind, the biggest thing on the horizon right now is to get the country-of-origin labelling settled in a balanced way.

The Chair: Thank you, Mr. Fossen.

Mr. Hoback, five minutes.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Mr. Chair. I've been sitting here digesting everything that's been said. We have some very different philosophies and very different ways of doing business being proposed around this table. It's definitely going to create some confusion and some things for us, the committee, to digest.

You can clarify this for me, Mr. Robertson. Jan Slomp is quoted as saying, "I totally understand and defend R-CALF in public now. We need to be allies with R-CALF." Is he a representative of the NFU, and did he say that?

Mr. Grant Robertson: What they are talking about is on captive supply—

Mr. Randy Hoback: I didn't say that. I'm asking what they're talking about. Did he say that?

Mr. Grant Robertson: On captive supply, he said there can be some work together.

Mr. Randy Hoback: No, no. Again, did he say that?

Mr. Grant Robertson: On captive supply, he said there could be some work together, that as we Canadians move forward to try to get a handle on captive supply, R-CALF won't be a problem, as they have been on many other issues.

Mr. Randy Hoback: Okay. What has been reported and what has been quoted by R-CALF is not anything on captive supply. It's very blunt that you're looking like you're aligning with R-CALF, and by doing that, you've given credibility to an organization that we say has no credibility. You've actually undermined our position with COOL in the U.S. You did it at such a time when things were sensitive. The damage you've done to the western Canadian industry is huge. The damage you've done to the Canadian industry is huge. That is what Mr. Bezan was getting at.

I don't think he's questioning your patriotism or anything else. I just want you to realize that when you go about doing things as careless as that, they have consequences, and the consequences could cost more than 40 bucks a head or 100 bucks a head. It costs 200 bucks a head, 500 bucks a head. It could take my neighbour Dan Cyr and throw him out of business. That's what I'm trying to point out to you,

Mr. Grant Robertson: Maybe you should engage in a little less careless reading, then, because the release from R-CALF is specifically talking about captive supply. That's what it says in the release, that it is around the issue. Those people in the conference, during the conference, expressed surprise—not to R-CALF—that R-CALF might actually not get in the way of something we want to do for our industry in Canada. That's the reality.

You can spin it every way you want, but you have people across this country who are going to lose their farms and you want to play political games.

• (1320)

The Chair: Mr. Robertson, please address your comments through me and stick to the answer. It is Mr. Hoback's five minutes.

Mr. Grant Robertson: He was addressing me.

The Chair: Yes.

Mr. Grant Robertson: So let's go both ways.

Mr. Randy Hoback: Actually, Mr. Robertson, I take exception to your saying I'm playing political games. I am playing on behalf of my farmers in my riding and they need help.

We had a federal programs meeting two weeks ago. Saskatchewan brought up some changes to the AgriStability program. None of the other provinces backed them. Where were you? Where was Ontario? Are you prepared to go back to your province and say we need changes and get them to stand up at the table and say we need changes? You weren't there. Saskatchewan was there and you weren't.

Where were you in B.C.? Were you there, Ed?

Mr. Ed Fossen: No.

Mr. Randy Hoback: Was B.C. at the table? Can you explain that? Where was Alberta?

Mr. Grant Robertson: I speak for the Province of Ontario now, do I?

He asked me.

The Chair: I don't believe so. He asked Mr. Fossen.

Mr. Grant Robertson: Yes, he did. He said, "Where were you?" and "Where was the Province of Ontario?"

Mr. Ed Fossen: I'm a rancher, and of course I'm involved with our local association. I'm just not sure if B.C. was there or not. I'm sorry, I can't answer that question for you.

Mr. Randy Hoback: Ms. Haley, would you say Alberta would support some of the changes that Saskatchewan brought forward?

Mr. Carol Haley: I'm not in government any more, sir, so I'm reluctant to speak on behalf of my government, although I understand what your government was asking for in Saskatchewan was a per-head payment. I'm sure some of the other provinces also had a problem with that. Your minister needs to do his homework with the other ministers.

Mr. Randy Hoback: Okay. I'll turn it over to Blake.

The Chair: You've got the next five minutes after Mr. Hoback. Go ahead.

Mr. Blake Richards: Okay, great. Thank you.

I've got a question for the NFU as well. I have a little difficulty with one of the positions that you seem to have put forward, and it's in the interest of modern-day business and a global marketplace in mind. There was a report that we reviewed here that you put out, and there was a comment made there about concern over over-dependence on export markets. I think it's very clear, and Mr. Shipley alluded to this earlier. I don't think all the products that can be derived from our livestock are necessarily all marketable in our own country. For example, I enjoy nothing better than sitting down to a nice Alberta beef steak, but I wouldn't necessarily be so receptive to a plate of beef tongue or offals. That's just my personal preference and my taste. Yet there are markets that we know of, and there are some pretty large and lucrative markets where those same kinds of products are considered delicacies, and they're willing to pay a good price for them.

It seems to me that your position is almost that the farmers should forego those additional opportunities to get extra value from their products, so they don't become overdependent on these markets.

I know we can make a profit from these markets, and you're saying that you believe that as well. But you're saying that we should just simply pass those opportunities up because something could harm our ability to make a profit, that we don't want to sell the product to someone even though we know they're willing to pay a premium and even though we know it could help our farmers.

Maybe you could explain this concern about overdependency in foreign markets, even though we can clearly see that there's an opportunity there for added value for our farmers on these products.

Can you explain that for me a bit?

Mr. Grant Robertson: Thanks. That's a good question.

The National Farmers Union is a pro-export organization. We understand that we need to export our products to be able to make a good living. What we mean by overdependence is that we have placed ourselves in a situation where we are now almost entirely dependent on—or at least too much—on the American market, and we've lost opportunities around the world by doing some of the things that we do here that keep us captured in the North American market. We're losing some of the most lucrative markets in the world due to hormones, BSE testing, and other things like that.

We just think we need to move forward on those kinds of things so that we can capture those kinds of export markets, but we also can't put all of our eggs in one basket. While we've been chasing and trying to get export markets, we've lost a lot of our own markets, and we think we need to balance that a little bit more and put some focus on regaining and recapturing our own markets.

Canadians love Canadian beef. As bad as BSE was, it could have been worse—as hard as that is to imagine—if Canadians hadn't been so supportive, through their mouths and stomachs, of the Canadian cattle industry. They know this is good-quality product, done to the best health standards in the world, and yet we're losing our own markets to offshore competition, among others.

We've placed all of our eggs in this export basket. We've seen, on one of the graphs there, that we've actually lost on income for our farmers. So we export and export and it's not coming back. What we're suggesting is just rejigging that balance a little bit. We're not saying we should get rid of exports or that we won't primarily be exporters. We're just saying that we need to make sure we have our own ducks in order in our own country and that we're getting our own markets—a high-value market that has a lot of money in it—to make sure it's returning to farmers. Then let's go out and try to get every market around the world we can. Right now we're blocking ourselves from marketed opportunities because of the way we've addressed some of the issues in our own beef system here in Canada. We think we need to go that route as well.

• (1325)

The Chair: Be very brief, Mr. Richards.

Mr. Blake Richards: I would take it from your comments that we can at least broadly agree on the need for a global marketplace for expanding our exports. Can I take your comments to mean that you would certainly agree and support the work of our minister in the last little while to open up some of these new export markets to try to reduce our dependency on the U.S. market, making sure we have other export markets available to us via some of the agreements we've signed with places like Jordan, Hong Kong, and Saudi Arabia?

Would you say we could agree on that point?

Mr. Grant Robertson: Yes, I would say they're part of the answer. The problem is they're not the whole answer.

The Chair: Thank you very much.

Mr. Fred Tait: And I would add that if the market is profitable, I'll be there.

The Chair: Sorry, the time is up.

Mr. Fred Tait: If it's not, I don't want to go there.

The Chair: I appreciate all the witnesses coming in.

I do want to clarify a point or statement you made, Mr. Robertson. You implied that I wasn't being fair to everyone. I very much resent that. When witnesses are giving their presentations, sometimes statements are made that some people around the table may disagree with, but they don't have the right to interrupt. When a member is asking a question, no matter who it is, how they spend their five or seven minutes is up to them. It's up to them whether or not they want an individual witness to respond to their questions. So I just want to clarify that. One thing I pride myself on is being fair around the table, and I resent that remark.

If I could say just in closing, as the chair and as a beef farmer, I think we all have a concern around the table about captive supply, and I think there's probably a difference of opinion on how we can fix that problem. I think that's a pretty fair statement.

In our last term of Parliament, I pushed an issue, which was supported around the table, to deal with competition. I continue to do that. Mr. Storseth has a motion on that, which I expect, or hope, will get unanimous approval at some point. It's an issue that obviously needs some work.

With that, I thank all the witnesses for coming.

And thank you very much, Ms. Haley, for joining us via the airwaves.

Ms. Bonsant.

[*Translation*]

Ms. France Bonsant: Mr. Chair, I wonder if it would be possible, when our meetings last until 1:30, to have a small lunch served. We can smell all sorts of delicious odours and we've been discussing beef for some time, and I'm hungry. As they say in English: Where's the beef?

Some hon. members: Oh, oh!

[*English*]

The Chair: Ms. Bonsant, your point is well taken.

• (1330)

[*Translation*]

Ms. France Bonsant: Do you know why I am making this request? Because between 1:30 and 2 o'clock, we have to run to the House. Some people will be speaking this afternoon and I have to attend another meeting. Solely in cases where meetings end at 1:30, it would be a good idea to have something to eat.

[*English*]

The Chair: It's a point well taken and we'll consider it.

I should have brought it up sooner. Mr. Easter did before he left. It was quite unfair for the vice-chair to go out and get his meal and eat it in front of everybody.

Some hon. members: Oh, oh!

The Chair: He should have brought it....

Anyway, next time we'll be expecting him to bring ours back to us.

We have a housekeeping motion to deal with today, but once again, thank you to everyone for coming. We appreciate your input and interest.

The motion deals with an operational budget request and the witnesses who appear before the committee. It's basically a motion to approve a total amount of \$22,488 in funding for witness expenses. I won't read the details unless somebody requests them.

I would entertain a motion to approve that.

It is so moved by Mr. Atamanenko, and seconded by Mr. Hoback.

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

The Chair: With that, thank you.

I call the meeting adjourned.

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