



House of Commons
CANADA

Standing Committee on Agriculture and Agri- Food

AGRI • NUMBER 009 • 2nd SESSION • 40th PARLIAMENT

EVIDENCE

Thursday, March 12, 2009

—
Chair

Mr. Larry Miller

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

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

Standing Committee on Agriculture and Agri-Food

Thursday, March 12, 2009

•(1110)

[English]

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

I'd like to welcome our guests and thank them for coming today. We have a number of guests today, and to leave as much time for questioning as possible, we'll move right into this. I'm going to have to be very strict in keeping you to ten minutes. Because of the amount of time we have, I would encourage you to take less time, if you possibly can.

At this point, we have, from the Fédération des producteurs de porcs du Québec, Jean-Guy Vincent.

Mr. Vincent, you can go ahead, please, for ten minutes or less. Thank you.

[Translation]

Mr. Jean-Guy Vincent (President, Fédération des producteurs de porcs du Québec): Good morning everyone. Thank you very much for giving us this opportunity to express our views to the Standing Committee on Agriculture and Agri-Food.

On behalf of all the pork producers in Quebec, I want to thank you for inviting the Fédération des producteurs de porcs du Québec to provide an update regarding the crisis we are currently facing and to share our concerns about the U.S. Country-of-Origin Labelling Regulations, know as COOL.

When we last appeared before the standing committee in April, we spoke to you about Canadian labelling.

We pointed out that the Canadian labelling legislation put the industry in an unfair situation. For years, Quebec has been structured in such a way as to promote pork processing, and that is why we are very much in favour of fair labelling rules for Canadian products to allow consumers to make informed choices.

We are also involved in a battle at the present time with our partners to the South, to ensure a fair hearing of our objections to the application of the COOL regulations. The Country-of-Origin Labelling Regulation, published in January by the U.S. Secretary of Agriculture, Tom Vilsack, is a matter of considerable concern to us.

First of all, the effects of COOL labelling were already being felt last year, with a reduction in live Canadian piglet exports to the United States. On the one hand, the slowdown was beneficial for Quebec pork finishers because, for a short while, it provided them with a lower priced product. However, the long-term consequences

were harmful for the farrowing producers, who could not compete at dumping prices. The domino effect was catastrophic on our system, in terms of a surplus of piglets, a surplus of grower-finisher pigs, and increased input costs.

In the context of free trade, it is normal to have business ties with our neighbours to the South, and this trade is a link in our work chain. A breakdown of this scope can only have negative effects in the long term.

In addition, we are also very concerned about the U.S. plan to extend the labelling rule to processed products. As you are aware, Quebec exports 60 per cent of its processed products to places around the world, including the United States. Extending the application of COOL would largely compromise Quebec's and Canada's chances of selling fresh meat to the United States for further processing, such as the production of deli meats or smoked products.

The economic spinoffs of pork production and processing are in the range of \$1.5 billion annually in Quebec. With nearly 24,000 direct and indirect jobs created in every region of the province, this major regional economic driver may be deeply shaken. In the current economic crisis, the Canadian government must take decisive action with the U.S. government to put a stop to the protectionist movement and urge a return to balance.

With these uncertainties in our marketing environment, you will not be surprised to learn that the severe crisis the Quebec pork industry has been facing for several years now has not abated.

The advance payments program offered a reprieve for the many producers who found themselves in dire circumstances. Earlier this year, the government granted a re-payment extension, for which we are very grateful.

•(1115)

These initiatives have helped producers cope with the crisis that is still unfolding. But this situation remains a matter of concern, and to ensure re-payment from producers who received advances, the government will have to develop a re-payment schedule.

In order to come through this crisis, our current priority is to renew our marketing agreement, in order to establish fair prices while encouraging a climate of cooperation between the producers and the processors, so that we can meet the international competition.

Although we acknowledge that a centralized hog marketing system still has a role to play in our industry, we believe there is a need for renewal and are convinced that a new negotiated collective agreement would be in everyone's best interests. We also believe that we have to re-assess the Quebec production model in order to lower production costs and make the system as efficient as possible. We are aware of the major challenges ahead of us, but we are also ready to move forward and do everything it takes to succeed.

Assistance should also be provided for the implementation of new technologies that can reduce costs on the farm. This would be a productive form of assistance that would be acceptable under WTO rules. Pork producers are innovative, open-minded people who are ready for change. We are determined to persevere in order to make our farms profitable again and preserve an industry that is of critical importance to Quebec.

In closing, I would again like to thank you for giving us this opportunity to update you on our situation and explain our views on the COOL labelling issue.

[English]

The Chair: Okay, thank you very much, Mr. Vincent.

We'll now move to Mr. Dupont, for ten minutes or less, please. Welcome, and thanks for coming. You're from the Economic Development Society of Drummondville, the Société de développement économique de Drummondville.

[Translation]

Mr. Martin Dupont (Chief Administrative Officer, Drummondville Economic Development Society): Thank you, Mr. Chairman.

Ladies and gentlemen, members of the committee, good morning.

My name is Martin Dupont. I have been the Executive Director and Industrial Commissioner for the Drummondville Economic Development Corporation for the last 21 years. The reason I am here is quite simple. In support of a project to develop the Levinoff-Colbex slaughterhouse, I am tabling with you today some material that explains the importance of this company and its economic spinoffs in the Drummond RCM. Throughout our presentation, you will be in a position to see for yourselves the positive spinoffs that the company has had not only at the local level, but at the provincial and national levels as well. I intend to address the following four points: the company itself, the history of the Levinoff-Colbex slaughterhouse, the role it plays in the community and future projects of benefit to our community.

To begin with, I would like to give you a brief overview of the company. Levinoff-Colbex has two facilities: the slaughterhouse in Saint-Cyrille-de-Wendover, in the Drummond RCM, and the processing and distribution centre located in Montreal. The slaughterhouse alone has 250 employees. Together, the two facilities have sales of \$150 million Canadian. The Levinoff-Colbex slaughterhouse is really a leader in the beef industry. Why? Because it receives between 4,500 and 5,000 cattle per week, whereas other slaughterhouses in the East have a capacity of only about 100 animals or less per week. Since Gencor Foods Inc. in Kitchener, Ontario, shut down in the winter of 2008, the Levinoff-Colbex slaughterhouse has been the only large volume slaughterhouse in operation in

all of Eastern Canada. It processes 90 per cent of cull cattle from all across Quebec.

This company is also an industry leader when it comes to quality control and food safety, which means better consumer protection. Indeed, the Levinoff-Colbex slaughterhouse has had HACCP certification since 1999. One million dollars was invested for that purpose. In fact, three employees who carry out quality assurance had to take training at the University of Guelph, in Ontario, in order to manage that program. In addition, the Levinoff-Colbex slaughterhouse is the first such facility in Canada to have implemented a computerized animal traceability system. Since 2007, the company has been applying SRM, or specified risk material, regulations on an ongoing basis. In order for those standards to be met, the company had to invest \$3 million. A specialized team of 12 full-time employees was trained for that purpose, which represents a payroll of approximately \$600,000. I would also like to point out that Levinoff-Colbex has been a limited partnership company since it was purchased in 2005 by the Fédération des producteurs de bovins du Québec. The 14,000 producers in the province are now the owners of the company.

Now that you have an idea of what the company is all about, I would like to take a few moments to give you some highlights of the history of Levinoff-Colbex in our region. The Colbex slaughterhouse was founded in 1978 by the Dubé family in Saint-Cyrille-de-Wendover, near Drummondville, Quebec. The company had six employees. It is important to remember that, at the time, there were between 400 and 500 slaughterhouses in operation in Quebec. In 1998, the Colbex slaughterhouse merged with Levinoff, a family business in Montreal belonging to the Cola family, and thus became the single largest business in the beef industry in Eastern Canada. In 1999, the Levinoff-Colbex slaughterhouse received HACCP certification. By then, it had 135 employees. In 2003, the mad cow crisis resulted in the collapse of export markets and lower cattle prices. The slaughterhouse and the entire industry were hit hard. In 2005, as a result of the crisis, the Fédération des producteurs de bovins du Québec finalized the purchase of Levinoff-Colbex, while securing the expertise of the Dubé and Cola families. Six million dollars was injected in the company in the form of new capital. In 2008, as a result of the company's financial problems relating to the new food safety standards and the need for new investments, members of the Fédération des producteurs de bovins du Québec agreed to recapitalize the slaughterhouse with an injection of \$30 million.

The Levinoff-Colbex slaughterhouse is not only a valuable family legacy for the entire Drummond RCM; it also directly contributes to the region's economic dynamism. First of all, it should be noted that the slaughterhouse is located in Saint-Cyrille-de-Wendover, a municipality belonging to the Centre-du-Québec region, with a population of 224,000. Of the 250 people who work for the company, 90 per cent are from the Drummond RCM, with a population of 94,000. More than two thirds of that population reside in the City of Drummondville. For the small municipality of Saint-Cyrille, with a population of 4,219, the slaughterhouse is the largest employer.

•(1120)

Employees of the slaughterhouse receive an average salary of \$40,000 per year, making the company a leader in the rural economy in terms of wages. That explains why many employees have been working there for more than 20 years.

Another interesting fact is that the Levinoff-Colbex slaughterhouse is one of the main employers in the region helping to draw families from ethnic communities away from the major urban centres and integrate them into the more rural communities. Thus the company has a number of employees from Laos, Algeria and Colombia. The slaughterhouse remains the largest employer in Saint-Cyrille. It has a payroll of \$10 million, with \$1 million being spent on training. Over the last 30 years, more than \$25 million has been invested in capital improvements and more than \$24 million will be re-invested in the coming months. I don't need to tell you that this kind of investment does not happen every day in our community, particularly in the current environment.

In addition to employing 250 people, the slaughterhouse has indirectly contributed to the creation of 50 jobs in the region. For example, the establishment of IND Embryontech in 2003 would not have been possible had the Levinoff slaughterhouse not been located in our RCM. This company, which specializes in *in vitro* production of Holstein embryos, has created 15 new specialized jobs in the biotechnology sector and is one of the rare companies that exports its products to China. As far as the City of Drummondville is concerned, it is clear that this \$2 million investment would not have occurred had the slaughterhouse not been located in the region.

The slaughterhouse also provides work to four veterinarians and 10 inspectors from the Canadian Food Inspection Agency. In the transportation sector, 10 truckers have worked thanks to the slaughterhouse; they haul carcasses and waste materials. In addition to that, every day, between 20 and 25 trucks from different companies go in and out of the slaughterhouse carrying cattle.

It is also important to mention that the company has been extremely generous with the community. Current executives regularly make donations to a variety of different organizations and foundations associated with education, health care, recreation, sports and tourism. One of its partners is also the Faculty of Veterinarian Medicine at the University of Montreal, which uses its facilities for training sessions aimed at student veterinarians.

In summary, the Levinoff-Colbex slaughterhouse is a major asset for our RCM, in terms of its economic, social and community health. Upcoming investments will benefit our region. The three projects being planned by the slaughterhouse are primarily aimed at increasing the slaughter capacity and enhancing production efficiency.

The first project involves a cutting room in Saint-Cyrille. That new construction will mean an expansion of 1,500 square feet, at a cost of approximately \$18 million. After a year, 125 new jobs will have been created and, in the medium term, an additional 150 new jobs will also be created. The second project involves transforming slaughter wastes into biogas, a greener form of energy. Finally, the slaughterhouse is planning to invest \$1 million to expand the cattle

shed. These three projects together represent an investment of \$24 million over a three-year period.

In closing, the Drummondville Economic Development Corporation and the entire region are relying on the Canadian government to support these projects. For us, they represent the guarantee of 250 direct jobs and 50 indirect jobs in the community, the creation of 150 new jobs in the community, an investment of \$24 million in the economy and the community and, most importantly, the consolidation of a unique form of expertise in Eastern Canada for the entire beef industry.

Establishing a new slaughterhouse these days is almost unthinkable, because it requires unique expertise, the kind of expertise that Colbex has.

In closing, ladies and gentlemen, I would like to thank you once again for your attention and I hope my comments have enlightened you as to the critical importance of the Levinoff-Colbex slaughterhouse for our community.

Thank you.

•(1125)

[English]

The Chair: Thank you, Mr. Dupont, and for keeping under your time. I appreciate that.

Now I have Mr. Paul Rouillard, for ten minutes, from the Federation of Sheep and Lamb Producers of Quebec.

[Translation]

Mr. Paul Rouillard (Acting Director General, Fédération des producteurs d'agneaux et de moutons du Québec): Good morning, ladies and gentlemen. I do not intend to read this document, because I cannot read, but I have prepared something.

First of all, what is the Federation all about? It was established in 1981. Quebec has 1,250 sheep farms, with sales of approximately \$60 million. The Federation markets all heavy lambs, in other words 36 kilos and over. The Federation has also been mandated to start selling all lambs by 2010 or 2011. That means about 145,000 additional lambs per year.

Still in terms of background, Quebec annually produces approximately 4,700 tons of lamb meat, which only represents 50 per cent of total consumption in Quebec. The rest is made up primarily of imported New Zealand and Australian lamb.

Lamb meat consumption accounts for 0.5 per cent of total meat consumption in Canada. However, it is important to realize that there has been a rapid increase in consumption since 2000. We have noted an increase of 40 per cent since 2000, which represents an annual average of 5 per cent. Finally, it is the only meat, along with poultry—although we don't really know anymore when it comes to poultry—with an annual rate of consumption that is on the rise.

The Standing Committee asked me to address three issues in particular, namely the producers' economic situation, concentration in our sector and, finally, the effect of COOL labelling.

I would like to begin by addressing the first item. The economic situation of producers is currently very much a concern and subject to variations, depending on the producer. In the material I provided, there are two sets of numbers. As for most types of meat, production costs per lamb have risen considerably in the last five years. However, the important point here is that producers' equity has declined significantly. In 2001, it was 40 per cent. However, according to our most recent figures, that equity fell to 28 per cent in 2007. Therefore, the equity value retained by producers in their operations has fallen by 30 per cent since 2001. It is also important to mention that, in 2007, a *Financière agricole* study of its sheep farm clients showed that 60 per cent of sheep farms had suffered losses in Quebec that year, the average loss being \$23,350.

In 2007, following these particularly catastrophic results for sheep farms, the *Centre d'études sur les coûts de production en agriculture* carried out an in-depth analysis of success factors associated with certain farms. The analysis distinguished three types and grouped them into three categories: the lead group, the middle group and the end group. The results showed a four-fold difference in gross margins, depending on whether the farm was in the end group or the lead group. The lead groups therefore have a margin which is four times better than those in the end group.

The study also identified the factors that explained such variations. The three most important factors were the following: the annual number of births per sheep per year, which explains 45 per cent of the variation; the cost of feed per lamb sold—not so much the cost as the quantity of feed used—which explains 12 per cent of the difference; and the lamb mortality rate, which explains 10 per cent of the difference.

For the federation and the entire sheep farming industry, the most important point is the need to ensure that producers have access to advisory services. Paradoxically, however, the less sheep farms can afford to pay for advisory services, the less they use them, even though they actually need more. In 2006, 127 producers made use of advisory services, whereas in 2007, that number had fallen to 102. I will come back to this again in my final comments.

In terms of concentration in the industry, I have divided my comments into two parts. With respect to production, a table explains the number of ewes per farm level and the percentage of producer-owned farms.

• (1130)

What we see, looking at the table of changes that occurred between 2002 and 2007, is that small farms with between 50 and 200 sheep still represent approximately the same proportion. Larger farms of 400 sheep or more have increased in number, and the median category—farms with between 201 and 400 sheep—have been decreasing in number year over year.

As regards industry concentration, certain choices were made in Quebec by both the Federation and the *Financière agricole* du Québec, with respect to concentrating production. In terms of its own sales regulations, the Federation gives priority to lambs that were born and raised on the same farm. Similarly, to be eligible for the stabilization insurance provided through the *Financière agricole* du Québec, one of the criteria is that animals have been born and raised on the same farm. That is the choice that we made, one that

means that production remains well distributed across the province to the greatest extent possible.

Now, let's talk about slaughtering. At the present time, eight buyers in Quebec use eight slaughterhouses that are either owned or used on a contractual basis. The two largest buyers make 65 per cent of the purchases. As far as we are concerned, the current concentration with respect to slaughtering operations is not a major concern, as it could be in other areas of production.

Finally, you asked us to talk about COOL labelling regulations. In the statistics I provided at the beginning of my presentation, I stated that Quebec and Canada are net importers of lamb. On average, for the years from 2002 to 2007, Canada exported 325 tons of lamb meat, whereas it imported 25,000 tons. For the time being, COOL labelling is not a major irritant for sheep production. There are already tight restrictions in play regarding sheep exports to the United States, whether it is live sheep or lamb meat. Those restrictions are related to the disease that affects sheep known as scrapie, which could be a source of disease in cattle. The restriction is such that only animals or animal meat that is less than one year old can be exported. I also mentioned that, in Quebec, sheep slaughter works quite well. However, that requirement must be met.

In closing, I would like to turn, once again, to the producers and their financial circumstances. In 2007, 60 per cent of producers had negative margins. For the Federation and for the *Financière agricole* du Québec, the most important issue is advisory services and ensuring that producers are able to access them, as such services currently exist. However, when you cannot afford to pay for them, there is no access. In the Federation's five-year plan, three of the seven items relate to advisory services. If government intervention is required, it is particularly needed in the sheep farming industry to allow sheep farms to benefit from advisory services that allow less productive sheep farms—earlier, you saw the gap that exists—to become more productive, so that they can remain in operation.

• (1135)

[English]

The Chair: Thank you very much.

We have Mr. Michel Dessureault and Mr. Bélanger, from the Quebec Beef Producers Federation. Welcome.

You have ten minutes, please.

[Translation]

Mr. Michel Dessureault (Chairman, Fédération des producteurs de bovins du Québec): Good morning, Mr. Miller.

Mr. Chairman and members of the committee, I would like to begin by thanking you for this opportunity to dialogue and share with you our understanding of certain Canadian realities while, at the same time, making you aware of our needs, in terms of retaining high quality slaughterhouses in Canada, and Quebec in particular.

I would like to quickly address the COOL program. I share the views of my colleagues from the other federations. The Fédération des producteurs de bovins supports the principle of legislation dealing with country-of-origin labelling. That is what consumers are demanding. So, we cannot object to that. However, we would like to see Canada pass its own regulations in that regard. At the present time, Canada has regulations dealing with cattle identification, but they do not go so far as to identify the product on the store shelves. If, because of our Canadian vision of beef production, foreign consumers are interested in the *Canadian Beef Advantage* label, why not offer that same benefit to Canadian consumers here in our own country?

The problem with the U.S. COOL labelling program is that there are too many categories. What the consumer wants to know is whether it is an American product sold in the United States. So, there could be one category for U.S. products—in other words, animals that are born, raised and slaughtered in the United States—and a second category which would include all other products imported from Canada and other countries.

The other point I wanted to make concerns obstacles to the Canadian beef industry's competitiveness. One of the major obstacles to our competitive position are the infamous SRM regulations. This is a major handicap for all Canadian beef slaughterhouses. Managing compliance with those regulations is extremely costly, at least in the East. In our company, it costs between \$30 and \$40 a head just to comply with Canadian regulations. Therefore, it is critical that cattle producers and the Canadian beef industry have access to phytosanitary products, an ISO sanitary safety standard and veterinarian services at competitive prices. In Canada, studies show that we still have a long way to go in that respect.

I would now like to address environmental rules. All across Canada, environmental rules are in effect. I see that as a positive thing. At the same time, however, we need to ensure there is reciprocity in terms of the rules that apply to products entering Canada and that the latter are subject to related—I am not saying similar—rules that provide the same safety assurances for Canadian consumers. That lack of reciprocity with respect to imported products is a major issue in terms of developing the beef industry in Canada, in my view. Furthermore, at the Round Table on the Beef Industry Value Chain, we talked about the lack of a single window approach in Canada for beef product exports. In Canada, things are complicated. Several departments are involved. There are countries who have successful models for exporting their goods, but it is always a fairly short process then in terms of export administration. They do not have to deal with several different departments in order to access the main decision maker and finalize the sale. The same applies to export firms. Major exporting countries are not about to destroy each other in the countries where they have a market. They work together. So, the industry has some work to do. There is a need for dialogue, so that we can find a way to work together.

I would now like to talk about the Levinoff-Colbex case. Levinoff-Colbex is a company that has been owned by Quebec producers since 2006. In the wake of the BSE crisis that began in 2003, producers had a lot of concerns. That crisis left its mark in the public mind and considerably weakened the beef industry in Quebec

and Canada. This difficult ordeal for our sector highlighted two structural weaknesses in the Canadian beef industry: its dependency on packers and the U.S. market, as well as a serious imbalance in the relative strength of the different links in the chain, producers still being the weakest link, even as we speak.

● (1140)

Given the circumstances, Quebec's beef producers have been proactive. Since 2006, the Fédération des producteurs de bovins du Québec, which represents some 24,300 beef producers in Quebec across 14,300 companies, has been the sole shareholder of Levinoff-Colbex S.E.C.

I would like to talk about its strategic importance. Levinoff-Colbex is the only cull cattle slaughterhouse in Eastern Canada with a slaughter capacity of more than 4,000 head a week. Levinoff-Colbex S.E.C. plays a critical role in ensuring the marketing of cull cattle and maintaining genuine competition in markets in Eastern Canada. Indeed, it was for those two reasons that producers, working through the Federation, decided to inject a total of \$36 million in the company, including \$30 million last December. That major investment demonstrates the producers' commitment to the company and their determination to keep it operating in Eastern Canada.

Levinoff-Colbex obtains its supply throughout Eastern Canada, with 51 per cent of its cattle coming from Quebec; that represents 94 per cent of available cattle in Quebec. There is a strict supply arrangement in place between producers and the slaughterhouse that guarantees them a minimum slaughter volume of 80 per cent. It is important for a slaughterhouse, to have that kind of supply. Five per cent of supply comes from the Atlantic provinces, and 10 per cent comes from Western Canada, including Manitoba, Saskatchewan and Alberta.

Levinoff-Colbex slaughtered 154,000 cull cattle in 2008. Other than Riding-Regency in Ontario, Levinoff-Colbex' competitors are two American slaughterhouses located in Pennsylvania, Taylor Packing—or Cargill—and Moyer JBS, which is also located in Souderton, Pennsylvania. In 2006, the company realized an operating profit of a little more than \$6 million. In 2007 and 2008, however, it recorded losses of \$2.4 million and \$5.1 million, respectively. At the same time, the company generated positive earnings before interest, taxes and amortization of \$2.6 million in 2008, and \$5 million in 2007. It had sales last year of \$139 million. Financial results for 2007 and 2008 go a long way towards explaining lower inputs than expected, due to the situation in the Canadian dairy sector. The business is currently operating at 70 per cent of its capacity.

At the present time, there are two major factors that have a negative impact on the company's competitive position in relation to its competitors: Canadian SRM regulations, which cost \$30 to \$40 per head, or between \$4.5 and \$6 million a year, and the fact that its main competitors operate integrated plants, which is not our case. In order to ensure the company's long term profitability in the North American context, Levinoff-Colbex is proposing to build a cutting room that would be integrated with the slaughterhouse, and equipped with the very latest technology. The new facilities will also have secondary processing equipment that will enable the company to add value to its products.

For the expansion of the plant, the additional building and equipment costs are estimated at \$18.1 million and \$1 million, respectively. Construction of the integrated cutting room will be spread over an 18-month period and will create 145 jobs. An integrated cutting room, once it is up and running, will allow the company to increase its profit margins by between \$4 and \$5 million per year, compared to currently. The improved profit margin will result from lower operating costs and the creation of added value through secondary meat processing. In addition, the new cutting room gives Levinoff-Colbex an opportunity to cut steers. Diversification of the company's activities will enable it to operate at full capacity, complementing the supply of cull cattle with steers.

It is in relation to the new federal program announced in the budget by the current government—assistance of \$50 million for the beef slaughtering industry—that we are making our current request. We are very favourable to that program and we fully support it.

However, a program implemented with federal money could only be genuinely supportive if, for example, it provides capital payments, as opposed to business loans, given that businesses in the industry no longer have any borrowing capacity; gives preference primarily to projects supported collectively and directly by producer groups; extends support on a priority basis to companies whose competitiveness has been most affected by the SRM regulations; and, benefits, on a priority basis, those companies that play a critical strategic role in the red meat sector.

• (1145)

Levinoff-Colbex meets each and every one of the above criteria. The Levinoff-Colbex plan is cost-effective, and the company must go through with it in order to ensure its survival. However, producers recently invested \$30 million in Levinoff-Colbex. That significant contribution must be recognized under the federal program as a private sector contribution. Producers do not have the ability to re-invest in order to carry out this project. A capital injection of \$19 million from the Canadian government is therefore needed to ensure that this important project can go ahead.

This would also help the slaughter steer industry in Quebec. There is currently no slaughter steer facility operating in Eastern Canada.

Thank you.

[English]

The Chair: Thank you, Mr. Dessureault.

Now we'll turn it over to Mr. Bonnett. It's good to see you, Ron. I met you out in the hall and confused you with somebody else and didn't recognize you.

Go ahead.

Mr. Ron Bonnett (First Vice-President, Canadian Federation of Agriculture): That's quite all right. Thank you, Mr. Chair. People should know we actually came from the same county in Ontario at one time.

My name's Ron Bonnett. I'm vice-president of the Canadian Federation of Agriculture, but I'm also a cow-calf beef producer from northern Ontario.

I think it's excellent you're taking a look at the red meat sector, and I think it's broader than just one issue. There are a number of issues that have to be addressed.

Over the last 30 years, the red meat sector has evolved due to a number of factors. If you take a look at all of the globalization and the opportunities for trade, there was a lot of work done by the industry to address those types of markets, but at the same time it aggressively went after filling domestic markets as well. I want to speak a bit to both of these focuses, the domestic and the export. The evolution that has taken place, though, has taken place with a number of factors that have been influencing the industry. I will just talk about a few of these.

First, on the trade side, we've had to address a number of challenges and barriers related to market access over the last number of years. These include tariff barriers that restrict access to our product. We've had several countervail cases in which other countries, particularly the United States, have been watching what it is we do and what we do with it. In the beef sector we've had the case of BSE, which completely devastated market access, not only to the United States but around the world.

There's also the issue of non-tariff barriers. I think the primary offender in this is Europe. These include sanitary and phytosanitary barriers. Some people say putting these artificial barriers in place allows for another rule to be created to block imports. A couple of examples of that would be the European Union veterinary standards and the hormone restrictions placed on beef being imported into Europe.

The other issue currently in the trade challenge would be the labelling standards, and those get into the country of origin labelling. I'll briefly refer to those later.

As well, over the last number of years we've seen input costs subject to a lot of volatility. On the feed side, we've seen the cost of grains escalate rapidly. We've seen fuel costs move up and down, creating a lot of uncertainty in the market. But I think one of the things that have had an impact on the industry over the last number of years is the cost of regulations at the municipal, provincial, and federal levels, for everything from environment to food safety to meat inspection types of concerns, which have added to costs to producers.

Then there is the currency value. Again, huge fluctuations in currency value have had an impact on the industry.

The final point I want to make is about how changing consumer demands and preferences are affecting the industry. On the domestic side, there are things like 100-mile diets, demands on food safety and traceability, and high costs for environmental compliance, but on the export side there's an increasing demand for animal protein, which does create some opportunities for the industry.

The Canadian Federation would like to talk about a few of these issues, and provide some recommendations and ideas on how to move forward.

On the trade issue and market access, I think the BSE case really put in perspective how vulnerable we are when there's a blockage of trade. Fifteen years ago we were projecting exports of beef to be about 800,000 tonnes by 2015. Those estimates have now been revised down to 450,000 tonnes. That gives you an example of how one thing can change the positioning in the marketplace.

But the question is, then, what you do to solve some of these market access issues. One thing, which was proposed by the Canadian cattlemen, the Canadian Pork Council, and Canada Pork International, is to have a market access secretariat. Minister Ritz has indicated support for that concept. I think it's something that has to go ahead aggressively. Taking a look at the technical barriers to trade and finding out how we can remove some of those technical barriers will be a solution to some of these other problems.

We need to aggressively work on new free trade agreements. I think there's concern about the pace of the WTO moving forward. There are talks taking place, particularly with the European Union now. We have to aggressively go after some of those markets because those are high-value markets where we can position our product properly.

I mentioned briefly the WTO. We're not sure where that's going to go, but I think it's going to be an ongoing struggle to keep that balance in there to try to aggressively reduce things like domestic support, export subsidies, and tariff barriers.

•(1150)

On the non-tariff barriers, the sanitary and phytosanitary barriers, as I said earlier, the European Union is a large culprit. Pork and beef have had trouble getting into those markets on everything from veterinary equivalency agreements to hormone restrictions on beef. All new agreements in the WTO have to make sure that we have science-based sanitary and phytosanitary rules so that there is an understanding of what is going to be in place.

On the issue around labelling, there has already been quite a bit said about country-of-origin labelling. The cost incurred by our producers is basically devastating the industry. I think there's a huge amount of uncertainty, mainly because we have a rules-based system that was supposed to be in place and now we have a Secretary of Agriculture making statements that might go beyond the rules. I think it's a real concern to figure out how we're going to address that. Monday, I guess, is a deadline date coming up, and I think what we have to do is watch to see how the industry is going to respond.

There are three things that government can do to respond to what is going on. Number one is to continue to document what the losses are to the industry with country-of-origin labelling. The second is to continue negotiations to try to make sure that the rule is right. The third is to aggressively make sure that we launch the trade challenge, because I think it's broader than just country-of-origin labelling. This is about having trade agreements in place, and about having our trading partners recognize that if they're not going to live up to those agreements, they're going to be challenged.

On the input costs, everything from feed costs to fuel costs, we have to look at what we can control. The one thing that I think governments can have a role in is controlling the cost of regulation. I have a couple of examples. One is CFIA inspections for new slaughterhouses. Sometimes there are rules like moving a light bulb two feet rather than something that is really based on outcomes or food safety. We must have rules that are scientifically based and are addressing food safety issues. There has to be some work on that.

Another example was just mentioned. It's the regulations around the types of products that were used. As a producer, I know that for some of the products I use in my cattle herd, I can buy them for half the money if I'm able to get them in the United States. If we are going to be competitive, we must have regulations that equalize the prices on both sides of the border.

On the domestic side, there are still a number of things that can be done as well to improve the markets we have. We have made a huge push on exports, but there is a growing demand for local products. Parallel to our export initiative, I think we also have to focus on some of those domestic markets. The product-of-Canada labelling is improving, but what we need to do is make sure that we put marketing programs in place so that people understand what they are purchasing with Canadian products.

We need review of the regulations on Canadian processing as well. This is interprovincial. We have an issue where some provincially inspected plants aren't allowed to ship their products across borders, or they don't have access into the stores.

In conclusion, what I'd like to say is that when you're looking at the red meat sector, there is a need to balance the demands of the export market and the domestic market. We need both for the industry to survive. You're likely going to hear a huge number of mixed messages. You'll hear everything from people demanding that we have country-of-origin labelling in Canada to people demanding supply management for the red meat sector, but those things have their risks. We have to make sure that we support the export side and encourage domestic consumption and make them move ahead together.

The last point I want to make in this presentation is that governments at all levels have to avoid the politics of policy development. What I mean by this is that in the EU we now see the politics of animal welfare standards becoming a barrier. In Canada, we see things like pesticide bans and the banning of hog barns. All of those things are based on the public's perception of where the industry is, but we need to make sure that when governments are putting policy in place, it is science based and it understands that any regulations and rules that go ahead could have an impact on whether or not we can compete in the industry.

Thank you.

• (1155)

The Chair: You made good points, Ron.

There were good presentations all around.

Before we move into our rounds, I should recognize Ms. Blanchard. You're here from the Pork Producers Federation of Quebec, Ms. Blanchard.

Ms. Dominique Blanchard (Assistant Director General, Fédération des producteurs de porcs du Québec): Yes.

The Chair: Welcome.

I'll turn it over to your seven-minute round, Mr. Eyking.

Hon. Mark Eyking (Sydney—Victoria, Lib.): I'd like to thank all the presenters here today, especially the representatives from the different commodities in Quebec who gave us quite a snapshot of their red meat industry.

A couple of months ago I was in New Zealand, and it's not hard to figure out why they can produce milk and lamb so cheaply there. They don't need to have barns, they don't make forage, and they don't even have predators. But I found it interesting, when I went to the retail outlets, that their prices were just as high for lamb as they are here. Many of our witnesses before today alluded to the prices farmers are receiving and the percentage that farmers—especially beef farmers—are receiving compared to what the retailers are paying. It's dropping every year. We have hog producers going out of business in Atlantic Canada and right across the country, and sheep farmers are not getting a return on their production.

My first question is to those individuals representing red meat. Should we be looking at different marketing systems for some of the red meat sectors so farmers get a better return? It was suggested that exporting should be done a little differently and in a more uniform manner.

My second question is to you, Ron. What we're seeing across this country—since you're from the Federation of Agriculture—is a patchwork of programs, with different provinces having different money going into their sectors. I'm reading this article from *Country Guide*. It says that in Quebec, non-supply-management is getting subsidized by 15%, while in Ontario they're getting subsidized by 10%. Different provinces have different beef programs. We see that AgriFlex is not flexible at all, especially for mixed farms.

Are we going down the wrong path with this patchwork of programs and the programs the federal government has?

If you can give a short answer, I'll go to the other members about the marketing systems they would like to see in place.

• (1200)

Mr. Ron Bonnett: It's always dangerous to ask me for a short answer.

When we were talking at the Canadian Federation of Agriculture level about AgriFlex, it was about taking a look at some of the priorities we wanted within the different provinces and trying to equalize some of the inequities there. What you're saying is true; there's a wide variation in the types of support. There's ad hoc support being put in by provinces that creates disadvantages between provinces. We visualize AgriFlex moving in to try to equalize some of those inequities.

Hon. Mark Eyking: Anybody can answer from the other sectors about the marketing systems that are in place, and how we can improve the farmers' return.

[*Translation*]

Mr. Jean-Guy Vincent: The hog industry in Quebec operates under a collective marketing system and has signed an agreement with processors. We are about to sign an agreement with our processors. Under that agreement, we undertake, as producers, to provide the product our customers want. In exchange, processors are expected to pay producers for maximum capacity.

We believe in a strong hog industry in Quebec. However, an industry is only as strong as its weakest link. The fact that the processing sector makes profits one year and the producers make them the following year is not what creates a strong industry. Only equitable profit sharing can strengthen the hog industry over the years. That is why we favour a collective marketing system and why we sign agreements with processors.

You talked about exports. Canadian and Quebec hog producers export their products. That being the case, the government should be investing to promote those products here in Canada and helping Pork Marketing Canada to do that work as well. Furthermore, the government should be promoting Canadian products in other countries by focussing on Canadian quality standards, which are generally superior. It is in our interests to call attention in export markets to the quality and safety of Canadian products.

[*English*]

Hon. Mark Eyking: How much time do I have left, Mr. Chair?

The Chair: You have a minute now.

Hon. Mark Eyking: Can I hear from the sheep producer, and a little from the beef producer?

[Translation]

Mr. Michel Dessureault: That is an excellent question. These questions and others guided producers in their own thinking when the opportunity arose to buy a slaughterhouse in Quebec. We wanted to get closer to the market and go after consumer dollars.

In the initial years, it was a little more difficult because of the different rules that came into effect in the wake of the BSE crisis. However, if there is at least some money to be recovered on the packing side, the producers are there to share that money. We are also there, in Quebec, because we rely on a collective marketing system, meaning that all the producers, working together, decide what will be marketed. In terms of the competition, if, thanks to assistance from the Canadian government, we can ensure that everyone competing with us in our own market has to follow exactly the same rules that we do, then we will be able to secure those consumer dollars and pass them on to the producer. That is one of the main reasons that we decided to buy the company: to secure as many consumer dollars as possible.

• (1205)

[English]

The Chair: Thank you.

Your time has expired, Mr. Eyking.

Mr. Bellavance.

[Translation]

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

Mr. Dupont, you presented the views of people who are not part of the farming community, and I think the committee should hear from people like you a little more often. Your testimony was extremely eloquent and I appreciated your talking about the critical role of that company in your region. You alluded to the Centre-du-Québec, which is the region I am from. It is important for our region to have a business such as Levinoff-Colbex. It is equally important for all of Eastern Canada and for Quebec as a whole.

You talked about the benefits associated with the company; however, although I would not want to bring you bad luck, I do think it's important to say that the danger would be even greater were it to disappear.

It is also important to point out that you are from the economic sector. You believe that part of our tax money would be very well invested if the government were to provide some assistance to keep this company in operation.

Have you also determined that such an investment is necessary and, in your opinion, would it allow the company to remain viable?

Mr. Martin Dupont: I have been visiting plants for 22 years now, and every time I go to the Levinoff-Colbex facility, I am always amazed to see just how complex the industry has become. I made that point using some statistics. There were 500 slaughterhouses in 1980, and now, there are only five. When you actually visit these facilities, you realize that the technologies that are used and the know-how of the employees are of critical importance.

If that slaughterhouse were to shut down, naturally, that would be an economic disaster for our community, as well as for all of Quebec and Canada. Because workers are hard to come by these days, it is difficult to recruit staff. Over the years, the Levinoff-Colbex slaughterhouse has developed some exceptional expertise in our region. It produces high quality products. While I believe that consumers do feel safe, improvements are necessary, which brings in the whole financial aspect for the producers, obviously, although there is also the qualitative aspect in terms of the safety of Quebecers and Canadians.

Because of the nature of the industry at this time, there is that specialization. So, we have to listen to the promoters when they bring forward projects that will enable them to keep what they have, while meeting the needs of the industry both quantitatively and, especially, qualitatively.

There are currently 250 employees. Consolidation is very important, but there will be 150 additional employees as a result of the new cutting room, which will bring the slaughterhouse closer to the product. And, naturally, there will be enhanced efficiency for the cattle owner, from the financial standpoint.

Mr. André Bellavance: Mr. Dessureault, you talked about a number of projects. Nobody can say the beef producers have not done their homework in that area. You have just injected an additional \$30 million in capital in the company. You are planning a number of projects, including an integrated cutting room at the slaughterhouse. In your final comments, you mentioned that the assistance has to take the form of capital payments, as opposed to loans. I am sure you read *La terre de chez nous*, which has been around for 80 years now. You obviously have not been reading it for 80 years, but I have no doubt that you read the comments made by the Minister of State for Agriculture, Jean-Pierre Blackburn, who talked about a repayable loan for Levinoff-Colbex in his interview with the reporter—the reporter quotes Mr. Blackburn's comments.

So, that totally conflicts with what the beef producers are asking for, which is a subsidy. You have done your homework. You were excluded from the initial programs that were brought forward.

This time, however, there is another program, which will apparently provide \$50 million over a three-year period all across Canada. That is not exactly a fortune; we agree on that. However, do you think that this news could jeopardize the slaughterhouse's plans? How do you see that? What is your assessment of the situation?

• (1210)

Mr. Michel Dessureault: The plan for the slaughterhouse was analyzed by its board of directors on the basis of direct government assistance in the form of a government subsidy. I do not know what the board of directors' decision will be if the federal funding arrives in a different form.

The financial capacity of the company is stretched to the absolute limit. If we really want to provide financial support to the company, that support will have to take the form of an equity contribution.

At this time, there have already been discussions with the offices of both Mr. Ritz and Mr. Blackburn. And, we are still providing information based on the same structure—in other words, a fair contribution to the company on the basis of a specific project. Why a project? Because in the current economic environment, if we can quickly create jobs for the construction of this facility while at the same time securing good results for the company through permanent, long-term jobs, Canada will benefit from the provision of that direct assistance. The company will be able to carry out its mission, which is to become an important hub in Eastern Canada for all cattle slaughter. It may even be able to move into slaughter steer. In Eastern Canada, the only other slaughterhouse is on Prince Edward Island, and it is a small company. In Quebec, there is no longer any slaughter steer facility. So, there are significant challenges associated with this project, but it is a priority for the producers.

Mr. André Bellavance: As I understand it, Mr. Dessureault, in your discussions with the minister and the minister's office, there has been no confirmation that it would be a loan. We read in the newspaper that Mr. Blackburn had made that comment, but you have...

Mr. Michel Dessureault: We have no expectation whatsoever that it will be a loan. We have made no such request. The discussions we have had and the presentations we have made do not address that option at all. That is not the clear message we have received from the actual spokespersons.

[English]

The Chair: Your time has expired, Mr. Bellavance. You can continue in your next round.

Mr. Atamenenko is next, for seven minutes, please.

[Translation]

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): Good morning and thank you very much for being here today.

I have a couple of specific questions. The first is addressed to you, Mr. Rouillard.

You mentioned that, in Quebec, approximately 4,700 tons of lamb are produced and that this represents only 50 per cent of total consumption. That means that 50 p. 100 is imported. It seems to me that there are some market expansion opportunities in Quebec. However, in the report, it says that 60 per cent of farms have suffered losses of about \$20,000. I do not understand that and would like to know why that has happened. We are talking about market expansion potential, and yet there are these losses occurring. So, that is my first question.

I will go through all of my questions quickly. The second one relates to the importation of food products that meet the same standards as those that apply in Canada. I believe you addressed that question, Mr. Dessureault. Quite a few people in Canada are wondering why we allow food products to enter Canada that do not meet the same standards as regards pesticide use.

Should those products be blocked from entry until they meet the same standards as our own?

[English]

I think Ron and others have probably read the NFU report on the cattle sector. There are a couple of questions there and some recommendations, and I guess before even asking specifically about those recommendations—you mentioned COOL and what we should be doing: document the losses, negotiate, do all those things aggressively, trade challenges, which our government is trying to do on behalf of producers.... What if we do everything, and the Americans say they're not going to change? Ultimately, when we trial this, is there an alternative?

The other question is, you mentioned the EU, and they're rejecting our cattle because of growth hormones and other standards they have. I'm just looking at a couple of recommendations in the report. Number eight says that one way of getting around this is if we were to test all cows for BSE and ban artificial hormones, this eventually would be cheaper than all the SRM removal. This would open up our market. We wouldn't be trapped in a North American market. It would diversify markets, give us more negotiating power with packers—in other words, allow more chance to export if we had those same standards.

The other one they talk about here is dramatically reducing antibiotic use, because this would spur more decentralization of livestock finishing, slow the development of antibiotic resistant bacteria, and probably open up more markets in countries that have stronger rules than we have.

Those are just three questions. Hopefully we have enough time to answer some of them.

• (1215)

[Translation]

The Vice-Chair (Mr. André Bellavance): Thank you.

Would someone like to answer?

[English]

Mr. Ron Bonnett: I'll start on some of your last questions.

You mentioned the NFU report. Some aspects of that NFU report do bear some looking at, but I think we have to recognize there is consolidation in the packing plants, just because of costs. We know that's going to happen, but we also know, where producers have tried to invest—I'm one who invested in Gencor, and we couldn't compete in that marketplace.

I think we have to recognize there is consolidation in the industry. We have to take a look at how we can make sure we get our fair share, because the processing is concentrated. I don't think that's all going to change.

What do we do to deal with that? I think we do some of this domestic marketing, getting small local slaughter plants, additional marketing initiatives to address that.

You mentioned as well some of the SPS barriers we have, whether it's hormones or vet standards. I think we have to be very wary of going down the road and starting to address these standards outside a scientifically based approach, because all of a sudden you could have different rules that every country could put in place and you'd have a set of standards for going into Europe, into Asia, going someplace else. That's why it's incredibly important to make sure your bilaterals and WTO look at getting consistency in that.

From a producer's perspective, the reason this is important is that there's only a certain price for that product at the bottom line, and if extra costs are incurred in meeting these different standards, it's going to get driven down to the producer's level. So I think we have to continue to make sure we stay on that science-based approach.

The one thing I would caution, though, is the assumption there's widespread antibiotic use in the industry. I think a lot of people are throwing that out there. The reality is that with the production systems we have today and the cost of treating animals that have to be treated, there's more of a concentration on treating the animals that are sick, but it's not as if you just throw antibiotics at them and use that as a tool. That's not the case in today's sector.

Mr. Alex Atamanenko: Okay, thank you.

The Chair: You have one minute left.

[*Translation*]

Mr. Michel Dessureault: If you don't mind, I will tackle the question regarding reciprocity of standards.

I have a little story to tell that is a clear demonstration of just how abnormal the situation in Canada really is. An American buyer who comes to an auction in Canada and buys a cull cow will pay 1¢ more per pound than a Canadian buyer. An American buyer can afford to do that. He then takes it back home for slaughter where regulatory costs represent 7¢ less per pound, and turns around and sells the meat back to us here and competes with us in our market.

So, rule reciprocity is a major issue that will have to be addressed, because otherwise, the slaughter industry will face some hard realities in future. It is a major issue. There is the matter of regulatory reciprocity, but there is also a need for reciprocity at other levels. In Canada, rules apply with respect to animal welfare. However, are all the importers that bring animals into Canada subject to those same rules? That is a concern for us, as producers. We are also concerned about reciprocity in relation to transportation, production and environmental standards.

In my opinion, we can live with imports and exports here in Canada, so long as there is reciprocity in terms of the rules that apply. We have know-how here in Canada. The slaughter operation at the Levinoff-Colbex plant is extremely efficient. That facility is just as capable of high-level performance as any other slaughterhouse in the world. However, it has to be able to operate in the same commercial environment, because otherwise, not just that company but all Canadian slaughterhouses will be in trouble.

• (1220)

[*English*]

The Chair: Thank you.

Mr. Shipley, for seven minutes.

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

Thanks to all the witnesses who have taken their time to come.

We're in the midst of an incredible discussion around the red meat sector. We've had a lot of presentations and, quite honestly, with some varied views on it. That's not to be unexpected. I think all of us here around this table, though we may have different approaches, actually want to continue to work to improve a significant industry within our economy.

I'll start my first round with Mr. Vincent and Mr. Dessureault, if I may, just on the beef and the pork particularly.

In terms of the export markets, we've met with a number of folks. The sustainability, we've been told, is about making sure that we continue to move ahead with our export markets. In combination with that is the comment that more than one of you have made that life is really about a balance, and in this particular case it's also about a balance of markets. So, one, is it the view of the folks at this table, including Mr. Bonnett, that the export markets are something that we need to pursue, and, actually, with the secretariat in place to help move that, is this a direction that we need to press forward on?

Secondly, help me understand how we can help you with your domestic markets, because those are the sustainable things we don't want to lose. And they have to be profitable.

So how do we build on those domestic markets, and continue to have those, and then I'd like your comments on the export markets.

And while you're doing it, there's been a lot of discussion about traceability, but not much about age verification. Age verification is becoming a large issue, in terms of export markets. We seem to be struggling—"we" as a general term—in the industry to get all the producers to buy into the significant importance of age verification. I'd like your comments on what we might be able to do to help support that.

Mr. Vincent.

[*Translation*]

Mr. Jean-Guy Vincent: I think we need to ask ourselves whether the export market has a future. Why do we export? First of all, we export when there is demand for our products. Analysts around the globe are all saying that the population is increasing. We will need more and more products to feed people. For example, pork is the meat that is most in demand in the world: global demand grows at a rate of more than 2 per cent annually. So, there is definitely a market for it.

We are currently in the midst of a crisis, but the government has to support its exports and its agricultural products because there is a market for them. Is it important for Canada to have a presence across the globe? Yes. There are rules governing international trade. Indeed, we are currently negotiating those rules at the WTO.

You asked a question about market access. If the European Union would just abide by WTO rules aimed at allowing European consumers to access up to 5 per cent, when European market access is now only 0.5 per cent, that would already be an incentive to the countries of the world to abide by WTO standards, which we are in compliance with.

As producers, we comply with Canadian standards, which are stricter than those of most countries. That is why I was saying that we have to focus on standards of quality. Mr. Vilsack said that food safety and security act as a barrier to Canadian exports. That is a tremendous concern for us, knowing that Canadian producers are held to a higher standard. One example would be Carabao, which is banned in Canada but is used in the United States.

[English]

Mr. Bev Shipley: That raises another question, and I'll go to Mr. Dessureault on this.

I'm assuming that you're going to say a little bit of the same, because you raise an interesting question on standards and harmonization. I would like to raise and discuss this issue, because we do have in Canada, and have been asked and demanded to have, such high standards here. One of the issues, obviously, then becomes, how does that affect us in terms of our viability, in terms of cost-related production? And if we harmonize with other nations, meaning bringing some of those standards in line with the other large nations we trade with—Europe and the United States, both of whom we always talk about how good they are—then we will hear politically, and certainly from specific groups, that we cannot do that, because we're jeopardizing our health.

And I'll go back to Mr. Bonnett's concern about scientific-based evidence. We've had that in Ontario, where scientific-based evidence, particularly on pest management, has been swept aside in lieu of emotional evidence. There have been allowances made for the use of pesticides in certain areas, where all people are amenable to its use, thus targeting it toward agriculture.

So I'm wondering, how do we sell the scientific case? That is a huge issue for us in Canada. I need to let Mr. Dessureault answer first.

• (1225)

[Translation]

Mr. Michel Dessureault: I will tell you what Canada should be doing. Maintaining high quality slaughter facilities in Canada would be a good decision on the part of the Canadian government. Some of our product categories require live inputs from the United States. But that doesn't create jobs in Canada, nor does it generate economic activity, other than transportation. In developing programs, it will be important to ensure that a minimum number of slaughtering facilities continue to exist all across Canada. That answers your first question.

Your second question deals with traceability. What distinguishes the Quebec beef industry from others is that, since 2002, Quebec has had legislation in place that forces producers to identify their cattle from birth and to officially register the birth with the government within 10 days. In Quebec, we are already able to do that at the farm level for beef and lamb. As regards pork, the system is currently being developed. The industry then has to use that information to

ensure better traceability all the way to the consumer. That is what still remains to be done; however, in Quebec, the infrastructure is already in place to make that happen.

[English]

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

Mr. Easter, for five minutes.

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

Thank you, lady and gentlemen, for coming here and making some good presentations.

I might say, to begin, that I'm pleased to see that in Quebec you recognize the marketing power of marketing through a single desk. There are some people around this table opposed to that kind of system of marketing power for producers. Certainly not me; I support it strongly.

In the previous discussion, Mr. Vincent's answer was "if" the EU respected the rules. Somebody else said "if" the United States would respect the rules. There are a lot of "ifs" out there. While we're waiting for all these ifs to happen in the theoretical world of free trade, whenever we're going to have a level playing field down the road, we're going to have no producers left. We're caught in the industry's consolidating. We're losing producers each and every day. The government is sitting on its hands, just increasing the loan portfolios and not really doing anything at the producer level to keep these producers in business.

I'm hearing horror stories every day. I sat on a plane last week with a guy who sold 250 cows. I talked to another fellow on the phone a few minutes ago, after the meeting started. He sold off 180. We're losing an industry. One way to put it, I guess, is that Rome is burning while we sit here and watch.

Let me ask you some specific questions. First, about specified risk material removal, should the Government of Canada be covering the full cost of that, at least to the minimal level that they are in the United States, to make us cost-competitive?

Any response to that? It's not a trade violation.

• (1230)

[Translation]

Mr. Michel Dessureault: That is what we are asking the Canadian government to do.

[English]

Hon. Wayne Easter: Okay. That wasn't specific. So you are asking for the government to cover the cost of SRMs.

It's the same for the regulatory side; we've heard a lot on the regulatory side. We know that in the United States, the government picks up a lot of the cost of inspections that we do not. Am I right in assuming that the Government of Canada should get on with it? They don't have to do a lot of monkeying around for two years. They could do it next week. They could start picking up those costs and it wouldn't be a violation of the trade rules.

Am I correct on that?

[Translation]

Mr. Jean-Guy Vincent: You began by talking about market access, and you are right. If you read the report released by the European Union with respect with the use of the green and amber boxes, you can see that there has been a transfer between the amber and the green boxes. The solution is to work with the green boxes.

But, what should be in those boxes? Well, that should depend on our standards with respect to the environment, quality assurance and animal welfare. There is a lot of room for action there and a lot of opportunities for the government to invest and help our farm producers.

[English]

Hon. Wayne Easter: The government should pick up those costs. They're not doing it.

Now, I believe—

Mr. Ron Bonnett: Wayne, just on that issue of regulatory costs, I think it should be brought—

Hon. Wayne Easter: Ron, I have three questions later that you can answer together.

Mr. Ron Bonnett: Okay.

Hon. Wayne Easter: Mr. Dessureault, you mentioned that you had done some analysis on phytosanitary and veterinarian drugs, etc. Could you get a copy of that report to the committee? If it's in French, don't worry about that; it can be translated here. We'd appreciate receiving that.

My other question—this should tie it up—is with regard to the producer level. Simple things could be done right now to assist producers. The safety net program is not working for beef producers and hog producers across this country. The viability test is gone. They're not qualifying.

One, what's your view on eliminating the viability test? The government could do that tomorrow. Two, what's your view on using, say, the better of the Olympic or previous three-year averages for reference margins calculations? And three, what's your view on giving producers a choice, whether they want to go with AgriStability, tier 1, or AgriInvest?

Those three areas would deal with some of the problems at the producer level. What are your thoughts on that?

The key here is to get money into producers' pockets and reduce the costs at the plant. This could be started before the end of March.

[Translation]

Mr. Michel Dessureault: From the very outset, the safety net program in Canada has not worked. The problem is the actual

structure of the program. Covering producers' margins when they do not actually have a margin means that you are not covering anything at all. The next problem is the subsequent reference to the five years. The program really has to be overhauled from the bottom up. Discussions have been held with producers from every province in Canada. There is a need to recognize production costs in Canada in relation to all the regulations that apply.

We have been wrestling with this in Quebec and Canada for a number of years now. The government always comes back with a margin coverage approach, but the problem is that there are no margins to cover. So, nothing is covered. That means that producers simply go out of business, one after the other, when there are no margins left to be had in the hog or beef industries. That is how things now stand, and the situation is no different in the lamb industry.

[English]

The Chair: Thank you. Your time has expired.

Mr. Richards.

Mr. Blake Richards (Wild Rose, CPC): Thank you to all the witnesses for being here today.

I want to first just quickly address some of the comments made by Mr. Easter.

Our government is very concerned about the situation faced by our farmers, and we are working hard to ensure the future of our farmers. The first issue is opening up marketing access. I look at my colleagues over here, who are looking at studying competitiveness issues, looking to study excessive regulations, and our Liberal friends are trying to see that pushed as far into the future as possible. I say to Mr. Easter and his colleagues, get out of the way of progress and let the government do something. Let's not try to hold things up.

Anyway, I would like to ask some of our witnesses a couple of questions. Mr. Vincent, I ask if you would start. We have a bit of a common background. I come from a hog farming background myself. When I was a young man, we had one of the largest hog farms around, about 1,600 farrow to finish. By the time my dad got out of the business seven or eight years ago, it was one of the smaller operations around, so there were a lot of changes in the industry, of course, over that period of time.

But I would also like to give Mr. Dessureault and Mr. Rouillard a chance to answer the same question, so I'll ask the question to all three of you. I've asked a number of our witnesses on this particular study the same question. I'm very concerned about the future of farming, particularly for young farmers looking to get into farming. So here's a very blunt question, first of all. Do you see a future for young farmers looking to get into your industries, and what needs to happen to ensure that?

• (1235)

[Translation]

Mr. Jean-Guy Vincent: I do want to say, as I pointed out in my presentation, that advance payments programs were implemented last year, which greatly assisted Quebec producers. About 700 producers benefited from a total of \$125 million in loans. We also asked for a reprieve on payments due this spring—in April, to be precise. We were given one, and we are asking for another one, because the current problems are serious.

With respect to young farmers, one of my sons, who is 33 years old, works on the farm with me. He, too, is wondering whether there is any future in this industry. That is primarily a concern in the hog industry right now. Our young people have to be able to rely on programs that will able them to remain in agriculture. For that reason, we are in the process of developing a dialogue between the Fédération des producteurs de porcs and the government, as well as with all the members of Parliament we have been working with, with a view to improving the situation of Quebec producers. Some programs have been identified. For example, we would like to have a look at the caps currently set for the Agri-Stability and Agri-Investment programs. The fact is that we can no longer use a model based on the farms of the past. Those caps have to be reviewed and adapted to the current realities facing farm businesses nowadays.

We were talking about slaughtering earlier. That is important in the beef industry, but it is just as important in the hog industry. Given the current economic crisis, why not innovate by offering producers or even workers an opportunity to invest in slaughtering and processing plants? That avenue has never been seriously examined, even though there has been a lot of discussion of it. Why not have government funding go through the producers and the employees? That is being done in Red Deer, Alberta, and elsewhere. Based on a plan, producers and slaughtering plant staff work together. In Quebec, all these things are on the table. These producers can invest. These kinds of initiatives are underway. The hog industry should also have access to government assistance for slaughtering that would go through the producers and workers, and thereby maintain jobs.

[English]

The Chair: Your time has expired.

Mr. Bellavance and then Ms. Bonsant.

• (1240)

[Translation]

Mr. André Bellavance: Mr. Rouillard, you wanted to say something. You are over there in the corner, but I would be interested in hearing your comments.

Mr. Paul Rouillard: Are you talking about young farmers?

Mr. André Bellavance: Yes. The question was asked, and you raised your hand.

Mr. Paul Rouillard: Well, it would be pretty foolish of me to say that there is no room for young farmers. Indeed, we are in a market where growth is at about 5 per cent. I would also like to give a partial response to Mr. Atamanenko's question.

Of course, 60 per cent of farm businesses had negative profit margins in 2007, but I think we should at least see the positive side of that. The fact is that 40 per cent of farm businesses recorded positive profit margins over the same period, even though costs rose sharply that year. For the Fédération des producteurs d'agneaux et de moutons du Québec, the problem is really quite simple. There is room for new farmers. There is no contradiction between a market that is growing and businesses that recorded a deficit. What we must do is find a way to pass on the know-how of those businesses that are successful to the ones that are not succeeding quite so well, and to the young farmers who are just starting out. That is a fundamental issue that we are carefully considering. If some businesses are able to succeed in the current environment, others should be able to as well.

Mr. André Bellavance: Thank you very much.

Mr. Dessureault, do you wish to comment?

Mr. Michel Dessureault: Yes, thank you.

The future of our producers is one of the reasons we are here today. There will be no future for Canada's producers without adequate slaughtering capacity. That is perfectly clear. And, we have come here today to talk about that issue with you. We need your help to build that future. For a number of years now, we have been trying to get the government to implement a national agricultural policy that would ensure our competitiveness at all levels. In order for that to happen, however, we need you, the elected members of Parliament.

When I talk about this with my son on the farm, the first question he asks is whether he will be able to make a decent living in this business and raise his family properly. Everyone has a responsibility in that; that's why I am here today. This is an important issue. All of us here in Canada have to work together and support one another.

Mr. André Bellavance: It doesn't really seem as though you have been heard. Yet ever since I have been in politics, I have been seeing ministers and governments touring the country endlessly, and holding consultations. It seems to me that your message is quite clear. And yet, we always end up repeating that... I think Mr. Vincent gave a very good example earlier when he talked about income stabilization programs. You did as well. It seems to me that someone, somewhere, does not always understand the message. I realize that it is not possible to just connect a hose and say: Well, here is the money, and constantly be funnelling it to various sectors of the economy. I understand that.

However, after all these consultations, and successive strategic frameworks for the agricultural sector, each of which resembles the last, how is it that we are still at the same point—that we are still talking about the same thing?

Mr. Michel Dessureault: That is a question of a whole other nature than production—at another level. If we continue to share our views on this, we will ultimately succeed in implementing a national policy that is competitive at all levels, whether we're talking about regulations or reciprocity.

Progress is being made. Some has been made in the slaughter industry, which is very encouraging. We have to continue to work to ensure that, throughout Canada—at least, in the East—the help we are requesting today to maintain the slaughter capacity, is seen to be very important, because it is. The Canadian government has been receiving our message for some time now. We are working on this together, and together we will find the best solution.

We hope that it will be a solution that is fair to business, and that is what we are working on at this time. That is our goal in the short term, but it does not prevent us from sharing our vision for the future.

Mr. André Bellavance: I wanted to...

[English]

The Chair: Please be very brief.

[Translation]

Mr. André Bellavance: Have you read the first report on the budget, which has just been published? I want to quickly tell you what it says. I don't know whether you are aware of this or not.

In terms of strengthening slaughterhouse capacity, money will be available in a few months—in other words, in about October. I wanted you to know that. I wasn't sure whether you were aware of this. If you have further discussions with the minister's office, they would be an opportunity to discuss that as well.

Mr. Michel Dessureault: I have made a note of that.

• (1245)

[English]

The Chair: I see that you're all finished. I thought somebody was going to respond quickly to that.

Mr. Hoback, you're up next, for five minutes.

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

Thank you again, gentlemen, for coming here today and giving us your presentations. It has been interesting.

I have a few questions for you, Mr. Dupont. You mentioned that you have 1,400 producers. Are they shareholders in that facility? Do they actually have a financial stake in it?

[Translation]

Mr. Martin Dupont: Yes, the members of the Federation.

[English]

Mr. Randy Hoback: You're saying they do. The federation has a share in it.

[Translation]

Mr. Michel Dessureault: The 14,300 producers in Quebec are making a contribution of \$53.86 per cull cow that is marketed in Quebec, in order to inject \$30 million into the slaughter facility. So, there are 14,300 owners.

[English]

Mr. Randy Hoback: Do they get a premium because they're owners? Do they get any other benefits?

[Translation]

Mr. Michel Dessureault: No. The only benefit for the producer is the assurance of having a good market price, in order to remain competitive.

During the BSE crisis, when we were in a monopoly situation in Quebec, producers received \$100 for their cull cows. That was the situation we were in when we began discussions back then.

So, as far as the producer is concerned, receiving a competitive market price is the best possible return on his investment. The fact is that producers have a very limited ability to invest.

[English]

Mr. Randy Hoback: In that scenario, the producers have a stake in it, and by having that stake, they're receiving the benefit of having that stake in it. I think a lot of people talk about who owns the supply along the chain. I think that as government, we don't want to make any restrictions along that supply. What the NFU is suggesting, for example, would be very restrictive in who could or couldn't own the packing chain. We could end up with a scenario in which farmers couldn't participate at that level. If they weren't there for you, that plant wouldn't be there.

I think that would be a fair assumption. If the farmers weren't the investors, would you be there?

[Translation]

Mr. Michel Dessureault: Maybe we would or maybe we wouldn't; I don't know. One thing is for certain, however: there would be a lot more farms shutting down in Quebec because there would be no price in the market. We have learned all the lessons of the BSE crisis. You have as well, and that is the reason why we have moved in this direction.

How can we properly prepare for the future? Well, just look at the slaughterhouse capacity in Canada. How many players remain in the industry here in Canada? There are only two major players left in Canada. That is the Canadian reality. With us, it makes three, even though we are a little like "dinosaurs" in the East. It is important to keep them operating. They have to be there.

[English]

Mr. Randy Hoback: I agree with that comment you made. We need to learn from the rules what happened with BSE and the over-reliance on one market, and we also need to understand what happens when the market gets shut down. I guess that would explain why the minister is going around the world opening up markets for cuts of beef that we don't eat here and stuff like that.

I guess that would also explain why he has a \$40 million or \$50 million fund sitting there in the budget, sitting in front of the Liberal Senate trying to get approved, but hopefully it will get approved some day and hopefully you guys can access it to do some of the improvements that you want to do. I think it's important to have that competition, not only within Canada, but to have that packing capacity to export that beef throughout the world.

Would there be anything else you would suggest the minister should be doing to help out? I know you talked about some of the regulations and some of those issues there, and I know I've brought regulations up a couple of times in our scheduling and I've asked each group to table any regulations that they see are counter-productive or giving them an unfair burden compared to the competition around the world. And maybe I don't have enough time, but if you can table those to us, we'd really appreciate that.

Mr. Ron Bonnett: I can just mention a few things from the Ontario experience.

When we had the Gencor plant that started in Ontario to respond to BSE, they went through a nightmare dealing with the regulatory requirements of getting that plant up and operating. Sometimes it was just foolish stuff, like moving a wall six inches or something like that. It was nothing to do with food safety. It was just basically this is what was written down in the book and that's how it had to be done.

I think we have to take a look at all of the regulations that we have in place—and this is broader than just meat packing—take a look at the regulations, see what it is they're intending to address, see if they're actually addressing it and see if there's some overburden there that can be eliminated. The ultimate goal of regulations is to solve a problem, and you've got to start focusing in on that, because sometimes I think they get carried away in writing the regulations. That is one.

When you're looking at the red meat industry—because there's the domestic and the export side—we have to also take a look at those domestic restrictions that are there for regulations that block access to some markets.

I know a producer up in my area was trying to sell lamb into the Sault Ste. Marie market. He was in there, and then all of a sudden they said that unless it's a federally inspected plant they were not going to accept that product. So all of a sudden you've got a regulatory barrier. Because there wasn't a federal plant close by, it put that producer at a disadvantage.

• (1250)

Mr. Randy Hoback: So even though he was in Canada, he was a Canadian producer, he couldn't even ship it somewhere else in Canada?

Mr. Ron Bonnett: That's true.

The Chair: Okay, your time's expired.

Mr. Rouillard, you've indicated a couple of times. I thought maybe you wanted to jump in and then the time expired. Did you have anything? We're getting close to the end of the questioning, and I just wondered if there was something you—

Mr. Paul Rouillard: No.

The Chair: You're okay?

I have just one question, if I could. This is basically to our groups from Quebec.

There's been a lot of discussion here today and at some other meetings about interprovincial boundaries and the difference

between federally inspected plants for the red meat sector—and it can go beyond that—and provincially inspected plants.

What have you been doing, and are you willing to continue the fight to try to convince your government in Quebec to basically harmonize things in this area? And this needs to happen across the country if we want to get rid of some... Do you speak a little bit, any of you, about what you have done or can do as far as that?

It's obviously an issue. It's hurting the country. What I relate it to is the BSE thing, in which Canada faced the brunt of it, when we all know it's a North American market, and it wasn't just a Canadian problem. So if a couple of you could touch on that, I'd appreciate it.

[Translation]

Mr. Michel Dessureault: I don't know whether there are problems in the hog industry, but I am well acquainted with the interprovincial trade issue. In Quebec, we want to seek assurances, in our discussions with the Canadian government, that what is laid out in our collective marketing rules will be recognized across Canada as the producers' reality.

That does not mean that the rules that apply should not be consistent. There are certain vested rights, and we have to find a way of enabling the free flow of products all across Canada, while at the same time respecting what the producers have done.

The example I would cite was the collective acquisition of the Levinoff-Colbex slaughterhouse by 14,300 producers. We have to be able to continue to work that way, because it benefits the entire beef industry in both Quebec and Canada.

That is what we are seeking to preserve in our current discussions on interprovincial trade. There are a certain number of adjustments to be made, as we certainly recognize, and we will take whatever time is needed to do that.

[English]

The Chair: Do I take it that you support the free flow of products from province to province, both ways? Yes or no?

[Translation]

Mr. Michel Dessureault: Yes, we do support the free flow of goods, as long as it occurs based on the rules in effect in Quebec, and not minimal rules. The current rules are the reason for the strength of our collective marketing system. Everything relies on that marketing system, which we have to preserve. If we cannot preserve it, we would clearly not support the free flow of products.

[English]

The Chair: Okay. The only point I would make on that is I think it's part of the problem.

Just briefly, does anybody else wish to comment?

Mr. Vincent.

[*Translation*]

Mr. Jean-Guy Vincent: I would just like to answer your question about the slaughter facilities that have signed an agreement that binds producers and processors in Quebec. Because these are all federally-inspected slaughterhouses, that does not affect us. The other slaughterhouses are under provincial regulation. So, we see no particular issue in that regard.

Producers have benefited from the Advance Payments Program, or APP, that Parliament implemented to ensure their survival. Parliamentarians took quick action to ensure the survival of the hog industry in Canada, which was very important. I said this before and I will say it again. Today I am speaking on behalf of Quebec, but it is critical that the message of Canadian producers, whatever their province of origin, be heard.

With respect to COOL labelling, we have said that it is important for the Canadian government to quickly engage the United States on this issue, because of the protectionist attitudes that seem to be taking hold. Canadian products should be promoted based on the needs of consumers both inside and outside Canada. We have to be innovative and invest in the green boxes that are allowed, in order to comply with WTO rules.

• (1255)

[*English*]

The Chair: Thank you.

We're almost out of time. We have four minutes left. I'd like to—

Hon. Wayne Easter: We have more questions.

The Chair: Mr. Easter, I'm sure everybody does.

Hon. Wayne Easter: Mr. Chair, on a point of order, the meeting adjourns at one o'clock. We don't have any motions on the table, I don't believe. The meeting didn't start until ten after. We're just wondering why—

The Chair: Mr. Easter, I started the meeting before people were at the table. I did my best to get everybody—

Hon. Wayne Easter: I was sitting right here.

The Chair: Pardon?

Hon. Wayne Easter: I was sitting right here.

The Chair: Maybe you were, but not everybody, including our guests—

Hon. Wayne Easter: We're wondering why you're always in such a rush to prevent questions from being asked to witnesses, Mr. Chair.

The Chair: Mr. Easter, I'm not in any rush to keep questions.... You know the rules. And just the other day you said that meetings needed to end by one o'clock or shortly before. That was your statement.

You had a point of order, Mr. Lemieux?

Mr. Pierre Lemieux (Glengarry—Prescott—Russell, CPC): Mr. Chair, I want to say I agree. We all have places to go at one o'clock, and I think we should be in the habit of ending meetings at one o'clock. But I have a different point of order. I was just responding to Mr. Easter's concerns.

The point of order I'd like to raise, Chair, is that you remember at the end of the last meeting Mr. Easter had a motion on the table where he wanted to pose six questions to the minister. He had a flare-up before the vote, which turned out to be premature, because we ended up voting in accordance with the motion, as I had indicated to Mr. Easter before the motion had actually been up for discussion. I did that in a spirit of goodwill.

We need to work together on this committee, work together as colleagues. I have good news for Mr. Easter today, and what I'd like to do during this point of order, Chair, is actually table the answers from the minister.

In the motion, I believe the minister had until March 23, and here it is, March 12. I'm here two days later, and we have answers for Mr. Easter. It's my pleasure to table these answers in both official languages.

The Chair: Please present them to the clerk. The clerk will distribute them.

To our guests, thank you very much. As has been indicated, there's never enough time around here for questions. I wish we had more. Thank you very much for taking the time to come here. I'm sure that some of the members, if they still have some questions, can get a chance to ask them.

The meeting is adjourned.

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

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

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

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

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