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—
Chair

Mr. Larry Miller

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•(1110)

[English]

The Chair (Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC)): I call this meeting to order and thank all of our guests for being here today.

We're continuing our review of competitiveness in Canadian agriculture, and we have witnesses here today from the Canola Council of Canada, the Western Canadian Wheat Growers Association, Pulse Canada, and the Canadian Seed Trade Association.

First, we have Ms. JoAnne Buth from the Canola Council of Canada.

Ms. JoAnne Buth (President, Canola Council of Canada): Thank you, Mr. Chair. My thanks to the committee for inviting the Canola Council here today to provide input to your study on competitiveness in Canadian agriculture.

I will give you a little background on the Canola Council. We're the only fully integrated industry association where seed and input companies, growers, exporters, and crushers all sit at the same table to develop a common platform for growth. Although I didn't bring a grower with me today, growers have four seats around our table and are very important in our discussions and our steps forward. Growth is very important to our industry. Even though the canola sector in Canada was worth \$14 billion in economic activity in 2008, our strategy is to grow the crop and the industry. We hope to reach 15 million tonnes of sustained demand and supply by the year 2015. When we reach that target, the canola sector will be bringing another \$12.5 billion of economic activity to Canadians.

Our mission is simple; to enhance the industry's ability to profitably produce and supply seed, oil, and meal products that offer superior value to customers throughout the world. The key to our success is the profitability of the entire value chain, but especially growers. Without growers we have no product for Canadians, no product to process or export.

We want to congratulate the committee for taking on this issue. We are a very trade-dependent country and a trade-dependent commodity. One of every three Canadian jobs is dependent on trade, and Canada is the world's fourth largest agriculture and agrifood exporter. So reviewing the competitiveness of our economy and ensuring that we're taking the steps to stay ahead of our competition is key to helping our producers and our entire agriculture sector.

This is certainly relevant to the canola sector. For the past three years, canola was the most profitable crop for producers. In 2008, it delivered \$4.9 billion in cash receipts, with most of those dollars

coming from export markets. Canada produces only 20% of the world's canola and rapeseed, but we're responsible for 80% of the canola trade globally.

In recent years, Canada's canola producers have relied on export markets for 85% of their sales, including canola seeds, oil, and meal. This past year, canola farmers produced a record 12.6 million tonnes. We anticipate total exports to be at or close to 90% of this year's production. This equates to nearly \$5 billion in economic value from export markets. So for Canada's 50,000 canola growers, the competitiveness of our exports is critically important.

Our competitive advantage is the quality of our product. Canola is the healthiest oil on the market. It is free of transfat and cholesterol, has the least amount of saturated fat, and contains essential fatty acids like omega-3 and omega-6 in a unique ratio that health professionals say is the best for healthy eating.

On top of that, the further development of high oleic canola varieties have improved the industry's ability to supply heat-stable canola, which is best for the frying oil industry. Canola was invented in Canada and maintains its international advantage through continued investment in innovation. Access to technologies like herbicide tolerance, hybrids, and modified oil profiles is keeping our farmers ahead of their competitors. Recognizing its health attributes, the U.S. Food and Drug Administration authorized a qualified health claim for canola for its ability to reduce the risk of coronary heart disease.

Canola meal has its own unique qualities. Canola meal in the diet of a dairy cow increases milk production by a litre of milk per day. It's increasingly used in dairy rations in Canada and the U.S. Beyond food uses, canola is the best feed stock for biodiesel production, owing to its cold-flow properties, which are important in cold weather and also improve engine lubricity.

But this strategic advantage didn't just happen. Targeted investments, strategic research and innovation, trade agreements, and market promotion have been essential to building and maintaining our competitive advantage, and we need to continue to work at it to keep our competitors from overtaking us. Our competitors are not typically other countries, but other vegetable oils. The U.S. soybean and Asian palm oil industries are working to improve their products' nutritional profiles, along with their cooking and frying attributes. While canola has a strong presence in international markets, our resources are modest compared with those of the soy and palm industries. Soy and palm developers are also making improvements in the productivity of their crops. Canada's not going to be the low-cost producer, but continued gains in yield and oil content of canola are critical to maintaining our access to international markets.

• (1115)

Our recommendations fall into four categories. The first category is research and innovation, and I will start with the health aspect.

Continuing to enhance and differentiate canola's position as the healthiest oil is the most important aspect of maintaining our competitiveness. Through our canola product research fund, we continue to pursue coordinated research projects that address customer needs. Increasingly, our priority is nutritional research on the beneficial role canola can play with heart health and diabetes.

Partnership with government, and especially with Agriculture and Agri-Food Canada's research division, is critical in this regard. Canada needs to focus its resources, both private and public, to yield results internationally.

In the area of productivity improvements, access to innovation is key for current and future producer profitability. A regulatory system that allows new products and traits to smoothly and predictably move into commercialization is needed to ensure the future competitiveness of our canola producers. Reforms to variety registration, resourcing, and the refining of regulations on plants with novel traits, novel food, and novel feed are critical for farmers to access new technology. Attention to reasonable intellectual property rules is also necessary to keep new products moving into canola producers' hands.

New tools require new management techniques. While canola is not a new crop any longer, better genetics, herbicide tolerance, and hybrids have all significantly changed producers' management practices. Ongoing investment into developing on-farm processes for using these tools and understanding how to get the most production from them is necessary to improve producers' competitiveness and profitability. Research on management techniques is also necessary to ensure that Canadian canola is clearly recognized as being grown under environmentally sustainable cropping systems.

Our second area of recommendation is trade. The committee heard just last week from CAFTA, of which the Canola Council is a member, so we'll not spend a lot of time on this. But neither do we want to miss the opportunity to stress the importance of a comprehensive, multilateral agricultural trade agreement. The current Doha Round draft would result in substantial reductions in tariffs, elimination of export subsidies, and disciplines on trade-distorting support. We urge the committee to endorse the WTO

negotiations, and we urge the government to lead efforts to conclude a deal.

Bilaterally, we urge the government to make improved trade relations with China a priority. China is a substantial and growing market for canola, but we face a competitive disadvantage on tariffs with U.S. soybeans. China, with its enormous population and increasing wealth, is an important market for Canadian agriculture generally. We ask the committee to recommend steps to improve our trade relations there.

We support plans for discussions on a new economic relationship with the European Community. Canola has essentially been barred from Europe by biotechnology regulations. It took 12 years to obtain the approvals for herbicide-tolerant canola. It took two years in all of our other export markets. A new relationship provides an opportunity to develop new solutions in this area.

We welcome the tabling of legislation to implement free trade deals with Peru and Colombia. These are very modest markets for canola, but a tariff-free environment provides the opportunity for growth.

Finally on trade, we welcome the announcement of a market access secretariat from Minister Ritz. We look forward to working with him on its further development. Technical barriers to trade are becoming more substantial roadblocks in the international marketplace. We agree that governments and industry in Canada need to improve their capability in this area.

Our number three recommendation is in the area of regulation. A subcommittee of this committee is looking into food safety issues, as are the federal and provincial ministers of agriculture, who've committed to coming forward with a food safety action plan. This is also an issue getting much attention south of the border.

Given our level of trade with the U.S. and the high quality of our food security and consumer protection systems on both sides of the border, we believe Canada should be working closely with U.S. regulators on any food safety action plan that is developed. Common approaches and shared science is better for both consumers and business rather than separate strategies and a thickening of the Canada-U.S. border when it comes to trade.

Our final recommendation surrounds biodiesel—the last time I had the opportunity to appear before this committee it was on that topic—and the development of the biodiesel sector in Canada. This is something the Parliament of Canada supported almost a year ago with Bill C-33, but it's being held up by the process of creating regulations. This will affect our competitiveness.

• (1120)

Regulations are required from Environment Canada to set the 2010 start date for the renewable fuels standard for both ethanol and biodiesel fuels to be blended into Canada's gasoline and diesel. The positive economic rural development and environmental benefits of building this market are well understood. In addition, much technical work and testing has been successfully completed. We only need to get the regulations passed in a timely manner. We urge the committee to recommend immediate action on this, before its final report on the current study.

In summary, competitiveness and what the government can do to improve competitiveness for canola growers and the industry are key to the continuing success of this important Canadian crop.

Thank you very much for your attention today. I look forward to any questions you may have.

The Chair: Thank you very much, Ms. Buth.

Now we have, from the Western Canadian Wheat Growers Association, Mr. Bast and Mr. Vandervalk. You have 10 minutes.

Mr. Mike Bast (Chair, Western Canadian Wheat Growers Association): Thank you, Mr. Chairman and members of the committee.

I'm here with Steve Vandervalk, another director. I'll be sharing my time with Steve.

The Wheat Growers welcome this opportunity to provide our thoughts on policies and measures needed to improve the competitiveness of Canadian farmers. We will focus our comments on three main areas: innovation, trade, and free markets.

We first wish to emphasize the importance of innovation. Our willingness to embrace new ideas in new technology allows Canadian farmers to be among the most productive in the world. It is the key driver of growth and profitability in our industry.

On the seed side, the introduction of biotechnology in canola has led to dramatic yield improvements and reduced pesticide use. It is one of the reasons we've seen such tremendous growth in canola acreage and production in western Canada in the past 15 years. The advent of specialty canola varieties has also contributed to human health by reducing the transfat component of cooking oil. The premium prices available on these varieties have given us an opportunity to improve our profit margins.

These are just two examples of how innovation and our willingness to be early adopters of new technology have kept Canadian farmers ahead of producers in competing nations.

However, we cannot be complacent. The emergence of low-cost producers in countries such as Ukraine, Russia, Kazakhstan, Argentina, and Australia means we must always be open to ways to boost our yields, improve quality, or lower costs.

These new competitors on the world stage have captured an increasing share of the world's wheat trade. Our share of the global wheat market has dropped from 23% 15 years ago to under 15% today. In the past 20 years, our declining competitiveness in wheat has caused prairie wheat acreage to decline by 12 million acres.

Last year's elimination of the kernel visual distinguishability criterion in our wheat variety registration system was one important step in regaining our competitiveness in wheat. Plant breeders in western Canada have indicated to us that the removal of this constraint has already sped up the development of cultivars with higher yield potential and better agronomic traits. The Wheat Growers want to thank this committee for its work in helping to remove this innovation constraint.

A greater research effort is needed. We see a far greater potential for improvements in wheat and other cereals, whether through conventional breeding techniques or modern biotechnology. In Canada, biotechnology has led to dramatic yield gains for soybeans, corn, and canola. We believe this technology can offer the same sort of yield and quality improvements in wheat. We are in need of varieties to help control insect problems, such as midge and sawfly.

We also face a number of plant diseases, such as Fusarium head blight, rust, and leaf diseases. While some progress in meeting these challenges is being made through conventional breeding methods, we believe that modern biotechnology holds the key to overcoming them.

Research is also under way that would allow plants to improve their uptake of nitrogen and other nutrients. This technology, if adopted, would allow us to reduce our fertilizer use without compromising yields.

Another promising opportunity is the development of drought-tolerant wheat. Researchers in Australia are leading the charge here; however, we believe these varieties could be very beneficial in dry regions of the Prairies. The Wheat Growers also look forward to the development of traits that could improve the nutritional quality of wheat or meet the needs of consumers with allergies or other health issues.

Increasing funding for public research is part of the solution. We also need a regulatory environment that encourages private investment. Our regulatory approval system must remain science-based and not act as an impediment to the commercial introduction of new varieties.

Towards this goal, our regulator should be working closely with regulators in other countries to ensure that Canadian approvals for new seed and chemical technologies are obtained at the same time as regulatory approvals in competing countries. We cannot be left in a position whereby producers in other countries have access to new technology that is not available to us.

We urge your committee to ensure that research remains a high priority in agriculture, especially in cereals and crops such as oats, peas, lentils, flax, mustard, chick peas, and canary seed, where acreage levels are generally not sufficient to attract significant private sector investment. Ensuring that our regulatory system embraces a culture of innovation will go a long way to ensuring that Canadian farmers maintain our competitive advantage.

•(1125)

Mr. Stephen Vandervalk (Alberta Vice-President, Western Canadian Wheat Growers Association): Market access. Another important measure to improve our competitive position is to promote open and free trade in both crop inputs and outputs. On the input side, we remain very concerned about our inability to access crop protection products registered in other countries that are chemically equivalent to products registered in Canada. The GROU program was intended to improve access to imported chemicals; however, the approval process at the PMRA has been slow, with many equivalent products not yet being authorized for import.

The Wheat Growers respect intellectual property rights, so we were not suggesting that we have access to products that are not equivalent to products registered here. What we are suggesting is that the minor formulation and label differences often hold up approvals. We need a regulatory system that facilitates the free trade in chemicals, not the one that imposes artificial barriers. We ask your committee to ensure that cross-border approval processes are harmonized to the greatest extent possible so that farmers on both sides of the border have access to crop protection products on equal footing.

With respect to international trade, the Wheat Growers remain deeply disappointed at the ongoing failure of world trade talks to reach an agreement that would improve market access for farmers who are depending on export markets for a significant portion of their income. The lack of market access, particularly for processed grain products, lowers our farm gate returns. With talks expected to return later this year, we ask the Canadian government to promote freer trade as a means to increase prosperity, not only here at home but throughout the world. The recent introduction of COOL regulations in the U.S. reinforces the need for Canada to take a strong stance against protectionism in all of its various forms.

We support the federal government's efforts and success in striking bilateral trade deals. In particular, we see the committee's support of the proposed Canada-EU agreement. Currently, we face significant tariff and non-tariff barriers for our grain and processed grain products into Europe. This is especially the case for wheat. To improve our competitive position, we ask you to ensure our negotiators obtain better access into this important market.

The Chair: Mr. Bast.

Mr. Mike Bast: The committee is examining what measures are restricting competition in Canadian agriculture and limiting our competitiveness. The most obvious and harmful barrier to the competition is the imposition of the Canadian Wheat Board monopoly by the Parliament of Canada on western Canadian farmers. As mentioned, wheat acreage in western Canada has declined by 12 million acres, or more than 30%, over the past 20 years. In contrast, wheat acreage in Ontario has increased by more than 60% since the Ontario Wheat Board monopoly ended six years ago. The contrast is quite stark. Maintain a closed market, acres go down; introduce a free market, acres go up.

The captivity of western Canadian farmers to the CWB monopoly means we have no escape valve. For other crops, the ability to ship grain directly to processors and to export markets keeps Canadian

grain-handling costs in check. That is not the case in wheat and barley.

The CWB monopoly is a significant impediment to value-added processing on the Prairies. Less than 5% of the wheat produced on the Prairies is processed for food markets. In contrast, approximately 40% of our canola is processed, and with the recent new builds and expansion, this proportion is expected to reach 50%.

Growing oats is another shining example of how farmers can flourish and compete more effectively under an open market. Since the removal of oats from the CWB monopoly in 1989, oat acreage has increased by approximately 25% on the Prairies. We've also seen a dramatic rise in oat processing on the Prairies. Can-Oat Milling, with plants in Saskatoon, Portage La Prairie, and Barrhead, is now the world's largest industrial supplier of oat products.

Canada is a net importer of pasta products even though we are by far the world's largest producer of durum wheat. Quite simply, companies are reluctant to invest in those areas where they are captive to one supplier. As long as the CWB monopoly remains in place, there will be little investment in new milling or malting capacity. In 2005, one of the malting companies built a new \$75 million malting plant in Montana, bypassing the better malt barley regions in Canada. The \$75 million should have been invested in western Canada. It's a malting plant that prairie farmers are unable to access directly.

We believe reducing regulatory barriers, including the Wheat Board monopoly, would also lead to much greater private sector investment in wheat research. As it stands now, private seed developers are reluctant to invest in wheat research in Canada, given the high degree of uncertainty over whether a new variety will be accepted by the CWB. A 2007 survey undertaken by the Canadian Seed Trade Association found that 74% of all private seed research and development was devoted to canola, followed by corn and soybeans. Less than 5% was devoted to wheat research, even though it represents the largest crop in Canada in terms of acreage. Making the CWB voluntary would go a long way to attracting greater private research in wheat breeding and development.

• (1130)

Mr. Stephen Vandervalk: In summary, western Canadian farmers are among the most competitive in the world. It is our willingness to embrace innovation that keeps us profitable and ahead of emerging competitors. For the most part, we face good competition in our input markets. A key concern, however, is our inability to gain access to imports of many of the crop protection products that are equivalent to products registered in Canada. We also urge Canada to continue to seek greater market access for all our products, whether through multilateral or bilateral trade negotiations.

Going forward, the key to improving our competitiveness will be the implementation of a voluntary Canadian Wheat Board. Creating a free market in wheat and barley would eliminate our captivity and improve competition in the grain handling and transportation sector. It would lead to greater processing of our grain here at home. More processing facilities would mean farmers have more choices and more competition for their grain.

Moving to a free market in wheat and barley would also encourage greater private investment in research and development of new varieties. Newer wheat varieties with disease- or insect-resistant traits, or improved nutrition traits, would allow us to reverse the downward trend in our global market share. Being among the first to adopt new technology gives us the best chance to compete against emerging global competition.

Lastly, freeing up the wheat and barley markets would improve farm margins and unleash the entrepreneurial energies of prairie farmers. We have seen the wheat market in Ontario flourish following removal of the wheat monopoly. We look forward to the day when we can see a similar success story repeated in western Canada.

The Chair: Thank you.

Now I have Mr. Bacon and Mr. Grabo from Pulse Canada, for 10 minutes.

Mr. Barry Grabo (Chair, Pulse Canada): Thank you, Mr. Chairman.

Good morning to all the members of Parliament.

My name is Barry Grabo, and I'm the chair of the Pulse Canada board. My farm is in Strathmore, Alberta, which is about 35 minutes northeast of Calgary. We grow wheat, barley, canola, and pulses on my farm. I'm also a member of the board of the Alberta Pulse Growers. This is my first appearance before the agriculture standing committee, and as chair of Pulse Canada, it's an honour to represent Canada's great industry.

The pulse industry is proud of the successes it has achieved over the last 30 years. Pulse production in Canada has continued to grow to the point where Canada now accounts for 40% of the global pulse trade. Canadian pea exports account for 58% of global trade and Canadian lentil exports account for over 40% of global trade. Edible beans are an important industry in the irrigation district of southern Alberta, in Manitoba, in southern Ontario, and also in parts of Quebec. Canada is a top-five global exporter of beans. The area seeded to chickpeas in Canada is currently at a low level, but in recent years Canada has been the world's second-largest exporter.

The growth in pulses proves that we have been and are a competitive industry.

The question before us today is this. How do we remain competitive and how do we improve our competitiveness? The global economic situation has taught many industries that business models have to adjust with changing times, otherwise the downfall can be rapid and dramatic. Agriculture is not exempt from the risks of a changing market.

The pulse industry has released a vision paper. It outlines our strategy to remain strong and to continue to be a world leader. This industry document is comprehensive. Each province or trade can offer you specific provincial or industry priorities, but I can summarize the pulse strategy in five points.

One, agriculture has to continually build on the core strengths of breeding and agronomy.

Two, we have to reduce costs by addressing problems with transportation and market access.

Three, we have to look after the markets we have. In the pulse industry, our customers are spread over more than 150 countries.

Four, we also need to have a vision for growth that includes a strategy of diversification. The pulse industry believes we can play a much bigger role within the processed food industry. The demand for pulses will be driven by the contribution pulses can make to improvements in health and nutrition.

Finally, we see the demand for pulses increasing even more, due in part to the contribution that pulses make to the environmental footprint of crop production. Growing and consuming pulses will help Canadian agriculture to produce healthy people and a healthy planet.

Let me now summarize the three key areas of action that will improve our competitiveness.

One area that both growers and the trade have stated is a top priority is the issue of transportation. When Mr. Bezan, the former chair of this committee, announced the federal funding that would support Pulse Canada's transportation strategy in February 2008, we promised to use a solutions-based approach to address transportation challenges. We've done exactly that through some very innovative work.

In a little over a year, Pulse Canada designed software that will measure the performance of the transportation system and help to isolate the defects that require both commercial and/or regulatory solutions. We have shortlisted areas where infrastructure investments would create efficiencies. We formed a transportation technical working group consisting of the railways, major steamship lines, freight forwarders, transloaders, and shippers from across the country. This group is looking to improve the process by employing a multi-organizational approach to problem solving and asking everyone with a stake in moving pulses to work together to find a solution that benefits everyone.

From day one, the stakeholders within the industry demanded that the approach focus on the identification of challenges and the search for solutions. Agriculture and Agri-Food Canada should be commended for supporting these efforts. We expect that the government will continue to partner with industry to address transportation issues under the Growing Forward framework. The government can continue to support work that strengthens the development of commercial solutions to transportation challenges.

These solutions will need to encourage value-added processing. They will need to support the shipment of identity-preserved products and encourage differentiation in products that can enhance our competitiveness. This is one of the key components of keeping agriculture competitive. We must be engaged at every level to ensure that commercial solutions are being sought and an appropriate regulatory framework is in place as a backstop when the commercial system fails.

Let me now turn to trade. A global agreement on trade at the WTO remains the best hope to address the underlying problems of production and export supports that distort trade. But while this goal remains a work in progress, we can't afford to ignore the importance of signing and ratifying bilateral trade agreements that keep pace with those of our competitors.

• (1135)

It's simple. To be competitive, we have to be able to export pulses and to have the same import tariff as enjoyed by other exporting nations. While we are pleased that Canada has signed trade agreements with Peru and Colombia that provide the same access as was negotiated by the United States, these Canadian agreements have not yet been ratified.

The U.S. agreement with Peru entered into force on the first of February of this year, and as of right now, Canadian pulses are at a 25% trade disadvantage going into Peru. We face the same threat in Colombia. In 2008, Canadian pulse exports to Peru and Colombia were worth nearly \$80 million. Colombia is Canada's second-largest market for green lentils, and Peru is an important market for both peas and lentils.

The Dominican Republic is a top five market for Canadian dry beans, but as in Peru, a U.S. agreement is already making us uncompetitive. Unfortunately, we aren't as far along in these negotiations, and Canada needs to complete the negotiations currently under way and ensure tariff parity for Canadian beans to ensure that we can be competitive in this market. We also face a significant competitive threat for Canadian lentils in Morocco, where a U.S. agreement with Morocco will result in a 50% tariff disadvantage for Canadian pulses. We strongly urge the Canadian government to commit to pursue negotiations with Morocco to benefit the lentil and durum wheat grower.

Traders in all of these above-mentioned countries have told us they want these deals done. Pulses are a poor man's food and high tariffs make his food more expensive.

Now, Mr. Chairman, I'll make a brief comment on crop protection products in Canada.

Pulse Canada works closely with regulators in the crop protection industry to ensure that we have access to all of the new crop

protection products, in part because all new registrations take us further in the direction of improvements in health and in environmental protection. We also work to ensure that Canadian farmers have access to existing products at competitive prices.

The replacement of the own-use import program had four parts, and I want to give you a report card on the performance of three of these parts that are of greatest importance to the pulse sector.

On the issue of NAFTA registration and labelling, there has been a total of six products registered, but this small number only hints at the great potential for NAFTA labelling to level the field on price and availability and to speed up the process required to have regulators undertake joint reviews. PMRA should be commended for going even further than NAFTA and collaborating on the review of new products with the EU, Australia, and the U.S.

Changes to the process of registration for generic crop products has been a positive improvement, but this success has also made it an area of action to address, because there is a backlog of some 60 generics in the system now. Included in this backlog are numerous generic glyphosates—the product that started all of this debate—as well as important products for grassy weed control in pulses.

So what can be done? More resources and a sharper focus for existing resources and some process changes should reduce these delays. Pulse Canada has been an advocate for changes at PMRA that would streamline work and maintain their focus on health and safety and change the review of their efficacy of products to free up resources to bring their reviews into the timeline that is their own goals. To enhance agriculture's competitiveness, ensuring PMRA has adequate resources and a streamlined process to get these generics to the market as quickly as possible is of the highest importance. We believe that delays with the registration of generics could become a high-visibility problem as we head into seeding and see price disparities between Canada and the U.S. in key products like glyphosates.

The third area, or the GROU program itself, now has 15 products eligible for import from the U.S. GROU has not been without glitches in the importation of products on that list. I know many farmers expect there should be more. This is a disappointment, but we have to recognize that GROU depends on company participation and cooperation as well as speed and efficiency with which PMRA processes these resources.

My time is up, but let me conclude by giving you a success story that embodies Wayne Gretzky's famous line that a good hockey player plays where the puck is and a great hockey player plays where the puck is going to be. In April a human clinical trial, funded through the federal government contribution to the Pulse Innovation Project, will be presented at the prestigious experimental biology conference in New Orleans. Our board has been made privy to the research results, and we expect that Dr. Zahradka's work with pulses will create a great deal of interest.

Let me give you a hint of what's to come. The farmer with pulses might be able to play a better role than the pharmacist with pills in addressing vessel health problems common to diabetes and cardiovascular disease.

• (1140)

More importantly, our farm solutions show promise in going further than treating the problem. This is just one example of where the pulse industry is working to build on our success. I want to be careful in saying this, but let's get the puck out of our feet. Let's get to work. Parliamentarians can do their part, and when Growing Forward funding is up and running, the pulse industry will continue its part by focusing not just on being good, but on being great.

Thank you.

The Chair: Thank you very much. I like your Wayne Gretzky analogy. That's good. We all can relate to that.

Mr. Reid, from the Canadian Seed Trade Association, for 10 minutes.

Mr. Jeff Reid (President, Canadian Seed Trade Association): Thank you very much, and thank you for the opportunity to present again today to the committee.

I'd like to note as well that we've made a formal submission in both official languages. That's been presented.

First, I have a few words about the Canadian Seed Trade Association. We represent about 130 member companies from across Canada, ranging from small farm-based operations to large multinational corporations. These organizations are involved in all aspects of plant breeding, marketing, distribution, production, and sale of over 50 different crop species and hundreds of varieties, including grains, oilseeds, forages, turf, vegetables, and flowers. CSTA's mission is to foster an environment that contributes to the success of our members and their customers.

I'd like to interject a word of thanks to the committee. I had a couple of opportunities to speak previously, particularly about the issue of KVD, and I'd just like to note that after six years of not having any new winter wheat varieties brought forth, we had three new ones registered this year, largely as a direct result of the removal of the KVD requirement. That is proof that the committee is doing some real things that are having real benefits out there in the industry.

We believe there is a very strong link between innovation and competitiveness. That was recognized by Agriculture and Agri-Food Canada as it began the process to develop this generation of the agriculture and agrifood policy. The document on innovation and competitiveness states it clearly. Productivity is no longer able to sustain Canada's comparative advantage. Innovation is the key to enhancing competitiveness and has the potential to improve the future of the sector while benefiting producers.

Innovation in agriculture starts with seed. We've heard some evidence of that already today from the canola and wheat growers. We believe that plant breeding and research has and continues to deliver benefits to farmers, processors, and consumers around the world. The CSTA submits that if we are to enhance and increase

Canada's agricultural competitiveness, the creation of an environment that fosters innovation is critical.

Before I go on to talk about competitiveness, I want to take just a minute to address the issue of competition, as this was identified in the invitation to appear here today. Our sector is definitely highly competitive. There are close to 1,000 registered seed establishments across Canada involved in handling, distributing, processing, and selling seed. This is what we could describe as just about as close to perfect competition as we see in any industry where the price of the seed approaches the minimum cost of production.

Farmers have access to thousands of varieties of over 50 different crop types from which to choose, and literally hundreds of new products are introduced each year. We submit that even more could be introduced with an improved regulatory system.

We have full disclosure of product performance as well, which also increases the competitiveness of the industry, through official testing and official performance trials that are run across the country. This is published for growers as well. Given more flexible regulatory and intellectual property regimes, we believe our industry could be even more competitive internally.

The Canadian seed industry is also competitive from an international perspective. This is demonstrated by the importance of exports to our market sector. Fifteen per cent of the seed sold in Canada by value is exported. Canada consistently exports more seed than we import. In fact, over the past number of years Canada's trade surplus in seed has been steadily increasing from 4% in 2002 to over 40% in 2007.

The seed industry makes a very significant contribution to the Canadian economy overall as well. In 2007 it contributed a total of \$3.95 billion, and our sector employed over 14,000 Canadians.

The private sector, which comprises the membership of the Canadian Seed Trade Association, makes a substantial contribution to the success of farmers. In fact, at 39% of total research and development investment, the private sector is now the largest single investor in plant breeding and research in Canada. That compares to Agriculture and Agri-Food Canada's A base, which makes up 21% of plant breeding and research, with provincial investment at 6% and check-offs at about 4%.

CSTA's members invested over \$56 million in plant breeding in 2007, and that is 26% of their combined operating budget. They plan to almost double that investment to \$106 million by 2012.

• (1145)

However, there is also a sub-story to tell here. In 2012, 96% of the private sector's investment will be in three crop kinds, those being, canola, corn, and soybeans. Investment in cereals, forages, and other crops will actually decline before 2012.

There is a direct link between the level of private sector investment and the regulatory and intellectual property environments—which obviously directly affect the use of certified seed.

First, regarding the regulatory environment, seed is one of the most regulated sectors in Canada. Before introducing new innovations for farmers, our industry can be faced with three different departments administering five different acts and the associated regulations. But let's look at one of the biggest problems we are currently facing, and that is variety registration.

For over 20 years, the seed industry has been working to modernize Canada's system of seed variety registration. The latest round of consultations has been ongoing for the last 10 years. The goal is now to make the system more flexible and to allow faster and more efficient registration of varieties for farmers. In June 2008, we thought we finally had some progress, when proposed regulatory changes for putting in place a three-part registration system were published in part 1 of the *Canada Gazette*. The comment period ended in August 2008, but we have heard nothing since then.

Even if we get this framework in place for a registration system, it won't mean that registration will be faster or more efficient. Other than a couple of minor crops, no crop kinds have been placed in their tiers, and that will take yet more regulatory change.

The three crop kinds in which private sector investment is high have been able to deal with this, either within or outside the system. Canola and soybean structures have a strong link to the value chain and as a result have been more willing to adapt within the system to streamline the registration process. Corn is not subject to variety registration, and other crops like non-oilseed soybeans are also not subject to variety registration. This has allowed these sectors to grow and return substantial premiums to farmers.

Conversely, forage crop kinds are still subject to all of the strict requirements of variety registration, often requiring a recommendation for registration from a recommending committee where one does not even exist. Investment in forage breeding and research by the private sector is now under 1% of the total sector's investment.

There are other cases where we can make it clear to you that the regulatory system our sector operates in is cumbersome and slow to adapt. Many of our members continue to struggle with the process of approval of novel foods and feeds. Approval systems for seed treatments need to be more closely linked, particularly with the United States, to ensure that our farmers are not at a competitive disadvantage.

The crops with the highest share of private sector R and D investment—canola, corn, and soybeans—share, among other things, an enhanced system of intellectual property protection. Canada is at a very strong disadvantage when it comes to most of our other crops. I can speak to this from firsthand experience, as general manager of SeCan, located here in Ottawa. We distribute the majority of the open-pollinated crop seed into cereals in western Canada. I can tell you that in four out of five of Canada's largest crops, we have little to no private sector investment.

Wheat, as we've heard from the wheat growers, is also declining as a result of this lack of investment, whereas canola, on the other hand, is increasing.

Another area where we see an opportunity to increase the use of certified seed is through the use of a certified seed tax incentive. This tax incentive would see the cost of seed on a farmer's tax return

inflated by 155%, which would make them indifferent to the use of certified seed versus their own saved seed. We feel this would also be a tremendous step forward in enhancing competitiveness, by increasing the amount of private sector investment.

Thank you very much.

• (1150)

The Chair: Thank you very much.

We move to questioning.

Before we do that, I have to remind the members that we do have a bit of housekeeping business we must do at the end of the meeting, so I'll be saving time.

Mr. Eyking.

Hon. Mark Eyking (Sydney—Victoria, Lib.): Chair, on a point of order, if we have housekeeping to do and we don't want to go past one, maybe we should go to five-minute rounds.

The Chair: There's a suggestion that we go to five-minute rounds. Is that okay with everyone?

Some hon. members: Agreed.

The Chair: Thank you very much.

Mr. Valeriote, you have five minutes.

Mr. Francis Valeriote (Guelph, Lib.): Mr. Bast, thank you for your presentation. Thank you, everyone, for your presentations and for coming up to make them.

Some time ago, not too long ago, I had an opportunity to visit one of the largest, if not the largest, manufacturing plants for pasta—Delverde and De Checco—in the Maiella mountains on the west coast of Italy. What I learned there is that what is important to the production of pasta is fresh water. They have an absolute abundance, a free supply, of fresh water from the melting snows of the Maiella. My understanding is that fresh water is as important to them as the cost of wheat.

In fact, as I understand it, a Wheat Board model doesn't exist in the United States either, and they're not manufacturing pasta. I don't mean to put you on the spot, but on what grounds do you make the comment that it's because of the existence of the Wheat Board that pasta makers are not in the Canadian west making pasta, when in fact my understanding is that it's more an issue of water than it is of wheat?

Mr. Mike Bast: Thank you, Frank.

In regard to the United States, they don't grow durum. They're not in the durum-making business. That's why you're not seeing the processing side there.

In regard to fresh water, western Canada has large supplies of fresh water, whether it comes out of the Rocky Mountains or out of aquifers. We will find the water we need for the processing side to match any quality. I'm confident of that. I'm not an expert on water sourcing, but speaking as a producer, and from what I know of water traits I look for, whether it be for irrigation or drinking water, we can match anything we need for that processing side.

We look at wheat simply on the production side. For every other crop we see production and processing. For wheat, we don't see it. Why would it be any different if we were to open that up? In terms of efficiency, why would I want to ship a product all the way around the world to have it processed and then have it shipped all the way back again for me to eat? The logical efficiency just doesn't play there. That's the largest reason I see. If we're growing it here, why can't we be processing it here?

• (1155)

Mr. Francis Valeriote: Okay, thank you.

Ms. Buth, you talked about the Doha Round and your impression of the government's position at the Doha Round. Can you express with a little more clarity whether you think the position of this government is contrary to the interests of the canola industry you represent and whether they can be doing something more meaningful on behalf of your industry?

Ms. JoAnne Buth: Thank you very much for the question.

We support the government's position at the WTO Doha Round in terms of reducing tariffs and reducing domestic support. We understand that Canada has a two-pronged approach to the Doha Round and that it is trying to protect supply-managed commodities in Canada at the same time as it is trying to open up trade. Of course, our emphasis is on reducing tariffs, reducing domestic support in our export markets, and reducing export subsidies. We would like to see a stronger position taken by our government in terms of reducing tariffs and reducing domestic support. We have worked quite closely with them to ensure that our messages, essentially, are getting across in the negotiations.

Mr. Francis Valeriote: You also spoke of research and innovation. I'll start with you, and if there's any time left, I'll go to the others as well. It's so critical, I agree with every one of you, to the future of our industries.

Are you in favour of increasing research funding—I know that everybody always is—as much as you are of redesigning current programs? In other words, is there something that could be improved in the current programs available to each of your industries when it comes to research as opposed to just throwing more money at them?

Mr. Buth, I'll start with you.

Ms. JoAnne Buth: We have a research strategy within the canola industry. There is a piece of it that's focused on production. But as I mentioned earlier, canola is a crop that has been grown for a while. Our focus in terms of research is on the health side for humans—on human nutrition—and on the meal side in terms of improving the meal quality. Those are the two primary areas. In terms of canola research on production and new varieties, I think it's been mentioned several times that we have quite a bit of private sector support. That's

been really key for us in keeping up in terms of competition with other oilseed crops.

My recommendation would be—and I think Agriculture Canada, in Growing Forward, is looking at this—that it needs to be a collaborative approach with industry. We need to look at it as the entire value chain and determine what that industry needs to move forward on research. It might not be something that's perhaps done at an Agriculture Canada station. It might be something that we might have to do at the University of Toronto. So it needs to be a collaborative approach between both public universities and private research. Our recommendation is based on the need for taking a value chain approach to looking at what's needed.

The Chair: Thank you. Your time has expired.

Ms. Bonsant.

[Translation]

Ms. France Bonsant (Compton—Stanstead, BQ): Thank you, Mr. Chairman.

Mr. Reid, I have some reservations about transgenic seeds. When I was young, not so long ago, my farmer neighbour used his harvest and processed it. The following year, he took the same seeds to grow wheat, corn or whatever.

In what way do you think transgenic seeds are better than these organic and natural seeds?

• (1200)

[English]

Mr. Jeff Reid: First, I would just like to clarify that the Canadian Seed Trade Association makes no claims about transgenic being any better than conventional varieties. Our members are actively involved in producing and distributing and selling both transgenic and non-transgenic varieties. Further, I think on the analogy you gave of being able to plant your own seed, that option certainly still exists for farmers in that we do still have conventional varieties available, open pollinated in crop types, with the exception of hybrids in corn, but in corn that's not really related to the transgenic issue. Certainly open-pollinated options are still available, but in the majority of cases where transgenic products are available, those are the ones that generate a higher profit for farmers, so that's what they elect to plant.

[Translation]

Ms. France Bonsant: In the section on plant research and development, you talk about the private sector, which represents 39%. Is Monsanto that private sector or do you compete with Monsanto?

[English]

Mr. Jeff Reid: The 39% investment by the private sector is all of our member companies combined. So some of that would be multinational corporations that are investing within Canada, as well as smaller independent companies.

[Translation]

Ms. France Bonsant: Every week in Quebec we have a television program called *La Semaine verte*. It talks about agriculture, seeds and various problems. On one program, they talked about seeds produced in Canada, supposedly parasite- and disease-resistant, which had been sold in India. Indian farmers planted that seed to grow cotton, but lost their entire harvest because it was infested. It was a dog's breakfast, as it were. I have reservations about anything called modified seed. It's as though I suggested that you, Mr. Reid, change your DNA. I don't know what would grow on your head. Perhaps you might grow a third arm as well.

You say that your seed isn't too transgenic, that it is safe for human consumption, but is it really?

[English]

Mr. Jeff Reid: First, I'd just like to say that we support the system we have in Canada of a science-based regulatory system. That system is one where we don't prejudge the marketability of a product based on other factors, non-science-based factors.

I can't comment specifically on the instance you're referring to. I'm not sure what the issue was there, what claims may or may not have been made. Regardless of that, when we look at the transgenic products that are being sold and used commercially in Canada, we believe there's been a tremendous environmental benefit by reduced use of pesticides that can leach in the ground, reduced requirement to till, so far less soil erosion and so on. I think if you look at the bigger picture in its entirety, the use of transgenic has not only put more dollars in farmers' products, but it's also been a tremendous benefit to the environment here in Canada and in other countries where they've been used appropriately.

[Translation]

Ms. France Bonsant: I would like to know whether you have any canola processing plants in Quebec. I believe we're barely starting to grow it.

[English]

Ms. JoAnne Buth: There isn't right now, but a plant is being built right now called Twin Rivers Technologies. It will be a plant comparable in size to what is functioning in western Canada, so it will be able to process canola and also soy, and it will also be able to refine products.

I do know they are looking at increasing canola production in Quebec, and they look at sourcing most of their canola from Ontario and Quebec, they hope, and also soybeans. But to start with, they will be using canola from western Canada. So it is a crop that is expanding within Quebec, and we expect that over the next few years we will see quite a bit more production.

● (1205)

The Chair: Thank you.

Mr. Atamanenko, for five minutes.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): Thank you very much for being here, folks.

Mr. Bast, my first question is to you. We often get into debate about the Wheat Board and the different associations. How many card-carrying members do you have in your association?

Mr. Mike Bast: Currently we're at less than 1,000.

Mr. Alex Atamanenko: Do you have directors from each province?

Mr. Mike Bast: We have members from across the Prairies and directors from across the Prairies.

Mr. Alex Atamanenko: Thank you.

Once again, to go back to the Canadian Wheat Board question and competitiveness, in his letter to our chair, the chair of the Wheat Board, Mr. Hill, stated that there were record returns this year totalling over \$7 billion, that during the 2007-08 crop year it "used its disciplined approach to sales and pricing to make sales when other sellers, notably in the U.S., were out of grain", and that this "enabled the CWB to return values to grain producers that were considerably higher than the weighted average prices American producers achieved".

We often hear that if we had access to the open market and a dual marketing system, farmers could get more, yet we're seeing in fact that under this current system, according to Mr. Hill, the returns to farmers were better than those of their counterparts. Could you comment on that, please?

Mr. Mike Bast: Thanks.

Mr. Hill is not telling quite the whole story there. The returns of profit to farmers were a record based on the history of Canadian Wheat Board returns. If we were to look at what the open market returns were, though, we could have achieved much higher returns. That year, the Canadian Wheat Board returned less than the average of what the open market price was.

As an example from just my farm, I had 20,000 bushels of durum. The best I could get on the PRO in January of 2008 was \$12 through the Wheat Board. The open market that day was sitting at \$21.80 or something like that. When I phoned the board, there was nothing more I could do.

Taking a loss of roughly \$10 per bushel to my farm is \$200,000, and I'm considered a small farmer. That's a huge hit for me because I was compelled to go through the monopoly system.

Mr. Hill is correct in that there were record profits to farmers based on CWB returns, but not based on what the real market was in the world and on what we could have achieved.

Mr. Alex Atamanenko: My other question is in regard to farmer control and farmers making decisions. What is your comment on the CWB director elections, which returned more directors who want to continue with the single desk?

Mr. Mike Bast: Right now, we have 10 directors out of 15 elected by farmers, but there are problems with the election in regard to who is eligible to vote, how many people are actually voting, and what acres they carry. Is somebody with 5 acres voting, compared to somebody with 1,000 or 500? What risk in the market does a guy have who has 5 acres in production compared to a guy who is making his entire living off 5,000 or 1,000 acres?

Even though we are electing 10 directors, the process to get those 10 directors elected is heavily skewed in regard to whether it's a true reflection of who's really representing the Canadian Wheat Board.

Mr. Alex Atamanenko: Thank you.

My next question is to anybody here in regard to the whole idea of genetically modified organisms and genetically modified wheat. Genetically modified alfalfa apparently has recently been approved by Health Canada and Environment Canada for cultivation in Canada, yet there's some concern that genetically modified alfalfa could devastate the organic farming industry, which uses alfalfa for their soil.

Then there's the whole idea that if we had GM wheat in Canada, for example, this could in fact contaminate non-GM wheat, which would then decrease. We talk about market access, but this would shut down some markets, specifically in Europe and also around the world, markets that value the high quality of our non-genetically modified wheat at this point.

As for my question, although we've been doing some research on studies of GM foods, it's about the idea of contamination. Can that have a negative result on our farming industry here and also on our ability to compete? I'll open that up to anybody.

• (1210)

The Chair: You have 20 seconds.

Voices: Oh, oh!

Ms. JoAnne Buth: From the canola point of view, one of the things we do in canola is we have an industry agreement for this: the industry agrees to get approvals in our export markets. We are a bit different because we have a small number of markets: the U.S., Mexico, China, Japan, and now the EU, which we've been fighting for a long time, and some smaller markets.

But because we work so closely together with industry, we have not had those issues in terms of GM canola affecting our export markets. Canola growers have chosen GM canola and now grow 85% of the acreage in GM canola.

The Chair: Thank you.

Mr. Hoback, for five minutes.

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

Again, thank you, everybody, for coming today. Your presentations were all very professional and very enlightening. It's nice to see two out of the three industries are doing very well. I guess that's where I'm going to drive into.

Mr. Reid, you talked about where the private industry was actually funding, canola versus wheat versus pulses and other crops. Which crop did you say was getting the most funding right now? And can you quickly explain why?

Mr. Jeff Reid: In Canada, canola is by far number one, and largely because there's the ability for companies to sell seed, which in turn is due in part to the enhanced intellectual property protection, because there are patented traits involved and so on. So companies can actually get a return on their investment, whereas in those other crops, such as wheat, where we see a very low level of investment, it's very difficult to see any sort of return on investment.

Mr. Randy Hoback: Ms. Buth, in the canola industry you do some interesting things as far as segregating product, ID, IP products. Could you expand on some of the programs that are out there in the canola industry and just how they're working?

Ms. JoAnne Buth: We don't actually IP non-GM. It's a very small part of non-GM. I would say it's virtually at zero now, partly because there is no premium in the marketplace, and it is difficult to produce organic, which is where most of the interest is.

In terms of IP-ing, we have several different streams that the canola industry segregates in order to meet specific market needs. One of those is the old high erucic acid rapeseed, which goes for industrial purposes. The biggest by far right now, which is making up about 18% of our acres, is high oleic canola, or specialty canola, which is very specific for the food processing industry for them to move away from a hydrogenated product so that they can have a transfat-free product. For McDonald's french fries, etc., where they were using a hydrogenated product and ended up with transfats, they now can use high oleic canola and it will be transfat free.

So part of the innovation is looking at where the markets are and how the crop can be modified to meet a higher premium market, because there is a higher premium for high oleic canola.

Mr. Randy Hoback: So in those crops, then, they stepped beyond being a commodity product that's traded on the exchange to something that actually is getting the farmer higher value because of its unique characteristics. Is that fair to say?

Ms. JoAnne Buth: Yes, that's fair to say. We have a variety of markets that look for the commodity product; China was an example. But when you look at markets that are prepared to pay more of a premium, we're looking for higher-value products, so most of our high oleic canola goes into the U.S. It's based on market and it's based on value, yes.

Mr. Randy Hoback: Do we have examples of that in the wheat industry, so that I as a farmer could say, "Here's a characteristic or trait in wheat that I want to sell directly through the sector"? Are there examples of that?

Mr. Stephen Vandervalk: There are a few. There's the Warburton stuff. It's kind of ironic that the Wheat Board touts that as equal to everybody, but only certain farmers get those contracts in certain areas. They do a premium. It's very small; I forget how many tonnes. There are some hard white wheat contracts. When it first came out, they gave you a small premium the first year, then the next year there was no premium but a storage payment, and then in the third year there was nothing; it became just a normal commodity.

I would say 5%. I don't even know if they'd be that high. That's about it.

Mr. Randy Hoback: Back to Mr. Reid. Why not the investment in wheat? What is the issue? Why? Is there just no profitability there, or no demand?

•(1215)

Mr. Jeff Reid: Yes. Primarily it comes back to the issue of farm-safe seed sowed. Again, my background with SeCan—we're a private, not-for-profit corporation, and we sometimes joke that it's a good thing we're not-for-profit because there just isn't a lot of profit there in cereals.

We distribute most of the cereal seed in western Canada. What we find is that you'll launch a new variety, and if you have a good availability the first year, you might sell lots. The next year it'll be a fraction of that, and likely even less the year after.

From a private sector perspective, when you look at a 10- to 12-year timeline to develop a new variety and then you might only get one or two years of sales out of it, it's a very difficult proposition to make that pencil out.

The real concern is from a regulatory perspective. Other developed countries are just about all now compliant with UPOV 1991, which does give some additional protection to plant breeders. It affords them a little more incentive to get involved in plant breeding. We see that Canada is really lagging from that perspective, and our plant breeders' rights legislation provides virtually no protection at all for the use of farm-safe seed, which really undermines the investment.

The Chair: Thank you. Your time has expired, Mr. Hoback.

Mr. Easter, you have five minutes.

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

Thank you, folks, for coming.

I don't want to get into the Wheat Board because I don't think this is the place for it, other than to put on the record that your comment about the imposition by the Parliament of Canada—basically you said the imposition of the Canadian Wheat Board monopoly by the Parliament of Canada—is wrong.

A voice: It's true.

Hon. Wayne Easter: It's not true; it's wrong. In 1998, the legislation was changed for the Wheat Board by the Government of Canada, under Ralph Goodale, to change the electoral process so that farmers could have control over their own industry and control it. In fact, farmers spoke in the last election, when they elected eight out of ten of the directors pro single-desk selling. That was the decision they took; that was the decision they made. We have always said, as

a party, that it's farmers who should decide. They've decided, and we're going to try to assure that the laws are abided by, not undermined, as some of the folks on the other side want to do.

Anyway, I'll turn to the purpose of why we're here today. All of you spoke about being competitive. I have to ask this question: competitive compared to what?

I hear the free traders. They're before us all the time. We even hear them in the cattle and hog industry. When the national organizations come before this committee, you wouldn't think there was a problem in the world. We're getting farmers going broke every day in many industries. It's as if some people believe that in pure competition out there, God, it's a wonderful world and everybody trades fairly. That isn't the real world.

I might ask, can we get a copy of the pulse crop rotation paper? I don't want to forget that.

Thanks, Gordon.

I have questions in these areas. One, how do we compare in farm policy on a competitive basis with the U.S. Farm Bill? That's our main competitor. What do we have to do, as a country, to stack up against that?

Two, on the regulatory environment, what regulations do we have to do away with?

Three, on the research area, do we need more public research—canola being a result of public discovery research by government at one point in time?

And the fourth area is transportation. We're captive to the rail to a certain extent, even captive to container cars out of the Peace River block. What do we have to do in that area? Do we need a costing review on the railways? What other things can be done on transportation to ensure we are on a level playing field with the United States?

I'll leave it at those questions.

The Chair: You have less than two minutes to respond.

Mr. Jeff Reid: I could take the first crack at it. I know we'll never be able to compete with the U.S. based on the amount of dollars we can throw at agriculture, so I think we have to be smarter in the way we help the industry. That's part of the reason for one of the things we've suggested, a tax incentive for the use of certified seed, which would really stimulate research and investment. That would have that multiplier effect on the agriculture economy and downstream economies as well. That's one area where we can use our dollars more strategically, and in fact recapture those dollars downstream from a greater tax base.

•(1220)

Mr. Gordon Bacon (Chief Executive Officer, Pulse Canada): I'd like to make a quick comment on research.

Pulse Canada for years has advocated boosting public funding in research. All the presentations this morning talked about how innovation is going to drive the competitiveness of the industry, and that's all going to come out of research dollars. Also, there was an earlier question about whether the government's policy is moving in the right direction. Under Growing Forward, what we're expecting to see is more industry-led research initiatives under programs like the science cluster one. I'm thinking those programs are very much what the industry needs to have. We don't know exactly what dollar amount is going to be allocated to those programs.

Agriculture is a big industry and there will be a lot of competition for what I expect will be scarce dollars. But I think research is what we need to do to make sure we're not competing in the commodity market and can focus on some things that will make Canadian agriculture more unique.

The Chair: Just a very quick comment. You've got 10 seconds, Wayne.

Hon. Wayne Easter: I guess, Jeff, on your comment that we can't compete in dollars with the United States, I have to ask why not. Canada's not in a...well, we are in a deficit now since these guys took over, but relatively, as compared to the United States, we haven't been. Why can our country not support our farmers to the same extent the United States does?

The Chair: Can you do that in seconds? He went well over.

Mr. Jeff Reid: Looking at the size of our taxpayer base here in Canada versus the U.S., I think we have to be more strategic.

The Chair: Thank you very much.

To the witnesses, we stick to the timeframe, or try to, so that everyone can ask questions. I apologize, because I know sometimes it seems rough, but there is a reason behind it.

Mr. Shipley, for five minutes.

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

Mr. Bast, a little while ago you mentioned that if you had the wheat to grow, you would be able to get the investment in terms of the further processing of your product. We've heard, more than once, that one of the problems is that we can't get investments in Canada in terms of the opportunities, I guess, to build for mills for the processing. Is there that investment opportunity there, if there was the freedom to just...to market the wheat?

Mr. Mike Bast: Yes, there is the investment. Speaking just from my point of view as a farmer, I would invest in my own milling, whether or not I go together with a number of other farmers on that. But if I can't source it properly or source it directly, I'm paying a margin to buy my own grain back when it never left my bin. So in terms of a business model, that's hurting me right off the get-go.

We see it from companies that do milling in Ontario and other ones; they would gladly come out here and invest. Just on the efficiencies of transportation, also, with the way our country and the world are heading in terms of an environmental point of view, that would be huge in reducing our carbon footprint in transportation, not hauling things back and forth twice.

Mr. Bev Shipley: Mr. Bacon, you made some very interesting comments...or sorry, I think maybe it was Mr. Grabo.

You talked about four or five areas of significance. One of them was the diversification of health and nutrients in terms of pulse. Can you talk about the trade agreements? You raised the examples of Peru, Colombia, the Dominican Republic, and hoping we might do something in Morocco. We've moved ahead on a number of free trade agreements, as you know. Once you start, you see the value in it. Getting to the end sometimes takes longer than you wish.

Do you have any comments on other areas? I think you recognized the significance of these free trade agreements—for the whole industry, actually. We've heard that from other witnesses. Are there other areas we should be looking at in terms of marketing?

Also, I'd like to have your comment on the secretariat that has been provided in terms of marketing agriculture products. Is there something more we can do in that area, do you think?

Mr. Gordon Bacon: I'd like to echo JoAnne's comments in terms of support for the secretariat that was set up. I think it's an excellent way to bring the resources of various departments and agencies of government, together with the industry, to sit down and work through some solutions.

In our industry, we've had problems for a number of years with pulse trade into India. That's really getting into the phytosanitary area. One of the comments Pulse Canada has made in the past is that a lot of the discussions with WTO are related to tax tariffs. Many of our trade problems are actually related to phytosanitary issues. It's a difficult issue at an international level for people to want to open up, but that seems to be the area where we run into most of our problems.

From a trade perspective, I think the secretariat will be the way to address some of these issues, such as phytosanitary problems, by bringing together a food inspection agency, international trade people, agriculture, and the expertise of the industry as well.

• (1225)

Mr. Bev Shipley: Mr. Reid, you talked about using your own seeds, which has always been an ongoing issue with farmers. There obviously are some seeds that you use more than others—corn you don't; soybeans, some, but not the Roundup Ready's and some of the IPs.

That's part of the issue around research, and you've expressed your concern about it. I'm wondering what you're hearing about farmers' positions. It's always this cost of production per acre if I'm using my own seeds against having to buy certified seeds. It happens in my area when we grow wheat, and actually with soybeans.

Has the position of farmers changed, do you think, in terms of helping? I think most of us realize that if you don't have money going into research and development, if they're not selling enough seeds to justify the dollars to it, then they won't do it.

So do you see a change in the attitude of farmers?

Mr. Jeff Reid: I think generally farmers understand the need for intellectual property and understand how the system works and what the shortfalls are, in some cases, with our system. In Ontario I think it's probably the case that there is more of a recognition, because when we had higher uses of certified seed in the past, they saw the benefits of that. There were a lot more varieties and a lot more progress was being made. That has somewhat declined in recent years, and they're starting to see the effect of that.

I think in western Canada, though, where we have only maybe about 15% use of certified seed for wheat, the problem is far more systemic. The concern is that it's a short-term decision, but it's having long-term implications. I think what everyone would like to see is just a level playing field so they know that everyone is contributing, or, for example, a certified seed tax incentive whereby that burden is shared, at least initially, across society, and then the larger tax revenue that's generated by that comes back to the government.

I think there are a number of ways to resolve that. Another way would be connecting it with crop insurance as well.

The Chair: Thank you, Mr. Reid.

Ms. Bonsant, go ahead, please, for five minutes.

[Translation]

Ms. France Bonsant: Earlier Mr. Easter talked about trying to subsidize agriculture. The Conservatives say that supply management is a subsidized system, which is utterly false, but whatever the case may be, I don't think we could ever compete with the Americans. Without subsidies and without good weather year-round, like what the United States and Brazil have, how could we compete with other countries around the world if we opened our borders? Explain that to me.

[English]

Ms. JoAnne Buth: We compete right now. Canola is a competitive crop. Canola is providing tremendous returns to Canadian farmers. We compete with soy and palm—that's true—and there are some issues in terms of soy in the U.S. and the amount of support and subsidies that soy receives. But canola is a different crop, and because it's 40% oil, we have a different competitive advantage. What's critical for us is that on the world stage, in terms of tariffs, we're not penalized compared to soy. So, for example, when China buys canola, there's a 9% tariff on canola. There's only a 3% tariff on soy, so that works out to \$24 a tonne that we're being penalized. Those are the types of things we need in terms of being able to compete.

● (1230)

[Translation]

Ms. France Bonsant: I have another concern. In Quebec and in Canada, we apply a system to monitor food safety. When mad cow disease, from Alberta, was declared, Quebec and the other eastern provinces were not affected. However, last fall, I believe, it was discovered that little carrots from California contained salmonella. The regulations aren't the same for meat and products leaving Canada as for those that enter it.

How can you justify this difference?

[English]

Mr. Gordon Bacon: I can't really comment on vegetable crops, but I think perhaps you're pointing out the need for what in our view is harmonization as a trading nation. When we have different policies in place with some of our major trading partners, we do end up having trade impacted more by policy than by the economics of supply and demand and quality issues.

I don't know that anyone in this group would do anything but put the highest importance on food safety issues. I think there are those areas we perhaps need to look at, and crop protection products was one of them. Harmonization of policies between the two countries, which both have a strong focus on human health and environmental protection, would help ensure that we can have fair trade in products and have regulations not playing a role in determining what can be exported or what can be imported.

[Translation]

Ms. France Bonsant: Food safety is important. One need only think of the baby formula from China that contained melamine.

In opening the agricultural market on a global scale, are we going to require the same measures from other countries as we offer them or will it be total permissiveness for everyone? Human health has to take precedence over big profits.

[English]

Mr. Gordon Bacon: One of our focuses in the pulse industry is health and nutrition, and food safety is very much a part of that. Because I'm involved in agriculture, I know it's important in all of these areas. Our industry in Canada wants to ensure that we're providing healthy, safe food products, and we expect the same from products that are going to be traded. Perhaps this is where we get back to my comment about standardizing phytosanitary rules, so that we are able to maintain a high and consistent level across different jurisdictions.

The Vice-Chair (Hon. Mark Eyking): Mr. Richards.

Mr. Blake Richards (Wild Rose, CPC): My thanks to all the witnesses for your time today. I appreciate the number of you who have supported our government's efforts to increase market access and to create the market access secretariat. I appreciate your adding your names to the growing chorus of witnesses who have indicated their support for our government's work in this area.

I want to direct my question to the Western Canadian Wheat Growers. Unlike our Liberal opponents across the way, I recognize the detriment to the competitiveness of our growers that the Wheat Board monopoly imposes. It's a barrier for you guys. I hear this from farmers in my riding all the time. They're frustrated at being at the mercy of that monopoly. I'm well aware that Canadian farmers are among the hardest-working and the most innovative and industrious people in the entire world. Yet, in western Canada the profits and the future of the industry are being severely hampered by our inability to market our own products, which is a result of the Wheat Board's monopoly. I'm going to put it on the record: I can assure you and all western Canadian farmers that I will continue to fight for your freedoms.

In the meantime, we're well aware of the millions of dollars of farmers' money—I repeat, farmers' money—that have been lost because of the Wheat Board's poor risk management practices. I'd like your comments on this situation. Do you feel the Wheat Board should be held accountable for the poor management of western Canadian farmers' resources?

• (1235)

Mr. Stephen Vandervalk: I can give you a real-life example. Last year, I dealt with Anheuser-Busch out of the U.S. on malt barley. It was the first year we were able to do so through the new CashPlus program. There were a lot of headaches, a lot of “you have to go through the Wheat Board”. This year, they would like to contract with me directly, but they have to go through the Wheat Board. We've been working at it for a month. They tried to phone the Wheat Board. No one's around. This week every malt guy on the Wheat Board has gone to Europe for something. You can't deal with anybody there. They have to pay me, say, \$5 a bushel, and then they have to pay the Wheat Board, say, \$1 a bushel, so they get charged \$6 a bushel. They would like to give me \$6 a bushel, but they can't. We can't even get a deal done, because there's so much red tape. That's a real-life example.

That's just with malt barley. Mr. Atamanenko was talking about the price of durum, which was way higher than what it was for our U.S. counterparts. Yes, it's more for some people and less for others, but the problem is that we can't forward-contract. This year they had \$13 forward-contracts of durum with act-of-God clauses. This year we're getting \$8, but those are forward-contracting. I can make a margin; it's a business. But we can't make margins with the Wheat Board because we cannot forward-contract.

Mr. Mike Bast: Running my farm is like any business—it's all about risk management. I can manage the risk on all the crops I grow outside of the monopoly. I can take my forward-pricing contracts to my bank for my annual review. I can hedge against it. With the CWB, when I get my annual review in the fall, I can't forward-price my wheat contracts till roughly the end of February. The bank won't even look at the PRO price and include that in my annual review.

As a farmer, I look at what I can control in my crops or the systems I have to play with. Mr. Easter mentioned that in 1998 Mr. Goodale changed the act to allow farmers to control the CWB. In a way, they are controlling the CWB. But they are controlling the CWB monopoly. Even if we elected 10 farmers who wanted to get rid of the monopoly, they could not get rid of it under the Canadian Wheat Board Act. We would still have to come back to the Parliament of Canada. So the Parliament of Canada is imposing the Wheat Board on farmers.

Mr. Blake Richards: Do I have any time?

The Chair: You have 30 seconds. That's all you have for a question and answer.

Mr. Blake Richards: I certainly appreciate those comments, and I'm well aware of many....

I appreciate, Mr. Vandervalk, your comments about specific situations that you were able to provide examples of, because I've heard many examples from western Canadian farmers as to how the Wheat Board is hampering their ability to get the best value for their products.

Thank you.

The Chair: Mr. Eyking for five minutes.

Hon. Mark Eyking: Thank you, Mr. Chair, and thank you to the witnesses for coming.

Let's try to get off the Wheat Board bashing here and get on to some other questioning.

All of you rely on and use rail quite a bit, and I'm sure you're well aware of the Canada Transportation Act, which deals with the railroads, and how it looks at the competitive side. It has objectives there to keep your rates at a certain level.

My question is around the whole rail issue. Is it improving for you? Do the regulations need to be changed? How serious is the rail issue to your crops, getting them to market? What changes should be made out there with the rail system?

Mr. Mike Bast: The rail industry to my farm is very important. It's all a part of the chain. It's extremely important. Without the rail, my chain falls apart and my market and my business falls apart.

There are times in the system when the railways are efficient and then there are times when they totally collapse. But the problem is, when they collapse or when they fail to meet the requirements, it reverberates throughout the whole chain and the farmer is usually the one who ends up wearing the penalty at the end of the day. When I'm getting a call from the grain buyer in the middle, whether it be from whatever company, to deliver my grain, it's been timed already to the vessel, so then the railway is part of that chain. That's why it's so key that he needs to meet his targets in between in getting that delivery. If he doesn't, as I said, those costs from the vessel then will be carried all the way back through to me, the farmer, and I have nowhere else to put it but back into my net loss.

Mr. Gordon Bacon: Pulse Canada, as Barry mentioned in his presentation, has been working to try to find commercial-based solutions that bring all the players together so that everyone from the railways—and I certainly don't want to focus just on them—and from the steamship line, container companies, growers, processors, container stuffers, all recognize how closely interrelated they are. We have transportation problems in the pulse and special crops sector in part because we have a very complicated logistic chain with a lot of players involved.

So as an industry, I think we have to sit down and see if we can't work something out by a little closer communication. That's what Barry was referring to in his comments. Of course, the rail freight service review that will be taking place is also a part of it. But as Barry mentioned, we want to first take a commercially based focus and look for solutions there with the appropriate regulatory backstop for when those commercial systems break down.

• (1240)

Hon. Mark Eyking: If you know how the act works, and I'm sure you do, there's a penalty or surplus that comes out of that; I think it's 15% right now. I have a number here of \$60 million that came back, and it goes to the Western Grains Research Foundation.

To get back to the question, is this a good way to handle this? If they're overcharging, this money comes off. Is this a good way to spend that money, by putting it back into the Grains Research Foundation?

Mr. Stephen Vandervalk: I think the rail companies...that \$2 a tonne was supposed to come back, and they didn't account for that. That's why it was so high, I believe. I think the Western Grains Research Foundation was never set up to get that kind of money.

They're not sure, really, what to do with it quite yet. No, it's not an ideal situation. There should be no penalties for going over. The whole thing is set up wrong. I know you don't want to talk about the Wheat Board, but from a wheat grower's perspective, I have no choice but to use the railway. I can't ship it to the U.S. I can't ship it to a domestic miller. First of all, there isn't any, and even if there was, I can't. I have to use the railway; there's no choice.

Hon. Mark Eyking: Yes, because of your proximity to the U.S. border probably, but I—

Mr. Stephen Vandervalk: But it's anywhere; we can't ship rail cars south, even if we wanted to ship rail cars south and get out of going through the mountains and get out of going on that cap. So the whole system is set up from the beginning. We wouldn't have those caps; we wouldn't have all that rail traffic going that way if we had more domestic opportunities.

Hon. Mark Eyking: What are you suggesting we do? If we remove the cap, would you suggest a more free enterprise system with the railroad, and then all of a sudden the government's not involved with the railroad act?

Mr. Stephen Vandervalk: I guess that's a tough one.

I know from my perspective, I'm close to Shelby, Montana, and they have a monopoly there. There's only one railway there, and the prices aren't any higher...very similar. I don't think they have any worse service. It's not better—don't get me wrong—but it's not worse. It seems to work just fine.

We need an incentive for the railway company to ship out 12 million tonnes of canola. That's our lifeline. We export 80% or more of our products, so we shouldn't be restricted. We need something to get it all out of here, essentially.

The Chair: Thank you very much. Your time has expired.

I'd like to thank the witnesses for coming today. I think you had a lot of good answers in responses to questions. Thanks again very much for appearing before the committee. I'm sure we'll see some of you, if not all of you, here at some point in the future.

We are going to have to move in camera for some of this business. Thank you very much.

[Proceedings continue in camera]

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