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Thursday, October 29, 2009

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Chair

Mr. Larry Miller

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• (1515)

[English]

The Chair (Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC)): I'm going to call the meeting to order. We still have some members on their way, but our meeting is supposed to start at 3:15. I want to remind everybody that the meeting is scheduled to adjourn at 5:15, as we are starting early. We're going move on, and we'll save some time for committee business at the end.

We have today witnesses here from the Canadian Association of Agri-Retailers and the Canadian Sheep Federation. We're going to start with Mr. David MacKay and Mr. Ken Clancy. Thank you to all three of you for being here.

Mr. David MacKay (Executive Director, Canadian Association of Agri-Retailers): It's a pleasure to be here, Mr. Chair and committee.

Good afternoon. Thank you for the opportunity to speak. CAAR has appeared in front of this committee a number of times, and we submitted a written statement in April, which I trust you also have a copy of. We were in absentia then, and we apologize for our absence. But you can refer to that as well.

As it relates to competitiveness in agriculture, we can update you on some of the more recent developments in the crop input sector that bear directly on agri-retailers and farmers in Canada.

Since we last spoke, fertilizer dealers have suffered a number of setbacks and challenges. The outcomes and the consequences vary, but in all cases they have been detrimental to agri-retail profitability, which in turn has had an adverse effect on growers by denying access to product and reducing competition. The four major developments that have confronted agri-retailers and have affected competitiveness in the last year are as follows, and I'll outline these four in detail.

Number one is that many fertilizer dealers invested in longer-term positions on fertilizers in the summer of 2008 in an attempt to hedge against skyrocketing market prices and to avoid spot shortages. But these dealers were literally left holding the bag when the commodity market crashed in September 2008, leaving them with large inventories of fertilizer that were worth severalfold less than they had purchased them for. This so-called toxic inventory could only be marketed at a substantial loss, and as a result it forced dealers to incur millions of dollars in fertilizer writedowns. Dealers were simply attempting to secure adequate inventory for their customers and buffer them from open market prices when the floor caved in.

We have never witnessed this type of volatility before. When the dust settled, several dealers found that they had no choice but to turn over their operations to their suppliers because they could not cover their debt and because suppliers were rigidly enforcing what we call "contract integrity". Those dealers who survived the writedowns are still enduring financial strain because the market has never completely recovered. Many would tell you that the fertilizer sales are still well below historic norms, making it even more difficult to cover their original losses.

Operational viability has become a serious concern, especially for smaller, independently owned retailers with limited access to capital. It is no longer a question of profitability; it is a question of survival.

Number two, while still reeling from these massively devalued inventory and product writedowns, dealers are now confronting prohibitive regulatory compliance costs for fertilizers and chemicals. Whether they are developed as an industry code or as a government regulation, these new standards translate to real operating costs, and agri-retailers are continually being stuck with the bill. In and of itself, no one regulation is the culprit. However, it is the cumulative cost of several existing and new requirements that is threatening the ability of many operations to run profitably. CSA B620, the ammonia code of practice, provincial boiler branch regulations, the Agrichemical Warehousing Standards Association, emergency response assistance programs, restricted components regulations, and now the new transport of dangerous goods security regulations have culminated in an insurmountable and near-futile hurdle for agri-retailers. This cumulative regulatory burden is simply too much to bear for most agri-retailers. The input market will not support price increases at a time when customers are already deferring their purchases and margins are thinned by the averaging in of higher-priced inventory.

CAAR has testified in front of this committee before about this issue and warned that if a site security and safety contribution program was not established, then dealers would be forced to drop products and even exit the market entirely. That is all coming to fruition now. Many dealers have analyzed their costs to maintain products like anhydrous ammonia and have concluded that it simply is not profitable to continue offering that product. Several dealers, including a major network in Alberta, have recently decided to stop selling anhydrous ammonia. Consequences to the growers are obvious: reduced competition, reduced access to product, increased transportation cost, and of course higher prices down the road.

This regulatory burden is now going to be further compounded by new security regulations being developed under the new and revised Transport of Dangerous Goods Act. Unfortunately, regulators and departments perceive each isolated regulation as minimally prescriptive, but from an agri-retail perspective, when they're considered collectively, because they have to be, then the cumulative burden becomes prohibitive. In other words, a death by a thousand cuts is just as lethal.

● (1520)

CAAR has previously proposed an integrated crop input security protocol that covers all input in a single initiative, so we do not have to address security with an inefficient product-by-product piecemeal approach. But that proposal continues to fall on deaf ears, despite supporting recommendations by both this House committee as well as the Senate agricultural committee.

Canadian agri-retailers and growers now find themselves at a competitive disadvantage versus their American counterparts, as a result of passage of the massive U.S. Farm Bill that contains an agri-business security tax credit that essentially splits the cost of site security between government and industry. The U.S. Congress has also passed a grant program for acquisition of specialty security equipment. This committee has already recognized the disadvantage this disparity poses for Canadian agriculture and reflected it in its recommendation previously. Still, nothing has been done about it.

I recently attended a chemical sector security summit in Baltimore, Maryland, hosted by the Department of Homeland Security, and I was astounded by the level of cooperation between government and industry on chemical security. Not only is the U.S. government sharing the cost, but industry task forces have been struck to advise and consult with the Department of Homeland Security on pragmatic solutions that do not threaten operational viability of the private sector.

Ironically, here in Canada, CAAR cannot even get the Department of Public Safety to engage us in a discussion. The Minister of Public Safety has instructed us to take this matter up with the Minister of Agriculture, who has then passed the file onto to Agriculture Canada.

Despite several meetings with AAFC officials, the file is essentially being ignored. In fact, a recent access to information request by CAAR reveals that AAFC is actually internally dodging and deflecting the issue at every opportunity. AAFC staff insisted that we should produce evidence of industry support for our proposal, so we obtained consensus from the Canadian fertilizer industry on the security costs and even received a letter of

endorsement, but then the department insisted that grower support was required. So we brought the Grain Growers of Canada representatives with us, who sat shoulder to shoulder with us in meetings. We also presented letters of support from the CFA. That wasn't good enough. Now AAFC wants more evidence of consequences to industry, so we've copied them on the takeovers and foreclosures that are occurring, but still that's not enough. This has clearly become a game of fetch.

CAAR would like to know when the government intends to take the matter of input security seriously and engage industry stakeholders in good faith negotiations toward a shared solution. When will thousands of Canadian agri-retailers receive an answer to their question? Will government help level the competitive playing field in a critical sector by cost sharing with us on an initiative that benefits all Canadians? Our \$10-billion-a-year sector has the right to ask, why is this issue being dismissed?

It appears that the recent headlines about the Toronto 18 have done nothing to remind us of the threat posed by terrorist cells that operate all around us, and that crop inputs are a preferred weapon for those who wish to harm Canadian citizens and infrastructure.

The toxic inventory issue, prohibitive regulatory costs, and competitive international disadvantages have all taken a substantial toll on the smaller, independently owned dealers in Canada, because they have limited access to capital and credit. As such, they have become so-called targets of opportunity to be acquired by larger agri-businesses, including fertilizer manufacturers. Recently, Viterra and Agrium have been aggressively acquiring independent dealers in Alberta. Both are committed to expanding their crop input divisions through takeover strategies. Agrium has a major retail presence in the U.S. and is clearly seeking a similar position in Canada. What can an independent retailer do when their supplier becomes their biggest competitor?

Each of you has been provided with a copy of a recent front-page article from *The Western Producer* that speaks to the concern about accelerated acquisitions of independent dealers in western Canada. CAAR has not taken a policy position on industry consolidation per se; in fact, it is a fact of life, but the net effect is undeniably reduced competition. Acquisitions are reducing the footprint of independent retailers in Canada, which will result in regional oligopolies for the major agri-businesses.

The current price war scenario that growers enjoy today will only be temporary and will eventually be replaced by limited options that compel them to contractually engage single-source suppliers for bundled services. Gone are the days of the handshake deal with their local dealer. Fewer dealers mean fewer choices. This can only lead to higher prices for growers, as they become part of a more captive market. It is unlikely that government can or even should intervene directly in these mergers and acquisitions, but it can help mitigate the conditions that drive agri-retailers to walk away in the first place.

• (1525)

In summary, the conditions and developments I have spoken of have come together in a perfect storm of adverse circumstances for agri-retailers. Some suggest it's a natural, almost Darwinian process of market rationalization, but the consequences are undeniably real and are irreparably changing the practice of agriculture and life in rural communities. The elimination of the independent retailer from the agricultural landscape is merely a symptom of a greater problem that has been ignored for years. Even in a healthy market, agri-retailers should not have to incur the entire brunt of regulatory requirements that have nothing to do with crop production, let alone at a time when they are incurring record losses.

The agri-retailer sector urgently needs the government's help to restore balance and competition in the market. CAAR has been on the Hill for no less than three years, proposing exactly the same solution and warning of the consequences that are now unfolding in front of us. But even after hundreds of meetings, letters, and appearances, no appreciable progress has been made. What is it going to take for government to listen and take action?

Agri-retailers are essential partners with growers in crop production agriculture in Canada, but they are under threat. A government cost-sharing program for crop input security would go a long way to revitalizing the sector and ensuring that healthy competition continues to serve Canadian growers well. We implore you to do everything in your power to make that happen.

Thank you.

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

Now from the Canadian Sheep Federation, we have Ms. MacTavish for 10 minutes or less, please.

Ms. Jennifer MacTavish (Executive Director, Canadian Sheep Federation): Thank you, Mr. Chairman.

Thank you, members of the committee, for the opportunity to be here today.

The Canadian Sheep Federation is a national non-profit organization that represents over 11,000 sheep producers. It has eight provincial members and three associate members: the Canadian Cooperative Wool Growers, the Canadian Sheep Breeders' Association, and the Canadian National Goat Federation.

The Canadian Sheep Federation did appear before the subcommittee on food safety and briefly brought up the issue of competitiveness then, particularly as it related to the need for Canadian producers to be price competitive. During that presentation it was noted that programs such as the food safe farm practices program and the Canadian sheep identification program have the

potential to increase production costs for lamb producers, as they have limited options in terms of cost recovery. Additionally, the impetus for the development and implementation of these programs is often cited as public demand or public good. The ongoing costs of these programs can be quite burdensome and can represent a significant barrier, not only to on-farm profits, but also to the competitiveness of the small ruminant industry.

The small ruminant industry is recommending that federal and provincial governments commit to providing long-term funding for both traceability and on-farm food safety programming. The issue of competitiveness is quite complex and extends beyond both being price competitive and the cost of implementing various programs. The purpose today is to provide some insight into some of the issues that are impacting the Canadian sheep industry's ability to not only be competitive but also to meet its potential.

Since 2004 the sheep industry has seen its breeding flock shrink by 100,000 ewes, which has resulted in an 8% drop in the number of lambs processed in Canada. This is occurring at the same time when demand for lamb has increased by 10%. In fact, lamb is one of the only protein groups that is experiencing a consistent increase in demand. The Canadian sheep industry could double its production and still not meet the current demand. The question is this. Why are Canadian shepherds not increasing their productivity? The reality is that encouraging producers to increase their production becomes an uphill battle when they are faced with issues such as predation, an inability to access medication and vaccines, a border that remains closed, and rising input costs.

Predation is a major deterrent to the growth of the Canadian sheep industry and is a contributing factor to the ongoing attrition of Canadian sheep farmers. Predators are responsible for the devastating loss of valuable livestock and farm income. For example, one Saskatchewan farmer has lost 150 lambs this year alone to predators, worth a total of \$30,000. The cost of predation is high for provincial governments as well. In 2007 the Alberta government paid out close to \$1 million on predation claims, while the Saskatchewan government paid out over \$600,000. In 2008 the Ontario government paid out \$1.33 million to producers of all livestock due to predation.

The industry is holding a meeting on predation on November 9 in Toronto, and the goal of the meeting is to start a discussion with provincial governments on the need to address the issue of predation, what tools producers are currently using, and how we can expand the number of tools available. We are, however, experiencing difficulty in getting the people who need to participate to be there. Considering that predation falls under provincial jurisdiction, it's important that provincial representatives, not only from the ministries of agriculture but also from natural resources and the environment, are present. However, many provincial governments have suspended funding for travel, and Agriculture and Agri-Food Canada cannot cover the travel costs for provincial employees. The result is that the outcome of the meeting may be compromised because not all parties are present. The issue of predation, especially in terms of mitigation, needs to be addressed at both national and provincial levels and across ministries. Therefore, it is recommended that government policies be flexible enough to mobilize the people and resources needed to address an issue that is impacting producers, particularly an issue that is directly linked to producers leaving an industry.

The lack of availability of pharmaceutical drugs and vaccine is disadvantaging the small ruminant industry compared to other livestock commodities in Canada and compared to other major lamb exporting countries such as New Zealand. The lack of licensed pharmaceuticals and vaccines for the treatment and prevention of disease in small ruminants is of grave concern to the industry, not only in terms of its ability to increase production and to remain competitive, but also to meet the requirements of the food safe farm practices program. For example, one of the core requirements of the program is that all drugs used on sheep must have a drug identification number, meaning that the drug has been approved for use in Canada by the Canadian veterinary directorate. Frustratingly, though, drugs that are commonly used in other sheep-rearing countries are not available in Canada, even through the proviso "own use importation". An example of this is moxidectin, which is a sheep drench used to control internal parasites. It is available around the world but not in Canada.

• (1530)

The VDD has instituted a minor use, minor species approval track to help this problem, but it's currently in its infancy and no drugs have yet to come through the program. A similar program to have vaccines approved through the Canadian Food Inspection Agency is also required.

Earlier, it was mentioned that the Canadian breeding flock has shrunk by 100,000 ewes since 2004. It is worth mentioning that the industry was in the midst of a real growth phase until the border closed, and since then the industry has been contracting.

Prior to 2003, trade in market lambs to the U.S. represented as much as 20% of our annual production. The border closure also meant the loss of very significant markets for breeding stock into the U.S. and Mexico. Prior to the border closure, importers from the aforementioned countries were intensely interested in Canadian genetics. In 2002, the small ruminants exported from Canada totalled \$12.5 million, a value that was expected to increase 71% in 2003.

Over the past six years the Canadian small ruminant industry has been working diligently to regain access to the U.S. and Mexican

markets. Together with the CFIA, the industry has implemented the voluntary flock scrapie certification program and the national scrapie genotyping program. The implementation of scrapie eradication programs is key to helping ensure that the small ruminant industry is able to re-access its markets.

While the CFIA has announced its commitment to a national active scrapie surveillance program, the industry has yet to be able to access long-term funding for surveillance as well as funding to determine the prevalence of scrapie in Canada. Determining its prevalence is extremely important so that the industry is able to set a target eradication date.

The U.S. has invested \$120 million in scrapie eradication since 2001 and has declared that their country will be scrapie free by 2017. Canada must take similar strides. If we do not, we risk not being able to re-access the U.S. and Mexican markets. Additionally, we also risk losing markets that we have recently gained, for example Russia, because the U.S. will be a major threat on the international scene due to their scrapie-free status.

It is critical that policy on importation and exportation be based on science, and that when a border remains closed for six years, the Canadian government actively assist and lobby to open it again. We are asking that the same effort that has been given to the other livestock commodity groups be put in to helping the small ruminant industries regain the U.S. market.

Canadian shepherds are also facing increasing costs of production. For example, it has been reported that this year producers are dealing with feed costs that are approximately 25% higher than they were last year. Couple this with high land costs, low value of and returns on food production due to long-term cheap food policies, and the loss of access to labour and support resources and the potential result is the loss of critical mass in the national flock due to low margins. This is seriously jeopardizing production and industry infrastructure.

There is a need for a strategy designed specifically to address these issues so that the sheep industry can both keep existing producers and attract new ones.

There is real potential for growth in the Canadian sheep industry. This is an industry that can expand its production without negatively impacting any other livestock commodity. To do this, though, the small ruminant industry needs the government to assist in dealing with key issues such as traceability, food safety, wildlife damage, animal health, market access, and long-term sustainability of producers involved in animal-based agriculture.

Thank you.

• (1535)

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

We'll now move to Mr. Eyking for seven minutes, please.

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

I thank the guests for coming. I have two questions. One will be to Mr. MacKay and then I'll have my second question to Ms. MacTavish.

Mr. MacKay, I can sense your frustration with the government's lack of cooperation. You've been up here three years now and that's how long they've been up here. You articulate it very clearly. I guess my question is very simple. How has, and how will, their inaction translate to extra costs or extra services down on the farm?

Mr. David MacKay: Thanks for the question. Clearly what agri-retailers have to incur in terms of costs, just from a standpoint of recovery, always gets translated to their customers. There's a minimal margin that every agri-retailer would like to make. Ken can probably testify to that. He's an agri-retailer himself, and of course whenever he bears a cost of marketing a product, he must transfer that cost to growers. So whether it's regulatory burden or acquisition prices, markups are fairly standard and fairly thin, probably in the 8% to 10% range on average. So they're not fat, but we do have to pass our costs on. Inevitably, if we incur them, we're going to have to price accordingly, and always at the end of any market the user is the one who bears the brunt of those costs.

• (1540)

Mr. Ken Clancy (Chairman, Canadian Association of Agri-Retailers): As chairman of CAAR, I own and operate an agri-retail facility in British Columbia. One of the concerns that we have, as retailers, is that we see this increasing regulatory burden coming at us. Given the lean margins and the extremely difficult year we had, these kinds of security upgrades are being put off. Our concern is that something could happen in the future to force these changes upon agri-retailers. If that happens, many people will not be able to bear those costs.

Hon. Mark Eyking: So you're probably going to see increased costs, plus less service, because there'll be fewer retailers owing to the extra costs.

Mr. Ken Clancy: That's our concern.

Hon. Mark Eyking: And they would have more competition now. Other countries that are more retailer-friendly are going to have a cheaper product for their farmers.

Mr. David MacKay: That's right. The U.S. has provided an agri-business tax security credit. They have a marked advantage because their security costs have been subsidized by their government. They don't have to pass those costs on. This is a global market, and we have to compete with them as much as we do with our own neighbours.

Hon. Mark Eyking: And you have to take the brunt of the costs.

Mr. David MacKay: That's correct. We're not competitive any more because we have to price in all that overhead.

Hon. Mark Eyking: Ms. MacTavish, I used to be a sheep farmer, and I know what it's like having predators and how much havoc they

can wreak. Even though you might get a pittance with the compensation, that doesn't help your customers and you never get the full thing. Plus there's the stress of seeing your animals get killed.

I've been in New Zealand, and I've seen the amount of lamb they produce. It's great to see that the demand for lamb has gone up 10%, but our fear is that the New Zealanders are going to gobble up that demand.

My question has to do with the pharmaceuticals and vaccines that are not available here but are available in New Zealand. You mentioned that the Canadian Food Inspection Agency is responsible for approving these products, which are under the watch of the Minister of Agriculture. What are they saying about it? They're just not going to let you use them?

Ms. Jennifer MacTavish: There are different ways we can use them. If we're going to be in line with our food safety program, it's better for us to have them labelled for use in sheep. There was a backlog for years at the VDD, and it took three or four years to get medications in. They've cleared that up and they've assured us that they've put together a way to bring in products—minor use, minor species products. We're trying to get them to look at research that's done in other countries and validate it so that drug companies don't have to pay to do research on Canadian soil.

As for the vaccine issue, we need a similar route for vaccines for the small ruminants. We need products that are labelled for sheep. The problem right now is that they're either not available in Canada or they're not labelled for sheep. This means the producers have to get vet scrips, which increases their costs of compliance.

Hon. Mark Eyking: Some of the vaccines and whatnot would be approved safe in Europe, Argentina, Australia, or New Zealand.

Ms. Jennifer MacTavish: Yes.

Hon. Mark Eyking: Yet our government will decide to go through this whole testing period, which takes years.

Ms. Jennifer MacTavish: And it costs a lot of money. We're thinking that if New Zealand and Australia, who are supplying 50% of our market, deem it safe—

Hon. Mark Eyking: And we're eating their lamb.

Ms. Jennifer MacTavish: —then why can't we use their product and their science?

Hon. Mark Eyking: Yes, exactly.

How are the retailers treating your product, with regard to shelf space, labelling, and promotion? How are you dealing with the demand? Are you being more consistent with lamb the year around? Some of the big New Zealand companies that ship in here are almost monopolies.

Ms. Jennifer MacTavish: It's interesting you should say that. You mentioned earlier about increased demand and New Zealand coming and gobbling it up. There's a world-wide shortage of lamb, and New Zealand and Australia are actually having their flocks shrink. So the question we're asking is, if they're not going to be able to fill the demand for us, why can't we fill it?

We had a couple of meetings with retailers and processing plants last year. They said they would do whatever they could to get local product, local lamb, in the market for consumers, but that we needed to increase our supply. So in the coming years, that's what we're going to focus on, which is why we're trying to address predation and access to medication. This way we can help producers minimize some of the barriers to increased production.

• (1545)

Hon. Mark Eyking: On the predators, I guess you have to have cooperation federally and provincially, because—

Ms. Jennifer MacTavish: We do.

Hon. Mark Eyking: So it's not necessarily the compensation; it's dealing with the predators as their populations increase.

Ms. Jennifer MacTavish: Compensation is quite complex. In order to get compensation, you have to provide the carcass, and the predators don't often bring the carcass back when they're done. It's very difficult to get compensation.

We're looking more at mitigation. Most shepherds assume they're going to have x percentage, 1% or 2% loss per year, but when we have five guard dogs and we're losing the battle, there's something wrong.

The Chair: Thank you, Mr. Eyking.

Mr. Bellavance, seven minutes.

[Translation]

Mr. André Bellavance (Richmond—Arthabaska, BQ): Thank you. I will be speaking French.

Are you getting the interpretation?

Mr. Chairman, you should explain this because I am forced to do it every time. I would like you to explain the system to the witnesses.

[English]

The Chair: Translation is only coming to me in French.

That's better. Is everybody okay?

Go ahead, Mr. Bellavance.

[Translation]

Mr. André Bellavance: Is everything alright? Thank you. Perfect.

I wish to address Mr. MacKay.

[English]

The Chair: If you would just turn the dial...

[Translation]

Mr. André Bellavance: Mr. MacKay, you spoke rather at length about problems relating to safety and security at retail outlets. You talked about ad hoc standards and I imagine that when these standards are provided to you, you must adapt to them quite quickly.

Are you faced with overlapping standards, in other words municipal standards, provincial standards and federal standards?

You talk about a certain amount of contradiction. I would like you to explain that further. You mentioned certain solutions, but what exactly is it that should be changed with regard to these standards? More particularly, how do we ensure that the safety of users and consumers who go to their agri- retailers will be preserved?

What solution could we suggest to the government in the end? Safety standards must be established; we all agree on that. There must be some logic behind the implementation of these standards. I believe that you are the best people to advise us in this regard.

[English]

Mr. David MacKay: Yes. I, too, think we can provide you with sound advice. It's an excellent question, and our advice would be that, yes, first of all, there are regulations that do not harmonize well. They don't even have to be crossing provincial-federal barriers. Often they are even federal or industry-related codes that don't harmonize well with federal regulations. The common sense approach, the more efficient, businesslike approach, would be to try to harmonize as much as possible, obviously.

The government seems fairly good—at least in my perception of Transport Canada, anyway—at reaching out to the industry to have experts and specialists engage in either multi-departmental task forces or some type of industry working group that advises and consults with the government on what are practical, cost-effective solutions that would not be detrimental to the operations of agri-retailers.

We get that opportunity with Transport Canada. With CSA B620, for example, we actually helped write the regulation to make it palatable for our industry. That hasn't translated to other regulations, however. For example, on the Transportation of Dangerous Goods Act, actually the bill was passed, but we don't know what is going to be in it as far as the regulations are concerned, so we fear we won't have an ability to consult with the government on that. I will backtrack. Part of our problem is that we don't know which department should be working with us. Intuitively you would think it would be Public Safety, if you are dealing with matters of products that have security issues, but we've been passed over to Agriculture to deal with this issue. I think even Agriculture is a little bit uncomfortable as to why they have to be the department to deal with this. They tell us so.

A multi-departmental task force would be the approach to take in advance of any regulations, and to foresee 10 years down the road—not do it product by product, as we are today, but anticipate the products that we will want to regulate in the future. We know urea is eventually going to be targeted. Urea has an explosive potential, but it's not currently regulated under the restricted components regulations. We know it is coming, so why would we want to fence today and then you'll tell us tomorrow we have to work on our urea and fence it? It will be impractical and not cost-effective. So let's anticipate where we're going to be in 10 years and secure everything in a single crop input security protocol that makes sense for the citizens of Canada, for the government, and for us from a business perspective.

• (1550)

[Translation]

Mr. André Bellavance: With regard to the imposition of these standards, you seem to be saying that there is a bit of improvisation. From what I understand, you would prefer to see greater coordination between the various levels of government and the various departments. You have no idea where to turn to.

[English]

Mr. David MacKay: That's correct. The government is not even improvising. They are not doing anything at all right now. There has been nothing proactive from the government in terms of how to approach this. We should be doing risk assessment studies.

The Americans have this down pat. I've watched it in process. It's amazing how they've done it. The industry cooperates with government in the U.S., and they actually appreciate the process. It's very proactive and there is no criticism back and forth whatsoever. We need to get there. We're not even being engaged. For three years we've been bounced around the Hill. We don't even know who owns this issue. That's amazing that in three years I can't tell you who is engaged with us on this issue. It is Agriculture Canada to some degree, but they should clearly be going to other departments to be able to solve this problem.

Mr. Ken Clancy: If I can add to that, this process has been a three-year process where we've been trying to get government support for this initiative on security. We basically had the support of this committee in June 2008, the support of the Standing Senate Committee on Agriculture, but we actually haven't had an answer from government. We've been told to go and talk to this department, go talk to that department, go talk to that department, and what we are seeking is an answer. If the answer is no, then so be it. If the answer is yes, obviously we'll be very happy with that.

I think the solution for how this can be better for us and for government is in this document you have, the security protocol.

[Translation]

Mr. André Bellavance: Have you done an estimation of the amounts of money that are devoted to safety? In the end, these funds are expended uselessly. Could you provide an estimation of what the amount would be if there were harmonization, leadership and if standards were applicable, concretely? How much could you save?

Given that it is ad hoc, I imagine that this involves new obligations and therefore new expenditures in order to be in compliance. After a certain amount of time, other standards come

into force and new investments must be made. And there is not even a guarantee that these investments will cover the next five or ten years. I would like to know if you have done an estimation of the costs that all of this involves?

[English]

Mr. David MacKay: That is certainly our fear, there's no question. We wouldn't dare come before you if we hadn't costed this out. We have worked with the Canadian Fertilizer Institute to get a consensus on what the cost would be to perform and execute the infrastructure required for this security protocol. It's in the document I'm holding, which I can provide to you at the end of the meeting, if you don't have a copy already. This is our cost-sharing security protocol proposal.

The cost to do this properly is \$100 million across 1,200 sites in Canada. You have to average the acreage per agri-retail site. Let's say that to do it properly, an average two-acre site has to invest somewhere between \$60,000 to \$80,000 in infrastructure for both fertilizer and chemical security. We've analyzed what's required. I can tell you the type of infrastructure that's needed: fencing, lighting, cameras, software, etc., and \$100 million is the cost. Parts of our industry have already adopted the infrastructure required and have implemented security strategies and infrastructure, but not many—maybe 10% of the industry. We still have another \$90 million to go, perhaps.

Who has implemented it? It is generally the larger companies that are publicly traded and that have access to capital to do it. The smaller independents have not gotten to the point of being able to afford security at their sites.

• (1555)

Mr. Ken Clancy: What is in the protocol we think meets or exceeds the regulatory burden that's in front of us right now. The concern is that we want to make sure, in the event that there is an incident in which, for instance, ammonium nitrate fertilizer is stolen and used for some kind of nefarious purposes, that we're set up and secure before it happens, so that we don't have what would then be just a really impossible regulatory burden handed down upon us.

Mr. David MacKay: The best way to think of it is this. If fencing were required and there were five different kinds of fertilizer to fence, rather than fencing five times—one for granular, one for anhydrous, one for liquid, one for chemical, etc.—can you imagine the cost savings if we could do it just once, and the utility of scale for that, rather than having to fence it five times, which is what we're doing in this process of a onesy, twosey, product-by-product, piecemeal approach?

The Chair: Thank you. Your time has expired.

Mr. Atamanenko, you have seven minutes.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): Thank you, and thank you for being here. I apologize for arriving late, but I have your brief here.

This question is to the two gentlemen. When we look at your industry, there seems to be a snowball effect: the more consolidation takes place, the more you folks go out of business. It becomes harder on the farmers, and everybody loses except the big guys.

We see on the other side of the border a government that appears to be proactive. They're going so far as to even introduce country-of-origin labelling and protectionism. You've mentioned the agri-business security tax credit. We've seen it in the slaughterhouses. Our slaughterhouses aren't getting help for our SRM disposal. They're not getting help for competing. It's almost as if we're dealing with a hands-off approach from government here and intervention amongst our competitors. As one pork producer said in his plea to us, help us compete against foreign governments.

I've seen it in my community. In the pulp and paper industry, when the black liquor was first put on the pulp mills, it took a long time for us to finally get some help, when our mills were competing. I don't know what it is. We've somehow slid into this, and I'm not sure who's to blame. I think we're all probably to blame over the years. We've slid into this non-intervention and said we'll let the market decide. The government, to its credit, is trying to open up new markets, but at the same time we don't seem to intervene to help you folks compete and to maintain small businesses that maintain vitality in our rural communities. I'm not sure what the answer is, except what you ask.

There is a precedent. The marine security contribution program is there. It's not as if it is something new to us.

I feel frustrated by hearing this again from you folks and seeing what's going on. I wonder whether you have any comments to add.

I still would like to ask a question of Madam MacTavish.

Mr. Ken Clancy: It may be worth noting that we all believe, I think, and our membership believes, that our situation related to these products is highly unique in the country. There's probably no other sector in Canada that sells on a retail basis products such as ammonium nitrate fertilizer. We're not here looking for a handout; we're not saying we need government money to survive as an industry. We're saying that we have a very real problem and are not going to be able to meet it as effectively as it should be met unless government helps us.

• (1600)

Mr. David MacKay: To add a further comment to that, Mr. Atamanenko, I think what it really comes down to is that it's all about risk management—the risk in terms of legal liabilities, the risk of potential future incidents, and regulatory compliance. Everything is about risk management, and that comes at a cost.

There has been a steady downloading of risk and liability from the manufacturing sector right through to the retail sector. And what is the retail sector? We're a flow-through. We buy and then sell, and hopefully in that process there's a margin to survive on and feed our kids with. That's all we're doing. But if we have to bear all the risk, that's dysfunctional and not possible.

The answer for many of my members is going to be no, that they will not assume that risk. You can't demand that they assume that risk or be the only place where the buck stops. That's why they exit and hand the keys to their manufacturers. That's why they walk away, why they drop the product. This is why it's happening.

If we think that's acceptable, then let's continue doing what we're doing, which is nothing. We're not the type of sector that is looking for the government to literally babysit us and every time we get a scratch to put a band-aid on us. I don't think we've ever come to you with anything, other than this issue, for three years. We have warned you of the consequences. They are unfolding and are happening.

So we're not playing the boy who cried wolf. I think we're bringing you a highly credible problem that is now playing out in front of us, just as we predicted.

Mr. Alex Atamanenko: Thank you.

Ms. MacTavish, what is the percentage of imported lamb versus domestic lamb in our country?

Ms. Jennifer MacTavish: Currently we supply 41% of our demand, so 59% is being imported, from New Zealand, Australia, and then “other”. As I said earlier, New Zealand's and Australia's flocks are constricting, so the supply will start constricting. If we look at who might be knocking on the door to supply us, I'm guessing it will probably be a South American country, such as Uruguay or Paraguay or even Mexico, if it's not us. And there's really no reason we can't do it.

Mr. Alex Atamanenko: So there is room for your sector to expand?

Ms. Jennifer MacTavish: There is huge potential for our sector to expand.

Mr. Alex Atamanenko: Are we stopped with foreign markets? You mentioned scrapie. Do we export lamb right now, or are we not able to do this?

Ms. Jennifer MacTavish: We can export feeder lambs and lambs direct to slaughter, but with the Canadian dollar being what it is, we're importing more product than exporting right now. Prior to the border closing, we were exporting slaughter and feeder lambs at a very high rate, but in the last three years we've been importing more. That's partly due to the fact that we're short lambs here in Canada. We have processing plants that are built to supply lamb, so they're bringing in feeder lambs from the U.S. and feeding them out here.

Mr. Alex Atamanenko: Other than having a better break in regard to the various chemical products or antibiotics that you need, and to harmonization, are there other things the federal government should be doing to help you in your industry?

Ms. Jennifer MacTavish: We need the border open. The U.S. is our largest trading partner and we cannot gain access. There's Mexico as well; if we ship breeding animals into Mexico, the minute one of our animals puts a hoof on the ground, the U.S. is going to change Mexico's status. So we need to get the U.S. border open so that we can get into the Mexican market.

We have a diversity of markets for our genetics. Our ewe flock tends to expand. We saw that happening right before the border closed. There was a tremendous growth in the demand for our genetics, and we have a very good reputation for our genetics. Russia is looking for Canadian genetics. They want to double their production and are looking for Canadian genetics to base their production expansion on. When that happens, our entire industry grows.

Mr. Alex Atamanenko: Do you believe the border is artificially closed because of lobbying by your industry in the United States? What has to happen to open that border?

Ms. Jennifer MacTavish: Small ruminants need to be included in rule 3. I know the U.S. is right now dealing with R-CALF, and they're a bit gun-shy about putting rule 3 on the table before their issues with R-CALF are settled. But we don't even have a guarantee that small ruminants are in rule 3, and there is some speculation as to whether or not we should have even been included in the original border closure. We feel that six years of not being able to access the market is a bit excessive.

• (1605)

Mr. Alex Atamanenko: So why were you included in the border closure?

The Chair: Your time is up, but I'll allow it.

Ms. Jennifer MacTavish: Because scrapie is classified as a transmissible spongiform encephalopathy, so it's under the same umbrella as BSE. When the border closed to BSE, it closed to all ruminants.

The Chair: Thank you very much.

Mr. Shipley, you have seven minutes.

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

Thank you so much, witnesses.

Ms. MacTavish, I have just a couple of things. Just to follow up on what my colleague was talking about in terms of the national market, I wonder if you could just touch a little bit in terms of... I have a number of sheep growers in my area, and actually it's one of those very positive aspects in agriculture. We have a number of them, but that's one of them. One of them is the fact that you were saying you can't meet your domestic market, and in fact other countries are struggling to meet it. So it is a growing industry. I'm wondering, though, what initiatives you've put in place, or your federation is doing actively, to promote and to grow that national market.

Second, you talked earlier about the lack of ability to access medications—for example, anti-parasite drugs used around the world but not in Canada. It's an issue not only in the sheep industry. It is an issue that is out there within the horticulture industry and within the livestock industry in general. I'm wondering if you could just help me. What does that actually mean to your industry, not having the access? You can keep those, and then I want to go to Mr. Clancy and Mr. MacKay.

Ms. Jennifer MacTavish: I'll deal with what the industry is doing right now to increase expansion.

I have to commend the government, actually, because it's been quite supportive in the past couple of years in helping us unroll programs for producers. So we've been able to develop tools producers can use to understand their costs of production.

One of the issues we're dealing with when we talk about expanding flocks is that we have to talk about not only more ewes on the farm but getting more lambs off the farm. So if you're lambing out 1.8%, you're marketing the same amount of lambs that you're lambing out. We've done cost-of-production templates. We're using pilot projects for RFID to help producers identify where they're having profit leakages on their farms and where they can expand production. Support for that project specifically has come out of AAFC in the Growing Forward program. We have done our scrapie genotyping program as well, which is adding credibility to our genetics. I'll keep that brief there.

In terms of the medication, the impact it's having is that when producers do not have access to medication and they have to bring in veterinarians in order to have prescriptions, it increases their cost of production. In our situation currently, we're losing critical mass, so we're actually losing veterinary knowledge on what drugs are supposed to be used. It's not only an access-to-medication issue; it's a knowledge issue. We don't have enough veterinarians who are specializing in small ruminant production. We've actually heard of cases where producers are researching products on the Internet and trying to bring those products into the country under own-use importation. It just becomes an issue of food safety protocol.

Mr. Bev Shipley: Is it an issue in terms of the scientific regulatory process that is in other countries, but we haven't adopted maybe because of the amount of that medication that is used?

Ms. Jennifer MacTavish: Right. If I were a drug company, I might be a little bit tentative about trying to test a product in such a small market. That's part of the reason why we're looking to have information and scientific knowledge come from other countries.

Mr. Bev Shipley: Thank you so much. If I have time, I'll come back.

I would like just to go to the CAAR people, if I could.

The regulatory burden mainly seems to be around NH₃, anhydrous, and urea.

Mr. David MacKay: No, it's multiple. Urea, not yet; we suspect in the future. Anhydrous, definitely from the Transport Canada side. However, we have Natural Resources Canada for any of the fertilizers with explosive potential for strictly components regulations.

Mr. Bev Shipley: Which is mostly nitrogen.

Mr. Ken Clancy: Well, nitrate-based fertilizers at this point.

Mr. Bev Shipley: Most of those, from my experience, other than anhydrous, are in fact contained inside fertilizer storage facilities. Is that right?

•(1610)

Mr. David MacKay: Anhydrous ammonia must be stored either

Mr. Bev Shipley: No, I'm talking outside of anhydrous—

Mr. David MacKay: Oh, outside of that.

That's correct. Granular and liquid must be stored in bins and in storage facilities.

Mr. Bev Shipley: I think the main issue is around that. In our area, we have some anhydrous dealers who have actually secured places, and others who bring it in from secured areas to temporary filling stations where the farmer then picks it up. In fact, not only then, but the concern in the area actually from anhydrous is that unless the farmer empties the tank right out at night, there is an anhydrous applicator sitting there, which is under the same issue that you have. These guys don't come in and take a lot of it; they come in and take propane containers full.

Mr. David MacKay: Are you referring to the crystal meth issue?

Mr. Bev Shipley: Well, we're talking about two different things: security for terrorism issues and issues around drugs. Quite honestly, I think one is as serious as the other.

In saying that, is that part of what the security issue is for?

Mr. David MacKay: I'm not sure what angle you're coming at related to granular fertilizers, but my facility—

Mr. Bev Shipley: I made the point on it. This is mainly now about anhydrous.

Mr. David MacKay: Okay. I would not agree with that. This is not about anhydrous; this is about all products, including chemical pesticides and fungicides. This is all crop inputs.

See, that has been the problem. We've been discussing this from the assumption that it's anhydrous, and that's not the case.

Mr. Bev Shipley: I can't take you to a dealer in my area who does not have secure pesticides.

Mr. David MacKay: Right.

Mr. Bev Shipley: Aren't all those regulations federal or provincial, or a combination?

Mr. David MacKay: That's the Agrichemical Warehousing Standards Association, which is industry, out ahead of government. But there are federal regulations, and provincial ones as well.

Mr. Bev Shipley: That's a bit clearer.

In terms of the 1,200 dealers you talked about who this is having an impact on, is that today?

Mr. David MacKay: Yes, 1,200 sites.

Mr. Bev Shipley: Okay, 1,200 sites.

What was the figure five years ago?

Mr. David MacKay: It was probably a little higher, probably in the 1,500 range.

Mr. Bev Shipley: I'm just trying to understand it. In terms of the expense, the eligibility part that you have in your document, you've listed nine. Are these ones that would be harmonized in terms of what other jurisdictions would be compensated for?

Mr. David MacKay: When you refer to the nine, are we talking about the ones that are in my statement?

Mr. Bev Shipley: This came from a document you gave us.

Mr. Ken Clancy: It's a list of what expenses should be eligible.

Mr. Bev Shipley: There are nine of them in my document, right ahead of the chart that you held up with the expense of \$70 million, of which \$30 million has already been expended.

Mr. David MacKay: Right. So you're specifically referring to security requirements and standards.

Mr. Bev Shipley: I'm talking about what expenses should be eligible for the program.

Mr. David MacKay: We drew those right from the American document of eligible expenses, because they're very comprehensive, they're already enacted in obviously a large jurisdiction, and they're working. They make common sense. That's the bottom line. So we drew that, with consultation from the security sector, right from the eligible expenses in the American Farm Bill.

Mr. Bev Shipley: So these are ones that you have laid out, but they're ones that you're saying you've not been able to discuss or negotiate.

Mr. David MacKay: We never got to that point about what's appropriate security. It seems we've never been able to actually arrive there, because the hurdle has been even finding out who owns this issue.

The Chair: Your time is up. If there was a direct point to finish, I'd let you, but—

Mr. Bev Shipley: I have another question, but we'll get to it later.

Mr. David MacKay: The point I just want to make is that this includes all crop inputs, not just anhydrous ammonia.

The Chair: Thank you, Mr. MacKay.

Just before we start our next round, Ms. MacTavish, you were talking about genetics and the selling around the world. I know a lot of livestock goes right through. I used to sell dairy heifers, basically all around the world at one time, but there was a difference there. With supply management here in Canada, it wasn't bad.

I don't mean to criticize the selling of genetics for sheep, but just one thing I want to point out is that it's almost a double-edged sword. You're trying to increase your market share because there's a shortage of lamb in the world, but we're selling genetics to other countries.

Again, I'm just pointing it out, that it's almost defeating that purpose. I don't know whether you have any comments for us on that.

• (1615)

Ms. Jennifer MacTavish: I would love to comment. It's something that is often brought to our attention. The truth of the matter is, as we increase our breeding flocks, they're going to have market animals as well. Not as many ram lambs are sold as breeding stock as ewe lambs, and ram lambs, wethers, tend to be the ones that are hitting the markets. What we did notice was that we were capturing more and more of our market share the more our purebred industry expanded. Accessing international markets and encouraging them to have a diversity of options is part of our hope to expand our market.

The Chair: That's good, and I certainly wasn't being critical of it.

There is one other point you talked about in your last comment. You talked about the products, some of the chemical companies and drug companies. You mentioned a small market, and I presume you meant Canada, because compared to the United States, it is. One thing that I know we have been trying to work on—and I think probably with due credit to previous governments—is to get some kind of harmonization of an approval system so that when a drug, a chemical, or whatever is approved, it can be approved basically as a North American approval, versus one for the United States and one for Canada.

If we could do that, I guess you would agree it would be a good thing.

Ms. Jennifer MacTavish: Yes, that would be wonderful.

The Chair: Thank you.

I now turn it over to Mr. Easter for five minutes.

Hon. Wayne Easter (Malpeque, Lib.): Thank you, and thank you to all the witnesses.

Jennifer, I agree with almost everything you said. I was on a farm in Nova Scotia on Monday, and out of 250 ewes, they had lost 43 to the coyotes just this summer—it's unbelievable—and that was with fencing. So it's a serious issue.

On the security required for fertilizer chemicals, we did have the June 2009 report, and I forget whether or not the government responded. We need to check into that. We might not have even asked for a response. I've seen that happen in the past, but you would think the minister, out of decency, would respond anyway. In any event, we'll have to check that.

The study here is a little bit different. It is on competitiveness, so I have a few questions specifically to the competitive issue. From my point of view, there are many areas where the government is leaving Canadian farmers less competitive against the United States. The list is too long to go through.

On the tax security credit in the United States versus our nothing, how does that work?

Mr. David MacKay: The American tax security credit is a 30% enhanced tax credit over and above the standard deductions that an agri-retailer would have through their tax system. In addition to that, however, they also have access to specialized security equipment. An example would be valve locks for anhydrous tanks that they can apply for to receive as much as a 50% rebate on those products.

If you analyze the overall numbers, what you're seeing is generally a 50-50 split between the government and industry on the cost of security infrastructure, including software training, personnel clearance, and that type of thing. They see that as just their obligation, literally, to share the load towards a goal that obviously benefits all of society in the United States.

Hon. Wayne Easter: In Canada, it's zero support.

Mr. Ken Clancy: There's none. These would be typical operational costs or capital costs that you capitalize when you get your typical writedown.

Hon. Wayne Easter: Now, if I read correctly what is in the *Western Producer*, and I certainly wouldn't question what the *Western Producer* prints, this is also leading to fear among the agri-retailers and their wanting to get out of the industry, which would mean further and further consolidation.

As the witnesses the other day from the Prince Edward Island Potato Board indicated, with some of these larger companies in the industry you get linked buying. If you're going to sell to them on the one end, you're going to have to buy chemicals or fertilizer on the other. So there could be an impact there with further consolidation in the industry and fewer players on the supply side. That could also have an impact on the competitive position of the farmer.

I take from some correspondence from you, Dave, that there is a fear right now in the industry that the bigger companies are selling fertilizers as loss leaders, basically. They're lowering the price, and it's having consequences in your industry as well.

• (1620)

Mr. David MacKay: As you can appreciate, with the mandate I have, I'd prefer not to speak to any pricing strategies per se. That's not something CAAR generally comments on. But I think if you're a farmer in today's market, you know that every day, probably for the last five or six months, there has been a sale on crop inputs. You've gone from the highs to literally the lows in six to eight months. But like all sales, they end, and with fewer competitors, the chance of them ending sooner is likely.

Hon. Wayne Easter: They're liable to gouge the market at a later date.

This is the final question I have. You seem to be getting—and I'm not surprised by this—the royal runaround from ministers, between Van Loan switching you off to Ritz, Ritz switching you to the department, and no one seemingly wanting to take the issue on. You're really dealing with several departments: Transport Canada, Natural Resources, Public Security, and Agriculture.

What is the situation there? I might as well lay this out on the table. I would worry. Your brief was pretty aggressive against the government, and what we have found from other organizations is that when you criticize, you might have the door slammed in your nose and have trouble getting back in again. I worry about that. If that happens, please report it to us and we'll talk about it.

What is the situation with the government? Did you try the Prime Minister's Office?

Mr. David MacKay: Yes. There was no response.

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

I'll now move to Mr. Richards for five minutes.

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

I'll start with you, Ms. MacTavish. I certainly appreciate you being here on behalf of sheep producers. I don't have a lot of sheep producers in my riding, but I do have some, and I do have one really large wool mill out near Carstairs. My uncle actually used to be a sheep farmer at one time as well, so I do have a bit of a connection there.

I have several questions I would like to ask. You mentioned sheep producers and some of the problems they have with predators. I know that all farmers in my riding, whether they're sheep producers or other producers, have similar types of problems with predators, such as coyotes and gophers. One of the things they have made very clear is that the long-gun registry is a real problem for them. It causes great issues dealing with those pests and those predators. Probably the biggest single complaint I get in my riding is about that long-gun registry, certainly among farmers. The only thing that might rival it might be the Wheat Board monopoly. Those are the big concerns from farmers in my riding.

You talked about dealing with predators. Our government recognizes the need to stop going after farmers and hunters and others who are law-abiding citizens who just want to be able to use their guns to deal with things like the predators they have on their farms. We recognize that, and we have brought forward a bill, Bill C-391, that we want to see get rid of the long-gun registry. The biggest problem we have in doing that is that we have members in the opposition who represent rural areas who aren't standing up for their constituents. It would appear to me that they're going to take their bidding from their political masters here in Ottawa rather than listening to their constituents and standing up for those farmers and supporting us in trying to get rid of that long-gun registry.

Would the farmers you represent, the sheep producers you represent, find that the long-gun registry is something they'd like to see gone so that the nuisance is no longer there and they can deal with these predators?

• (1625)

Ms. Jennifer MacTavish: They haven't brought that up specifically, to be honest. They need more tools in their tool boxes. I suspect that in some provinces guns are tools they already have.

The issue is that we need some real knowledge around which predators to target. Going after any coyote is not the problem, because you may not kill the killer. In Alberta, for instance, coyotes aren't even registered as predators, so producers may have some difficulty getting compensation.

Guns are an option already in the tool box, but we need other options or funding to help with fencing or putting up more barns for sheep. It's maybe not the best option because sheep are healthier when they're in pastures, but we need more tools.

Mr. Blake Richards: I appreciate that. Many farmers have told me that is one of their big concerns and causes them problems. I certainly hope the opposition is going to stand up and vote for their constituents on that.

Let me switch gears a little. I just want to get some background on the producers you represent. I'll ask you a series of questions. We don't have a lot of time, so I'll let you address those you feel you can in the time we have.

How many producers do you represent? I don't know how many sheep producers we have in Canada.

Ms. Jennifer MacTavish: There are 11,032, to be precise.

Mr. Blake Richards: Wow, that's a more precise figure than I imagined I could expect.

What about the regional breakdown? What is the average age of producers, and how has that changed over the last 10 or 20 years.

Do sheep farms tend to be small or large? Are there large variances in that? Are they generally part of mixed farms?

Where I'm kind of going on all this is to my final question: what do you see for the future? Do you see a future for young farmers in the sheep-producing industry?

I'll throw that whole bundle of questions at you and let you address them the best you can.

Ms. Jennifer MacTavish: Ontario, Quebec, Alberta, and Saskatchewan are our biggest lamb-producing provinces, in that order. But Ontario and Quebec sort of vie for first and second, depending on what Stats Canada has to say.

The average flock size is 99 head, and that's growing. So we're almost into triple digits, and we're excited about that.

As far as age, I'm going to use Alberta as an example. Last week Alberta had this huge sheep symposium. They had lots of young producers there with young children. There was lots of enthusiasm for the industry. Guys are recognizing that there is room for growth and increased productivity.

The vice-chair of my board is 32 years old, so it's a relatively young board. Producers who are in the industry right now are quite excited about the potential.

Mr. Blake Richards: That's great news. I'm glad to hear that. One of the big concerns I have about farming in general is that we soon may not have young farmers getting into the various industries to support the farms, especially the family farms as they go forward. From what you've said about the size of sheep farms, it sounds like they are typically family farms. That's positive, as far as that continuing for your industry.

Ms. Jennifer MacTavish: There is a flip side to that too. Some of the older producers are having a hard time with succession planning because farming isn't sexy. You're not making a lot of money at it.

Sheep farming is very sexy.

Voices: Oh, oh!

The Chair: Thank you very much.

We'll move to Ms. Bonsant for five minutes.

[Translation]

Ms. France Bonsant (Compton—Stanstead, BQ): Mr. MacKay, you stated that the government was treating you like a ping-pong ball and that you did not know where to turn to next. Do not ask yourself too many questions: for three years now, all that it has done is table bills relating to law and order. In my view, agriculture is very low on the shopping list. There are a lot of farmers in my riding. They have not yet learned to shoot flies with cannon balls, but I believe this will soon be demanded of them.

I do not want to be the bearer of bad news, but I will nevertheless share some with you. Representatives from CN and the Canadian Wheat Board who appeared before the Committee told us that CN wished to close several transshipment sites and remove certain cars from trains.

I would like to know if your members will be affected by these closures and, if so, what effect this decision by CN and the government will have on production.

• (1630)

[English]

Mr. Ken Clancy: I don't think we have any knowledge that CN closing rail lines is directly impacting our members. My personal business is on a CP branch line that runs between Sicamous, British Columbia, and Vernon. It was owned by CP but operated by a private company, OmniTRACS. That line was shut down here in the last couple of months.

Mr. David MacKay: Any reduction in transportation access and service may mean having to source from farther distances with more demurrage costs. Longer distances mean higher transportation costs. So intuitively, without knowing exactly the situation and where it

will affect regionally the most, that could drive the cost of acquisition up, because transportation is a key component of that.

[Translation]

Ms. France Bonsant: You also talked about seed and competition. Unless I am mistaken, at one point you stated that there will no longer be any competition, but rather a monopoly. The monopoly situation is at present reducing prices, but once it has taken over the entire field, prices will go up.

Are these companies Canadian, or are there some that are American? Russia and even China are starting to get a foothold everywhere. Is China going to be coming here to Canada to compete?

[English]

Mr. Ken Clancy: On what we're seeing in terms of the acquisition and reduction in independent retailers in the market, the acquisitions are being conducted by publicly listed corporations. Agrium Inc. is listed on the TSE and the New York Stock Exchange. Viterra Inc. is another publicly listed company. I don't think we have seen any direct sort of involvement by any strictly foreign companies to date.

[Translation]

Ms. France Bonsant: In fact, everyone is familiar with Monsanto and its world monopoly. Is it one of the players in seed and fertilizers in your area at present?

[English]

Mr. Ken Clancy: Certainly Monsanto is a big player in seed. We buy and sell Monsanto seed. To be honest, they're actually a pretty good company to deal with.

[Translation]

Ms. France Bonsant: You have not read the book.

I will come back to you, Ms. MacTavish. I am not a farmer, but the only things I do not have on the farm are serpents and snakes; I have all of the rest.

Lamb is important. Lamb is more and more sought after locally by people to put on their plates. I am having trouble understanding why there is greater and greater demand and less and less consumption. Is it because the cost of sheep is going ever higher? Is that the reason why you limit your production?

[English]

Ms. Jennifer MacTavish: I want to make sure I understood the question properly.

[Translation]

Ms. France Bonsant: You are saying that right now there is a lack of sheep because of the slaughterhouses. There is more and more demand, but you do not have enough sheep. Sheep are being imported. If there are not enough sheep, is it because the costs involved in raising them are too high?

[English]

Ms. Jennifer MacTavish: There are input costs impacting producers' abilities to expand. There are rising costs of feed and fertilizer, and growing their own grains is becoming expensive. There are definitely costs associated with that.

But when we look to expand a flock, investments need to be made in the farm. Whether that includes expanding your land base, building more barns, or even buying more breeding stock, producers are finding it difficult to access lines of credit to do that. One of the ways we're trying to encourage them to expand production is by getting more productivity out of their ewes. So they put more meat out the door every year.

•(1635)

[Translation]

Ms. France Bonsant: Do you get a return on the wool?

More and more, people are turning to natural products. Could the wool from your sheep provide you with a little bit more income?

[English]

Ms. Jennifer MacTavish: The short answer is yes. But currently wool prices have been depressed. We send most of our wool to China to be washed and spun. There is a history of a stockpile of wool on the market coming out of Australia. That has depressed prices.

We are looking at other ways to market Canadian wool so we can expand its use and its profitability for Canadian producers. But that's another way to diversify and get more income from the animals—as is dairy.

The Chair: Thank you.

Your time has expired, Ms. Bonsant.

Mr. Storseth, five minutes.

Mr. Brian Storseth (Westlock—St. Paul, CPC): Thank you very much, Mr. Chair. I would like to thank the witnesses for coming today.

Ms. MacTavish, I'd like to ask you a couple of questions. When you talk about 11,032, is that the number of members you have or the total number of sheep producers?

Ms. Jennifer MacTavish: That's total sheep producers.

Mr. Brian Storseth: Would you have a breakdown on that per province? I don't need it now, but could you submit that to the committee? It's a matter of curiosity.

Ms. Jennifer MacTavish: I can do it by percentage on production, so the producers are going to be in Ontario, Quebec, Alberta, and Saskatchewan.

Mr. Brian Storseth: It would be interesting. Does that include goats?

Ms. Jennifer MacTavish: No.

Mr. Brian Storseth: There are actually two things I'd like to specifically talk to you about today. You mentioned the ability to give things like IVOMEC or some of those tools to help producers decrease their costs when it comes to looking after their sheep, goats, or cattle, or anything like that. Obviously, the own use import program, a program that the minister has kept in place, was largely used by producers in order to keep the price of glyphosates down. I'd like a couple of your comments on the GROU program. We do have PMRA in here on a fairly annual basis, at least to talk about this program. I'd like some of your input on it. They always claim that they're putting more products on, that they're getting newer products

in, and that they've actually decreased the time it takes to register a product in Canada substantially and have cleared out a lot of the backlog. I'd be interested in your opinion on that.

Ms. Jennifer MacTavish: I'm sorry, I didn't hear you. What is the name of the program?

Mr. Brian Storseth: The GROU program. It's the replacement for the own use import program. I believe it had eleven new products in it as of last year.

Ms. Jennifer MacTavish: I'm not overly familiar with that program, so I'm not comfortable commenting on it.

Mr. Brian Storseth: Maybe we can get you some more information on it.

Ms. Jennifer MacTavish: That would be wonderful.

Mr. Brian Storseth: You talked a little bit about the growing industry you have. I do have family members who are goat farmers; obviously you often deal with goat farmers and sheep farmers. Part of the problem you have when you talk about building fences and so on is that there are definitely different issues for fences for these animals than there are for cattle. But I think the larger problem they have is the development of a market. If you're anywhere near Toronto, for example, you have a great market to go to. But if you produce outside of Edmonton, I believe the market is there but it's not developed.

I think the government should play a role in helping to develop the market rather than in making sure that people have enough shelters to put on their land. I think that's more of the government's role. Would you agree with me there? At the end of the day, what farmers want is to be able to gain a product out of the market.

Ms. Jennifer MacTavish: Absolutely, but some producers are getting tired of putting a lot of money into producing a product that the coyotes are feasting on. So we have to do both.

•(1640)

Mr. Brian Storseth: I don't want to get back into the gun registry here.

Ms. Jennifer MacTavish: I know. I'm sorry, I won't go there.

You raise an interesting point, and one of the things we know for sure is that the Toronto area, the GTA, is our largest lamb-consuming population. Our second largest lamb-consuming population is actually Vancouver, and part of the problem is that 60% of our product is slaughtered in Ontario; 90% of it is slaughtered provincially. We cannot get product into Vancouver, so B.C. consumers of lamb are more often than not consuming an imported product.

Mr. Brian Storseth: If might say, it's not only B.C., but Edmonton and Calgary.... They have a huge ethnic market there that loves this product.

There's too much regulatory burden, and it's holding down this growing and developing niche market before it can even start to blossom. I'd simply say that I think that's something we should be looking at working toward.

Ms. Jennifer MacTavish: We have been working on that as well, but every time we try to talk about that, people say "Ah, let's not go there."

Mr. Brian Storseth: I do know from our family's point of view that there are some programs the Government of Canada has put forward, but the regulatory burden still remains in place.

You talked about the average herd size being 99. Do you have any idea what average herd size it takes to be profitable?

Ms. Jennifer MacTavish: I can you get that. It depends on where you are and if you are extensively producing or intensively producing, and how much your land is worth. But we can get that information.

Mr. Brian Storseth: If you could send some numbers in regard to that, I'd appreciate it.

Ms. Jennifer MacTavish: Yes.

Mr. Brian Storseth: Mr. Chair, I think it is important that we take the time, being the agriculture committee and having the honour of having the opposition whip here...I would hope Mr. Easter would take a couple of moments to have some face-to-face so that he can get more than a question every 50 or 60 questions that the Liberal Party puts up. That way we can actually have a debate on agriculture. Or since Mr. Valeriote is doing a great job, maybe we should have a new critic for agriculture.

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

We'll now move to Mr. Valeriote, for five minutes.

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

Mr. MacKay, you briefly alluded to the control of agricultural inputs by a few large manufacturers. It raises questions about the level of competition among suppliers of these inputs. I think that is one of the main issues affecting the competitiveness in the agricultural industry, together with vaccine testing and high land costs—those other things that Ms. MacTavish mentioned.

I'm wondering what your opinion is of the extent to which the Competition Bureau has been adequately examining these mergers, and whether you think there is an abuse of a dominant position. We've heard so many people before this committee speaking about Cargill owning cattle stock it can rely on if it chooses, which creates a bit of a captive market.

I'm wondering if you could comment on that, and also tell us what changes you think should be made to the Competition Act that would fortify the legislation and enable government to be more effective in helping farmers on that issue.

Mr. David MacKay: I had the experience recently of being interviewed by the Competition Bureau, but only on the matter of Agrium's purchase of CF Industries Holdings.

CAAR, per se, has not taken a position, but we have directed the Competition Bureau to the members within CAAR who have stated their opinion. I'm sure Ken could give you his.

Mr. Francis Valeriote: That would be great.

Mr. David MacKay: I think anything that reduces the level of competition is something we obviously have issue with.

Mr. Francis Valeriote: Before Mr. Clancy answers, why would your organization not take a position?

Mr. David MacKay: Some of those businesses are actually part of the mergers. It's like being part of a court case; we can't comment because our members are affected directly.

Mr. Francis Valeriote: All right.

Mr. Clancy, can you answer that?

Mr. Ken Clancy: Certainly, from the fertilizer perspective in particular, there has been a lot of consolidation over the years. This is a family business. I haven't been involved for that long, but in the 10 or 15 years I have been involved, the number of potential companies we can buy from has dropped by probably a half.

At the same time, as production has decreased in North America and the producer numbers have shrunk, there has been a dramatic increase in imports of fertilizer into North America, so the market did not necessarily get that much less competitive by the reduction in the number of producers. We do see a lot of imported product coming in from China, as an example, and 10 years ago that did not exist. Russia is another example.

• (1645)

Mr. Francis Valeriote: In your presentation I believe you spoke of there being a captive market with the processors. That's what I was referring to when I spoke of Cargill. Do you think anything ought to be done in that area, and if so, what recommendations would you make?

Mr. Ken Clancy: Our organization does not have a formal position on that. I have personally been contacted by the Competition Bureau a number of times on different merger-related issues. In fact, I've even been contacted by a similar organization in the United States, looking at the potential Agrium-CF issue.

We're trying to look after the interests of our members, as agri-retailers. In terms of producers and large agricultural production entities, we don't really have a stance on that.

Mr. David MacKay: Many of those mergers are very small. If you're talking about Agrium-CF, it's very different from, say, Viterra purchasing Ross Agri in Alberta. I don't think the Competition Bureau is going to get down to that level of intervening in acquisitions.

Mr. Francis Valeriote: Do you think they should?

Mr. Ken Clancy: I don't mean to contradict David, but you hear a lot of talk within the industry, and I did hear that the Competition Bureau was looking at one of the major takeovers in Alberta. That's just street talk.

Mr. Francis Valeriote: Okay.

I have a final question. In terms of the use of vaccines and parasitic drugs, things like that, I know that every country has its own standards and wants to approve them so that they're satisfied of their safe, healthy use. Yet on a human scale, we see the problem that has arisen because of the H1N1 vaccine and the delay associated with making those vaccines available in Canada because, legitimately, our health care system was investigating.

Given the integration of the industry and the trade between countries, do you think there ought to be a world organization that everyone participates in—if there isn't one already that you might inform me of—that looks at all these medications and drugs and becomes satisfied they can be used, so we eliminate that as a barrier to trade?

Mr. Ken Clancy: Concerning agricultural chemicals and PMRA, our issues are exactly the same as the issues Jennifer is discussing. We have a great deal of frustration with PMRA in terms of approving agricultural chemicals. I don't think we would agree there should be a world body, but certainly we would agree there should be more integration North America-wide on what products are available to growers and what products are available for our members to sell.

One person in the chemical industry, who put it to me very well, said the United States spills less than what Canada uses in terms of agricultural chemicals. When we have a policy where we want to do as much research on these things as we can in Canada, when we have independent scientific research that shows these products are perfectly efficacious and safe, there's no reason, in my view, why we shouldn't use them.

The Chair: Okay, thank you.

Your time has expired, Mr. Valeriote.

Mr. Hoback, five minutes.

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

Again, gentlemen, it's good to see you here, and, Jennifer, it's nice to see you here, too.

I'm going to start off on the fertilizer side of it with you, Ken.

As a retailer yourself, what is your ability to shop around for nitrogen? Can you go to three or four suppliers, or do you have to stick with one supplier?

Mr. Ken Clancy: Two.

Mr. Randy Hoback: Two? So if a third party came into the market, let's say offshore, and said they had some very inexpensive product and it's just as good—it's pearly just the same as 46% nitrogen—can you entertain that type of business?

Mr. Ken Clancy: Not really.

The way the North American fertilizer industry is structured, everything flows up through New Orleans, Louisiana, up the Mississippi and out. Where we are, which is considered by the industry to be in the Pacific Northwest market, there are no import terminals to speak of—except Portland, in the Portland-Vancouver-Washington area, on occasion will get some in. But we haven't seen anything available to us out of there for probably the better part of 10 or 12 years.

Mr. Randy Hoback: So if I had some nitrogen coming out of Saudi Arabia, for example, that I'm going to bring in containers to you, what would be the ramification if you said you were going to buy that? How would your other suppliers handle that?

• (1650)

Mr. Ken Clancy: It depends. I don't know. We shop around as best we can and make sure we're buying as competitively as we can. If a competitive situation arose, I would like to think our suppliers would try to meet it. But I guess it depends on how real that situation is.

As an example, we've seen imports coming into Churchill, Manitoba, that have been far below market pricing. We can't access that stuff through Churchill, but suppliers don't meet those prices.

Mr. Randy Hoback: Again, if you were to take on that business, what would happen to your pricing and discount structure from your suppliers?

Mr. Ken Clancy: I can't speak on their behalf. I don't know what they would do.

Mr. Randy Hoback: Would you get a volume discount? Would you lose your volume discount? Would you lose your good dealer bonus? How would your stocking be the next year if that supply wasn't there?

Mr. Ken Clancy: It depends. We have an affiliation with Agrium—we're an Agrium dealer—and we have an understanding that there's a certain minimum volume of product we're going to get through Agrium. So what would happen? I don't know. We could lose our deal arrangement, which would involve some loyalty rewards and volume discounts and that sort of thing. But those don't amount to much in the long run.

Mr. Randy Hoback: They don't amount to much?

Mr. Ken Clancy: No, not really.

Mr. Randy Hoback: But having the contract with Agrium, that's fairly important to you?

Mr. Ken Clancy: Yes. Because of our location, we are very dependent on Agrium. We would not be able to function without them, so they do have a lot of.... At certain times of the year, for certain products, we take the price. We don't have the ability to shop around.

Mr. Randy Hoback: Okay.

Going back to last fall, what were the practices of the suppliers to you guys when it came to stocking your shelf, for lack of a better word? Back in my riding I heard a lot of pressure was being put on by the suppliers for you guys to fill up at these higher prices or else you wouldn't get it. Is that fair to say?

Mr. Ken Clancy: Most of what you said is fair. I'm not sure about the "you don't get it" part of it. Last fall we saw a lot of almost panic buying in the fertilizer industry. If you remember, you saw the news, the international media, there were food shortages throughout the world, food production had to increase, inventories were at historic lows. That really caused a dramatic bid-up in the price of fertilizer because people were trying to get more fertilizer to grow more food throughout the world.

So we certainly saw those prices bid up. What happened was suppliers were putting pressure on independents like ourselves to agree to certain tonnages at fixed price, contract tonnages, so we would agree for 1,000 tonnes of urea at x price. And then of course when the prices crashed, those contracts were still in effect.

Mr. Randy Hoback: There is no compensation or readjustment of your pricing accordingly?

Mr. Ken Clancy: No.

Mr. Randy Hoback: It's yours. You're holding the ball, so the best you can do is pass that on to farmers, is that correct?

Mr. Ken Clancy: Yes. Viterra, I think in early January, wrote down in the neighbourhood of around—I could be wrong—\$40 million of their fertilizer inventory because the price bubble on fertilizer burst, and then they just started fresh. Our independent members don't have the ability to do that.

Mr. Randy Hoback: In July it was kind of interesting, because once all the seeding was done and all the fertilizer was applied, the price of nitrogen went severely down—

Mr. Ken Clancy: Yes, we're at about four-year lows right now.

Mr. Randy Hoback: Four-year lows. So on the price per tonnage, is it fair to say it went from roughly \$600 a tonne to \$350 a tonne?

Mr. Ken Clancy: Yes, and from last fall it went from probably about \$1,100 a tonne down to \$350 a tonne.

The Chair: Thank you.

Your time has expired, Mr. Hoback.

Mr. Lemieux, five minutes.

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

I just had a question about the sheep market. Unfortunately, I wasn't here for the beginning of your presentation, but certainly my experience, in talking with farmers of different livestock commodities, is that the marketplace plays a key role in the success of farmers. I'm just wondering if I could ask for your comments or your opinion on some of the initiatives we've taken to open foreign markets for sheep.

For example, I think Minister Ritz was in Russia, very successfully on the beef side but also on the sheep side; the sheep were actually their own category. I believe it's expected that this increased foreign market opportunity will generate approximately \$8 million for sheep farmers over the next three years. I see that as encouraging.

I wanted to know your thoughts on that.

• (1655)

Ms. Jennifer MacTavish: It's very encouraging. We were very happy to get access to the Russian market. We had been working on our export certificates with them for three years, so it's a definite shot in the arm, if you will, for the industry.

But I'm going to fall back on my comment that our biggest market is Mexico. Mexico imported, a couple of years ago, 31,000 commercial ewes out of New Zealand, 4,000 bred ewes out of New Zealand. Two weeks before BSE, they were in Canada looking for Canadian ewes. The border closed and we couldn't supply that demand. We need to regain access to that market. It's one of our biggest markets. It's easy for us to get there if we can just get through the U.S., so we need the U.S. to open its market first.

So while we really do appreciate getting access to the Russian markets, and we really want to start looking at other international markets, the fact remains that our largest market has been closed to us for six years.

Mr. Pierre Lemieux: As you know, we take that situation very seriously, particularly as it pertains to livestock. There certainly have been tremendous initiatives put forward by Minister Day, by Minister Ritz, and by the Prime Minister himself, when he's met with the President. Even our committee travelled down to Washington to express our concerns certainly on country-of-origin labelling and the impact it's having on our Canadian livestock sector.

Are you able to tell the committee what kinds of initiatives your organization has undertaken in this regard and perhaps what sort of feedback you've received at your level?

Ms. Jennifer MacTavish: First and foremost, we have implemented a national identification program. It's been in place since January 1, 2004, and we're evolving that program to incorporate animal movement and full-scale traceability. It's frustrating for us, when we sit around a table with other commodity groups and representatives indicating that traceability and animal identification will guarantee us market access, because it's not true. We still don't have market access and we have animal identification.

One of the biggest issues we have is scrapie. The U.S. has basically said to us, "If you, as a Canadian industry, are serious about eradicating scrapie, we will keep you in our sandbox, but if you're not, we're cutting you out." We need to go and find the prevalence of scrapie in Canada, because we still don't have a prevalence rate. We need to establish that prevalence rate and then build an eradication plan around that prevalence rate so that we can target a date to become OIE-certified scrapie free. From our perspective and the feedback we're getting out of the USDA, that is our number one stumbling block in regaining access to the market. We need scrapie surveillance, we need scrapie prevalence, and we need scrapie eradication.

Mr. Pierre Lemieux: Within your federation and the organizations that you work with, what sorts of things are you proposing in that regard?

Ms. Jennifer MacTavish: We have an application in right now to the AgriFlexibility fund to do a prevalence study. We have a flock certification program in place, and producer participation in that program has been expanding, because if they're on that program, they can actually bring in U.S. genetics, so there has been an increase in producer participation in that program. We have done a genotype program, because scrapie is genetically linked. We've gone in and genotyped a portion of our Canadian purebred flock so that we can identify what animals might be at higher risk of coming down with scrapie.

Mr. Pierre Lemieux: What kind of support are you getting from your producers for these types of initiatives?

Ms. Jennifer MacTavish: It's a growing support, because they recognize that they're going to have to participate if they're going to want to trade. As I indicated, we can now bring U.S. genetics, live animals from the U.S., into Canada if a Canadian producer is on that flocks certification program, but we still can't export.

The Chair: Thank you very much.

To our witnesses, thank you again for coming here today.

We have a bit of committee business that we have to attend to.

I will make an observation for members. I thought having just a couple of groups here today allowed us to really get into it and hear some good testimony and get some good questions in. From time to time we get a lot witnesses and sometimes we have to jam them in. I think that sometimes we're actually hurting our cause, but it's something that does happen. It's just an observation.

Thanks again. We will let you go. We wish you all the best.

We have some motions....

Go ahead, Mr. Lemieux.

• (1700)

Mr. Pierre Lemieux: Mr. Chair, before we get into committee business, I wanted to give a notice of motion. I know we're going to end up talking about motions in a certain order. I have a notice of motion, which I will submit. I would like to advise the committee that I'll be putting forward a motion that states:

The Standing Committee on Agriculture and Agri-Food expresses its support for the abolishment of the long-gun registry, Bill C-391, because the long-gun registry has created significant hardship for farmers and on the farming community; and that this be reported to the House.

Mr. Chair, I wanted to raise it at this meeting because there's debate going on in the House. As the agriculture committee, we're all interested in protecting the best interests of farmers. Certainly as individual MPs we have heard from farmers about the long-gun registry and the negative impact it has on them.

I'll hand this over to the clerk, Mr. Chair.

The Chair: Thank you. Will you send that in to the clerk?

Mr. Pierre Lemieux: Yes.

Thank you.

The Chair: Thank you.

I believe everybody has the motions. The first one is a motion by Mr. Shipley. Do you want to read it into the record?

Mr. Bev Shipley: It's a fairly straightforward motion, but it has a lot of outreach with respect to what this committee has been delving into. The motion reads:

That the Standing Committee on Agriculture and Agri-Food study the future of farming with a particular focus on young farmers.

We've been studying competitive issues in agriculture for almost a year. One of the things that inevitably shows up is the number of farmers who are leaving the industry. How do we keep young farmers involved in the industry? What can we do through government policy to attract young farmers into the business? Moreover, what can we do to help those farmers who became part of the industry through a family farm?

We have to be clear. When we say "family farms", there is often a misconception of what a family farm is. A number of years ago, we would have thought of a family farm as a farm with maybe 300 acres, some dairy cattle, and some beef cattle or swine.

I was in purebred Holsteins and dairy. The milk truck used to go along, and about every third farm the milk truck would stop, because there was a dairy farm. Now I would have to drive for 20 minutes or so to find a dairy farm. There is not less production; there is just more production with fewer animals on more efficient farms.

Today, family farms are larger, with a greater number of acres and more cattle. Most of these farms, because of tax reasons, have become incorporated. I don't want to leave the impression that when we talk about "family farms" I want to step back 30 years. In fact, I want to talk about modern family farms and create a vision of what we can do for them today.

What can we do to make the industry more attractive and keep it viable for someone who wants to transition into it or stay in it? We've done something through the Growing Forward program with the Canadian Agricultural Loans Act, which is \$1 billion over five years. This will assist young farmers who did not have access to funding before.

As for corporate taxes, the corporate tax structure has changed a bit, but I don't know if it's the right change. I don't know if there was enough change. These young farmers are often part of a larger corporation with their mum and dad involved. Is this something we should be looking at?

When you transfer land, you're talking about large assets. The capital gains exemption has been increased. It's moved from \$500,000 to \$750,000. But when we look ahead to transitioning those farms to beginning farmers, should we be discussing the capital gains exemption? Is this something that would benefit young farmers? Is there something we talk about that we've done in industry and manufacturing, for example?

•(1705)

When we went into the start of the recession we looked at when they met the capital cost allowances. As we were trying to instigate the economy, the industry was saying that they had these large expenditures for capital, and this is for high technology and equipment, but they didn't have the accelerated capital cost allowance in front of them that gave them the value, or at least the competitive edge, that they needed in comparison to some of their counterparts. We have a capital cost allowance schedule that was changed. It was at a higher rate and it was moved back.

I'm wondering if there's some way of discussing if that would have some value in terms of what young farmers may be able to move ahead with. Again, there's always a lot of discussion around supply management, and it came from that. It is a critical and important industry within Canada.

We've seen that DFO, the Dairy Farmers of Ontario, have taken some steps. Being in the dairy industry, they've taken some steps to help initiate young farmers, or beginner farmers, to get into the industry in terms of the allotment of quota, and the purchasing ability of it, and giving them some financial breaks in terms of being able to get into the industry, because it is such a significant industry. We have a number of things that have happened.

I was happy to hear Jennifer MacTavish, who is from the sheep industry, say today that their president is a young person of 30-some years old. Those are the individuals we need to keep bringing into our industry.

Mr. Chair, I would ask that we consider this motion as one to move ahead on.

In terms of our competition, I'm looking forward to this report getting done so that we can use some of the initiatives coming out of there. We may be able to focus on some of those people and have them come back in terms of how we're going to be able to create even more enthusiasm for beginner farms getting into agriculture.

Mr. Chairman, I'll leave that as a bit of a preamble to the discussion around the motion.

The Chair: Thank you.

I have five speakers on the list. I would have thought that based on past comments this one would have been fairly simple.

Mr. Bellavance.

[*Translation*]

Mr. André Bellavance: One cannot be against apple pie. However, my criticism with regard to the motions from my colleagues of the Conservative Party — this is not the first time we have seen this — is that because they are so broad, they will take up all of the Committee's time if we accept to tackle such studies.

As a matter of fact, it is somewhat similar to the competitiveness issue. We are still working on it, and we are going to have a very thick report.

It interests everyone and we all have good ideas to bring forward. However, if there were not problems at present with agriculture, this is the type of issue that we should study as a priority.

But given that right now — and to me the present is more important than the future as far as agriculture is concerned — there are serious problems, this is what we should be studying before studying the future of agriculture, particularly for young farmers.

One cannot be opposed to this type of motion, one cannot be opposed to the study of what is coming, of what our vision for agriculture should be, especially for young people.

However, right now, there is a whole stack of problems that we must study, and it is our duty to look into these matters. I do not need any reminders from you with regard to the situation of the hog industry and the beef industry — this whole program review issue, that has been put forward by the government, how things work at present, in order to determine if producers are benefiting from this or not.

I would like to put a question to my colleague who has presented the motion, Mr. Shipley.

Mr. Shipley, is it your wish to redo the Agriculture Policy Framework? You are aware that your government has adopted an agriculture policy framework for the next five years. It was my belief that this framework represented the government's vision for the next five years, including what should be done with regard to young farmers. What you are presenting to us amounts to saying that there is nothing and that you are going to try to put in place a vision.

Unless I am mistaken, there is presently in place an Agriculture Policy Framework for the next five years that was adopted by your government. My belief was that that was the vision and that we were moving in that direction.

•(1710)

[*English*]

The Chair: I don't think so. We still have five minutes.

Mr. Atamanenko, you're next.

Mr. Alex Atamanenko: I'd like to thank you, Bev, for bringing this up. However, I have some concerns, and I'll share them with you. As André said, I think this is a very broad umbrella for a committee study. I'm concerned. Once we finish this series, what we have, and after Christmas and all of the spring, going right up to June, talking about the future of farming.... I would like to see it limited to a set period of time, like a month, for example, and zero in on some specific topics under that. I believe that one of the major stumbling blocks to the future of farming is farm income, and I think until that problem is seriously addressed and solved, there's no future.

If we can somehow amend the motion—in other words, have a more specific set-up, a period of time, a maximum period of time, zero in on some specific topics, say, one week on income, one week on young farmers, just zero it in and tighten it up—I think it could be a really good study. We've spent a long time on competition, and I think a lot of things are interwoven. So I would like to see this done, but with specific topics so that we can finish that and move on. I would suggest a maximum of one month to do this.

I would just like to throw that out to my fellow committee members.

The Chair: On that, Alex, as far as a timeline is concerned, that's certainly discussion for the committee, and I'm not going to speak on that.

As far as the specific subjects within that go, that would I think probably be a precedent. For example, competitiveness, yes, is wide-ranging, but there was never at the start of it...and I'm just using it because it's a recent example. There was nothing ever put in there except when it came to the members submitting their different witness lists. The categories within that sorted themselves out.

My observation would be that as the witnesses come in, the committee can decide its own fate and destiny, so you can basically decide that as you go along. It's just a comment more than anything.

It is 5:15, and at the start of the meeting I stated that the meeting would be over. It would be my suggestion at the next meeting that we move on to the same speakers' list when we move into business and go from there.

This meeting is adjourned until Tuesday, November 3.

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