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Tuesday, November 3, 2009

Chair

Mr. Larry Miller

Standing Committee on Agriculture and Agri-Food

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● (1525)

[*English*]

The Vice-Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)): Good afternoon, everybody. Welcome.

Our chair, Larry, is not here today, so I'm filling in for him. Hopefully we can have a very productive and informative meeting.

I see we have five witnesses from the red meat sector. Welcome. If you can, keep your presentations to maybe five to seven minutes. That will give us half the time on the other end for questions, and we can have a productive meeting.

I will go by the list and start off with the Canadian Cattlemen's Association. The floor is yours, Brad.

Mr. Brad Wildeman (President, Canadian Cattlemen's Association): Thank you, Mr. Chairman.

I am Brad Wildeman, president of the Canadian Cattlemen's Association. Thanks for the opportunity to appear here this afternoon to share our perspectives on the impact of the SRM regulations that came into effect in the summer of 2007.

In a nutshell, the cost of removing and disposing of SRM is one of the greatest threats to the long-term sustainability of the beef and cattle industry in Canada.

Since we compete in a North American cattle and beef market, it is not sustainable for the Canadian industry to incur costs that the U. S. does not. As long as this imbalance exists, a growing percentage of Canadian cattlemen will seek higher prices in U.S. slaughter facilities. We are already experiencing this movement, and we have seen many plants closed or bankrupted because of their inability to compete with our U.S. competitors. At the same time, a growing percentage of the beef offered by Canadian retailers and food services is now being imported from the U.S. and elsewhere.

In other words, we may have an extremely effective set of BSE eradication policies in Canada, but it really will be of little benefit to either the Canadian industry or Canadian consumers if Canadian beef is either not available or priced out of the domestic market.

Furthermore, the costs are the highest in the smallest federally and provincially inspected plants, resulting in a number of closures or decisions not to process these cattle that are over 30 months. These operations are critical to the local rural economy and offer a nearby outlet to sell cattle that cannot stand the rigours of long-distance transportation to market.

Our long-term hope, obviously, is that the Canadian and U.S. regulatory officials will be able to harmonize policies and costs within North America. Several positive actions, both from a trade and regulatory perspective, can be taken to lessen the variance between costs in Canada and the U.S. We are working with officials to achieve this harmonization, but clearly we're talking about years here. It's obvious that while the policy track works toward restoring a competitive balance, immediate financial assistance is vital.

Given the differences in marketing and processing cattle under 30 months versus cattle over 30 months, we believe different approaches are required for these two cattle populations.

For cattle under 30 months, we are working with government officials to identify an appropriate vehicle to provide the relief needed, but for today we would like to focus on the situation of those over 30 months, where we are seeking an immediate payment of $31.70 per head to be made to the abattoir, regardless of whether it is a federally or provincially inspected facility. For the cattle over 30 months, since dairy cattle are affected as well as beef cattle, we have come together with our colleagues, among them, Dairy Farmers of Canada and the Canadian Federation of Agriculture, to submit a joint request to Minister Ritz in a letter dated October 27, 2009—and I believe copies have been passed around.

This letter is self-explanatory, and my time is limited, so I will leave it for the question period if there any questions to be answered.

On another topic, I was also asked to update the committee on the country-of-origin labelling situation with the U.S. COOL continues to be a significant problem for livestock producers, if not so much on the meat side of the industry, certainly on the cattle side. The costs of handling Canadian versus U.S. cattle by U.S. feeders and packers has been researched and documented by the Canadian Cattlemen's Association and government officials working closely together. As these numbers are central to Canada's WTO case that will be proceeding, we are not willing to share those in a public forum at this time, if possible.

On that front, the Canadian and Mexican governments made their requests for WTO panels to be established on October 23 at the dispute settlement body. As expected, the U.S. exercised its right to block that appeal. We are expecting the Government of Canada will make a second request on November 19, and that panel will be established at that time.

From there, we expect an initial decision from WTO by late spring or early summer, and there is likely to be an appeal either way. We understand the appeal decision could come around the end of 2010 or 2011. Assuming it's in our favour, the U.S. would have to declare whether or not it intends to comply. If they do, there will be negotiations for some period of time as well, and if they don't, obviously we will hit on a retaliation path. We know this isn't a quick solution, but we believe it was the most prudent and only solution we had at that time.

With that, I'll turn the microphone over to you, Mr. Chair.

Thank you.

● (1530)

The Vice-Chair (Hon. Mark Eyking): Thank you, Brad.

We're going to go to the Canadian Renderers Association.

Mr. Graham Clarke (Government Liaison, Canadian Renderers Association): I'd like to thank you for the opportunity to express the views of the rendering industry to this committee. My name is Graham Clarke, and I'm an independent consultant who represents the Canadian Renderers Association in Ottawa. With me I have Mr. André Couture, the chairman of the board of Sanimax.

The membership of the Canadian Renderers Association is composed of the three major independent renderers in Canada. They are Sanimax, which has operations in Quebec, Ontario, Alberta, and the United States; Rothsay, which is part of Maple Leaf Foods and has operations in Nova Scotia, Quebec, Ontario, and Manitoba; and West Coast Reduction, which is based in Vancouver and has operations in British Columbia, Alberta, and Saskatchewan. Between them, these three companies transport, process, and dispose of almost all the specified risk material, SRM, produced in this country by the packing industry and the producers of livestock/deadstock.

As for the independent roles of the three companies, both West Coast Reduction and Sanimax have dedicated operations to process on independent lines with specified risk material. Rothsay does not process specified risk material, but it does transport the raw material, either for rendering or to landfill.

I should point out that the rendering industry is ultimately a service industry. The major customers are the livestock producers and the packing industry. The rendering industry will do what it can to service these industries in the best way possible. In the past, they have pointed out some of the issues with the feed ban rules.

As to the economics of specified risk material, there are about 240,000 metric tonnes of this material generated every year in Canada by the packing industry. When this material is rendered, you end up with steam, which is the moisture content recycled for energy; you end up with fat, the tallow, which is a saleable commodity; and you end up with about 60,000 metric tonnes of meat and bone meal. This is the protein portion that would contain the infected agent, should any animals be infected with bovine spongiform encephalopathy. That material must be destroyed.

Before the BSE crisis in 2003, the 60,000 tonnes of meat and bone meal represented by the SRM was a marketable commodity. It was valued at around $250 to $400 a tonne, depending on market conditions. This material now has no value and must be destroyed at a cost of about $60 a tonne, because landfill is the preferred method at the present time. The reality is, the loss to the livestock value chain in the beef industry is between $310 and $460 a tonne, which on an annual basis would be the equivalent of $18.6 million to $27.6 million, depending on market conditions. Before BSE, the rendering industry was able to pay for this material, but now that it's of no value, to cover the costs, they charge to collect it, render it, and dispose of it.

This raises two key issues. The first one is the environmental issue. The current situation requires all this material—60,000 metric tonnes—to be put into landfill. The main issue is with the deadstock, because bovine deadstock by definition contains SRM. The amount of deadstock being collected has dropped by 30% to 60%, depending on the part of the country we're talking about, from pre-BSE times. This raw material, the deadstock, is now being buried on the farm, composted, incinerated, or, in some cases, left to decompose in the environment. This is clearly not a satisfactory situation, but economically it's unfortunate that the farmers are no longer able to pay for collection. The other environmental impact of this applies to all deadstock. When you lose the volume of bovine deadstock, which constitutes a large volume, it is no longer economical to run trucks along the trucking routes to pick up this material. Consequently, the impact of losing the bovine deadstock also has effects on small stock such as hogs and sheep. You have environmental issues that are somewhat undesirable.

The second issue that I'd like to raise is the business risk associated with the current regulations. It is no longer possible to obtain insurance for any industrial problems relating to BSE. Small packers, who are under a lot of economic stress, face a significant challenge: although the rendering industry will pay for non-SRM, which still has value, it now charges to pick up the SRM, which is divided by the packer. It is a big risk that a packer could either accidentally or perhaps deliberately put the SRM material in with the non-SRM material, and if that were to occur, you would have the potential for a major recall throughout the feed chain when this is processed into animal feed, costing many millions of dollars.

● (1535)

This is not an unfounded fear; this has in fact happened. It happened in western Canada early this year. This was not a small packer involved, but a large one, where accidentally SRM material was put into the ruminant material with the SRM removed. This resulted in a major recall of feed throughout western Canada, and it cost a large amount of money. So clearly this is a major issue and a big problem for the rendering industry.

Certainly from the point of view of the customers, there's a clear cost discrepancy between the U.S. and Canada due to the different regulations. The CRA membership does indeed support the efforts of the customers in the beef processing industry and the cattle producers to seek additional support until such time as this discrepancy is removed, through either harmonization with the U. S. regulations or by some other means.

At this point, I will turn the microphone over to André to ask if he has any other further comments.

Mr. André Couture (Chairman of the Board, Sanimax, Canadian Renderers Association): I'll wait for the question period, if there are questions regarding rendering.

The Vice-Chair (Hon. Mark Eyking): Thank you, Mr. Clarke.

We're now going to move to the Canadian Federation of Agriculture.

Mr. Pellerin.

[*Translation*]

Mr. Laurent Pellerin (President, Canadian Federation of Agriculture): Good afternoon to you all. Thank you for your invitation to participate in this meeting of the Standing Committee on Agriculture and Agri-Food, which is studying the issue of residual material. This is a topic which, in my opinion, we have talked about for far too long, without ever coming up with a permanent solution to the problem.

The Canadian Federation of Agriculture represents, through our general producer organizations in each of the provinces, a very significant number of beef and hog producers who use the dead stock recovery services and who are affected by the increase in slaughterhouse operating costs as a result of the specific risk material regulations in Canada.

The agricultural media and government officials often tell us, and repeatedly so, that we need to be competitive. Canadian producers are being asked to be competitive everywhere. Having travelled just about everywhere in Canada, in the United States and elsewhere in the world, I can tell you that Canadian producers have no problems competing with any other producer in the world. We do our job, and I think that we do it very well, thank you very much.

However, we cannot be competitive if the government regulations are different from those applicable to our competitors. I am here therefore to ask the Canadian government to be competitive with respect to regulations and our competitors.

● (1540)

[*English*]

Actually, we are out of the market because of the Canadian regulations. It's not our job as farmers to solve that problem. It's your job and it has been for years now. This cost is very important because the meat market is a sector where 1¢ per pound is a large amount of money, so $31 per animal is something that we cannot face. We need and we want an urgent answer to that problem.

We are fully supportive of the figures in the studies conducted on this subject. We participated in a joint letter, and it's not very often that we have in Canada as large a consensus as the one on this subject. We'd better use that consensus now. I don't know if you are aware, but we are at risk of losing this industry in this country.

In certain slaughter plants, the critical mass of the slaughter numbers are gone. Those plants will have difficulty continuing their business. If you don't change the rules or cover the costs, this country risks losing its animal killing capacity. This is not a dream that something will happen in the future; it's here. Plants have already closed. In eastern Canada it's finished. In Quebec it's tough. In Ontario they reduced volume. Elsewhere in Canada they have reduced volume. More and more livestock are going to the U.S. to be killed and processed. The joke is that our own product is coming to our market by following the U.S. road.

So you have no choice but to regulate something somewhere, to change those market rules. If you do not act, we are at risk of completely losing this production, this processing, this value-added within this country. With all of those processing plants in Canada, we cannot transport livestock to the U.S. forever. Yes, some farmers will continue to do that, especially in the cull cow market. We have to act very rapidly.

On top of that, at the farm gate, as it was mentioned before, we have a problem with dead animals. I don't know any farmer who is able to pay $100 for the recovery of a dead cow. The service is no longer available because there is no value in the byproduct. That's the reality at the farm gate. A lot of farmers have to compost or find other solutions to get rid of that stock. We have to look at that very closely before some accident happens.

In conclusion, if you want a competitive sector in Canada, don't ask only the farmer to be competitive. Ask the government. Ask the person who regulates to be competitive with the market we have to face. Anyone in Canada who thinks that the U.S. will move towards our regulations is being unrealistic. Years ago, a staff person from the government said there was no problem with the high regulations in Canada, that it was only a matter of time before the U.S. joined in. They will never come to our long list. So you'd better be prepared to look at the short list or be prepared to pay the bills, because I don't think this industry is able to do more than what we have done in the last couple of years. I've been there for years now. We were quite certain a couple of months ago that it would solve the problem, but we are in November now and we are still discussing the opportunity, or not, to cover that cost or to change the regulations. So we urge you to do something as soon as possible.

● (1545)

The Vice-Chair (Hon. Mark Eyking): Thank you very much, Mr. Pellerin.

We're now going to go to the Fédération des producteurs de bovins du Québec. I think we have Monsieur Cola or Monsieur Dessureault.

[*Translation*]

Mr. Michel Dessureault (Chairman, Fédération des producteurs de bovins du Québec): I would like to thank the committee for inviting us to express our concerns. My name is Michel Dessureault. I am accompanied by Mr. Philip Cola, Director General of Levinoff-Colbex. I am the Chairman of the Fédération des producteurs de bovins du Québec, which is the main shareholder in Levinoff-Colbex.

SRMs, for Quebec's beef producers—I will not repeat what Mr. Pellerin said—is a reality on the farm. It is also a reality in the industry. The costs associated with Canadian regulations on SRM are quickly destroying the Canadian slaughter industry. Over the past few years, we have seen a large slaughterhouse shut down in Ontario, the Gencor slaughterhouse, and right now we are witnessing the same situation in Saskatchewan, with the closure of XL Foods.

These regulations appear necessary, given the importance for Canada to obtain a BSE-controlled risk status. Although without financial compensation for operational costs, damage caused by the Canadian SRM regulations has been accumulating for more than two years, making the situation increasingly difficult and rendering the slaughter industry in eastern Canada even more vulnerable.

It would be a huge mistake for everybody to go back to the situation that prevailed before the BSE crisis hit in May 2003. In a recent letter sent to Mr. Ritz, and to which Mr. Pellerin alluded, slaughter industry producers and renderers came to a consensus, for the first time, in order to request the Canadian government to quickly implement an assistance program for the industry, based on the needs of the industry, to help it cover the cost of $31.70 per head. Why $31.70? This amount was taken from an exhaustive study undertaken by the Canadian Meat Council and it is the result of the competitive gap with the United States.

The situation is somewhat particular in eastern Canada. As far as slaughter capacity is concerned, it is focused almost entirely on call cows, and the American buyers are very active in our market. So just imagine a market with a $31 differential per head; that is enough to create an exodus of animals from Quebec, Ontario and the Maritimes, animals that will then find their way back on our markets as meat. It is incomprehensible why in Canada, we have not yet managed to harmonize our prices. We do understand that this harmonization must and can be done, but this will take years, and until this time, the Canadian government must help and support the industry so that it is not completely altered here, in Canada.

Levinoff-Colbex is in a unique situation. We are totally dependent on rendering plants. We do have a good rendering service in Quebec, however, naturally, the costs of these services are making us uncompetitive. People do take our material and try to add as much value as it is possible to the products. However, as Mr. Clarke told you previously, there are costs associated with the disposal of the material that they cannot bear and these are passed on completely to the industry.

The other aspect that we wanted to discuss is the infamous COOL legislation, the American legislation on imports. The complexity of country of origin labelling regulations is preventing the United States from reaching its objectives in an effective manor and has resulted in some perverse effects. Our company has lost clients in the United States, because the legislation requires those companies that purchase Canadian livestock to carry out a great deal of segregation, making them uncompetitive because of the additional production chains, additional costs.

The sharp decline in the number of feeder calves which are normally exported to the United States in the fall continues to cost the industry a great deal of money, and these animals will remain in Canada. There will probably be a glut in our market, at one point, which will be very expensive for the Canadian industry.

The Fédération des producteurs de bovins supports the actions taken by the Government of Canada to defend itself against these regulations, both at the political and legal levels. Thank you.

● (1550)

[*English*]

The Vice-Chair (Hon. Mark Eyking): Thank you very much, Mr. Dessureault.

We're going to go to the Canadian Meat Council. I think we have Mr. Brian Read with us from...is it XL Foods?

Mr. Brian Read (Vice-President, Non-Fed Sales and Government Relations for XL Foods Inc., Canadian Meat Council): That's right.

The Vice-Chair (Hon. Mark Eyking): It's nice to see you here again, Brian.

Mr. Brian Read: Thank you very much, sir. I always find this a humbling experience.

The only thing I will capture and start off promptly with is that this is an urgent issue, and we sure appreciate you seeing us in a prompt and expedient manner. It's important that this moves along and very quickly. The last time we were here, we guaranteed you this study, the actual cost and the damages. You now have that in front of you. I think you'll want to go to the last page for questions, and I'll be prepared to answer those.

I think what I want to do, Mr. Chair, is leave it open for questions.

The other issue I will bring to you is that in here you have cost per head of $31.70 for OTM product in Canada, and really that's what we're here to focus on. You'll find that in the United States—I just got the numbers, as I work for XL Foods and there are two cow plants in the United States owned by the Nilsson brothers. Their cost of disposal is 8¢. There are no hidden costs, no permits, nothing; it's 8¢ to landfill, the closest landfill available. That's what we're dealing with, and that brings the urgency to the floor.

The nice part about being last is that most people have stated the same thing I was going to state, so I'm not going to repeat it. I'd sooner answer your questions.

I don't want to leave here with any grey zones about, "What if you're paying a little less for the cows in Canada versus the United States?" Let's ask those questions, please, because there is no grey zone. This is urgent, right across this country.

On country-of-origin labelling, I was in Chicago last week and happened to walk through the trade show, the world's food show in Chicago. I just happened to capture the fridge magnet and I ran copies off for you—those are in front of you.

COOL is not going away. So we do support the government and its initiative on the second challenge, and we expect that to be resolved rapidly.

With that, I'm going to stop and just open myself up for criticism or questions. Either/or, we'll take it.

The Vice-Chair (Hon. Mark Eyking): Brian, could you explain a little bit what that page is about?

Mr. Brian Read: Which one, sir?

The Vice-Chair (Hon. Mark Eyking): I think it's the one where you were talking about the cost difference between government estimate versus industry actual. Just take a couple of minutes and explain what you mean there.

Mr. Brian Read: I think what you'll see is that the total government cost estimate based on 2008 was $9,461,000. Those were all estimated numbers, and they stopped at the plant door, because we didn't want to respond for the rendering industry. All we could do was capture what we feel the loss would be internally.

The difference between $9 million to an actual cost of $35 million is reality. That's the environmental pressures, the tipping fees, etc., for which we bear the cost. The bills are all coming back, as the renderers commented on. Graham mentioned that the bills flow back to the packer. So that's where the difference is. That's why you see a shortfall of $26,205,000. This study was actual true cost. Previously, it was all estimated.

The Vice-Chair (Hon. Mark Eyking): It's not necessarily a mistake; it's that numbers weren't put in.

Mr. Brian Read: Exactly.

Do you know what? One thing that I do want to say to everybody in this room is that we're not in a position to blame anybody, whether it be regulatory or government. We did what we thought was best. We anticipated that by putting this in place we would get a jump on our trading partner. We anticipated that they'd have to come along. That did not happen and is not going to happen.

Their SRM rule took effect at the end of last week. There was not even a ripple down there. Nothing changed. So that's where we're hooked.

We actually thought it would be to our advantage to jump the gun. We might get market access—we "might" get it. But we all assumed. If you put a business model behind it, it looked right, but the best-laid plan was none.

● (1555)

The Vice-Chair (Hon. Mark Eyking): Thank you very much, Mr. Read, and thank you, witnesses.

We're going to go to questioning now, starting with the Liberals.

Mr. Easter, you have seven minutes.

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

Thanks, folks, for coming. In beginning, I might congratulate you on this mix of organizations and segments of the industry coming together on this letter. That's a little bit unique in this industry; all too unique, I might add.

So that it's on the record, Mr. Chair, I think the presenters did a great job of outlining the costs and the difficulty we have with being competitive with policy in other areas of the country. The stark reality on the ground at the producer level.... I have a producer who calls me about every two weeks, and on average he ships about 35 to 45 cattle a week. Five years ago he was averaging $1,500 back to him; six weeks ago he was averaging $1,176; and two weeks ago he was averaging $970, and that $970 was in 42 cattle, all of them triple A but one. I think that's the reality in the industry. Someone said—I believe you, Laurent—that the industry can't survive this. We're at risk of losing the industry, and we are. That's the reality. We're seeing so many small producers go out, cow-calf operators and so on.

I guess my first question is to both Mr. Pellerin and Mr. Dessureault—my English is not good, let alone my French. You said the product comes back to Canada. Meaning what? Are you saying that SRM said because they have a different policy in the United States where it can be put into fertilizer, that it comes back to Canada in that way? Is that what you're saying? What's the bottom line here?

Mr. Laurent Pellerin: Meat is coming back, with the USDA stamp. Where is the original coming from? Is it the U.S., Canada, Mexico, somewhere else?

Hon. Wayne Easter: Okay, that's good. Did you mean the same thing as well, Michel, that it was the meat coming back to Canada?

Mr. Michel Dessureault: Exactly.

Hon. Wayne Easter: When you look at the SRM removal, in the United States they can actually put in other products, but we're not allowed to. So you have a double loss here and you have less of a loss there.

On the competitive side, then, you're saying in your presentation that it is $31.70 per head. What timeframe? Are you saying that the government implement it effective November 1? Are you asking them to go back to January 1? What timeframe are we expected to be asking the government to be doing this for?

Mr. Laurent Pellerin: I would say immediately. As I said before, and I think others mentioned, this problem has been there for years. If at the beginning we had the same idea that Mr. Read mentioned, that we would have everybody paying so it will improve our market, it would have improved the Canadian reputation for our product. But exactly the opposite has happened. We are losing the Canadian identification of our beef, because they are moving to the U.S. to be killed and processed there, and we are losing one part of our reputation on the world market.

Hon. Wayne Easter: We're losing slaughter capacity, among other things. I understand that, Laurent. But if we were to decide as a committee to write a letter to the minister, or put a motion to the House or some such thing, the $31.70 per head should be effective when? Are you saying go back five years? Are you saying the first of this year? Are you saying the first of this month?

● (1600)

[*Translation*]

Mr. Michel Dessureault: Ideally, this would be retroactive to the date that the regulations came into effect. However, I think that we need to be reasonable. The regulations were implemented in July 2007. Damage to the industry began in July 2007.

Ideally, this would be the solution. In our discussions with people from the Department of Agriculture and the Office of the Minister of Agriculture, we have been talking about implementing this as of the date that the government's budget was tabled, April 1, 2009.

Is that right, Mr. Wildeman?

[*English*]

Hon. Wayne Easter: This is just one area where we're non-competitive in terms of policy, the SRM removal.

On the renderers' costs, Brian, I think you said the bills flow back to the packer. That's true. I agree with you. But then they take another step from there. They flow back to the primary producers. The primary producer picks up these costs. In terms of the renderers' costs that also get backed down, do you have any idea what those might be on an individual basis? If we're going to talk about competitiveness.... And I agree with you that we're competitive, but the problem is we're not competitive from a policy approach.

In what other areas do we need to be requesting assistance or better policy from the government?

The Vice-Chair (Hon. Mark Eyking): Wayne, that will be your last question, but I think Brian had something quick to add before we go to the renderers.

Mr. Brian Read: Sorry, Mr. Easter. What I wanted to say there is that we're looking for immediate.... You do have to keep in mind the final rule out of the U.S. We needed to understand what was going to happen, still anticipating their feed policy. We've finally seen the feed policy. So we're talking immediately for the $31.70.

The Vice-Chair (Hon. Mark Eyking): And the renderers?

Mr. André Couture: I'll try to quickly explain.

The situation is that we have some material that we process in the regular rendering process, but we've had to build two plants instead of one under the same roof, so the high-risk material goes into a new line and the product that comes out.... Our role is, as it were, as a service industry, and we try to have low costs and to bring value, but the problem with the protein that comes out of the SRM is that it needs to be destroyed, so it has negative value. As long as this regulation is in place, that's how we're going to service our customers.

We operate plants in the U.S. also, and there it would be the same cost if it were the same regulation, but it's a very different regulation. The volumes per head required to be removed are extremely low compared to the Canadian numbers, and the way they have to remove it is very different also. It also affects the deadstock collection where it is possible in the U.S. to continue to collect deadstock and remove certain parts that are, let's say, easily removed, as opposed to parts on the Canadian list, which cannot be removed effectively from a dead animal.

And yes, we are a service industry. We create value by adding value to the finished product, but as long as our customers require us to remove certain parts and those parts need to be destroyed and there's massive investment.... Our company, for example, has invested $15 million just to have a separate line, and right now we're looking at investing $8 million into something that would, let's say, create value, but in fact it would simply diminish the cost of disposing of the protein to get closer to a zero cost basis.

The Vice-Chair (Hon. Mark Eyking): Thank you very much.

We'll go to Madame Bonsant.

[*Translation*]

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

I'm a bit confused. Are the specified risk material, or the SRMs, with respect to domestic animals treated differently from those pertaining to animals that had mad cow disease, even though I do not believe that there were any cases in Quebec? Were these cattle buried or incinerated? What do you do with SRM residue?

● (1605)

Mr. André Couture: The dead ruminants are considered to be high-risk material. They have no value anymore. In our case, that represents approximately one third of the volume of risk material. Indeed, just over half of the risk material comes from plants such as Levinoff-Colbex. Some of the raw material continues to have value and another part, perhaps half or a little under half, will be processed elsewhere, with the dead ruminants, in order to eliminate these proteins from the food chain.

I must also mention that the fat does have value, but its value is a little bit lower than that of normal animal fat.

Ms. France Bonsant: I would like to know if the farmer is also responsible for an animal that is struck by a car. Let us suppose that somebody hits one of your cows and the cow is there. What do you do with a dead animal? Does it represent a danger? Do you have to bury or incinerate it or do something else? Right now a lot of people are mistaking cows for deer, and the farmers have a problem. Do they receive a subsidy? Are they reimbursed for highway accidents?

Mr. André Couture: There are dead stock pick-up services in every province, not only for ruminants but also for hogs and chickens. There is, therefore, a pick-up service. The animals are picked up, but we are talking about thousands of tons of dead stock per week. A company such as ours, for example, has 50,000 pick-up points. So there is indeed a service, and the farmer is responsible for having the animals picked up and disposed of legally. Every province has its own regulations, requiring rendering or burial in a hygienic fashion and in compliance with environmental standards.

Ms. France Bonsant: I see the numbers. You say that the government estimated slaughtering in 2008 at $9 million. The bill is now $35 million. As you already stated, Mr. Pellerin and Mr. Read, how can one be competitive when the government itself doesn't know how to count?

[*English*]

Mr. Brian Read: I'd love to throw this one back to the responsibility of the government, but the industry did supply the numbers, along with government. As I alluded to in my opening statements, they were underestimated because we didn't have the true outlying cost beyond the walls. I'll leave it there.

To answer the rest of your question, my issue is that we can't be competitive with the rest of the world with product that is over 30 months.

[*Translation*]

Ms. France Bonsant: The price is $31.70 per head. What should the price be, approximately, in order for you to be competitive with other countries? We know that there's beef coming from Brazil, Mexico, everywhere, and that these areas do not have the same food safety standards that Canada has. What should the price be without it being too costly for you?

[*English*]

Mr. Brian Read: Our major competitor is the United States of America. We need equivalency with that country in order to be able to trade effectively; otherwise, we get out of the beef business. We're asking the government from our urgent need on this subject. That's our competitor and that's who we look at. We buy a lot of meat from the United States, and they are also our major customer.

Don't forget, though, that from an agriculture standpoint it's unique in the sense that we do have balanced trade, but in the beef sector, for OTM product, we cannot compete with this regulation. You're absolutely right.

We look at their food safety systems as equivalent to ours. We may want to debate that, but in this forum we'll say we're equivalent, so we're asking for equivalency with the United States on the rule. If we can't, as we mentioned in our opening comments, to keep our OIE status, we can't be equivalent on this, so the only way we can become equivalent is to have some intervention in place of the $31.70 per head paid to the packer.

● (1610)

[*Translation*]

Ms. France Bonsant: I'd like to come back to country of origin labelling, better known by the acronym COOL. If I have understood correctly, this system has not been very advantageous for Canada. Do you have any numbers indicating how much you lost once the country of origin labelling required by the States was implemented?

[*English*]

Mr. Brad Wildeman: We're working with exporters and people who purchase cattle, and we're putting that case together. It is being developed along with the Government of Canada, but we're asking that until such time as we can actually present it, we'd like to keep it confidential, because obviously a very significant part of the case is the amount of damage this has caused. Initially, it was estimated to be in the $85 to $100 range, back when it first came; a number of changes back and forth have affected that somewhat. Again, we're hoping to make the actual numbers we're compiling along with other researchers part of our legal case. We're trying not to help the opposition.

The Vice-Chair (Hon. Mark Eyking): Thank you.

Go ahead.

[*Translation*]

Ms. France Bonsant: Can he finish his answer?

Mr. Laurent Pellerin: Everyone in Canada agrees that harm was done. There is such a degree of consensus between the beef and pork sector representatives and government representatives that the Canadian government decided to ask the WTO to investigate the COOL issue. In Canada there's a general consensus that COOL is harmful.

Ms. France Bonsant: Thank you very much.

[*English*]

The Vice-Chair (Hon. Mark Eyking): Thank you.

I'll now go to the NDP. Mr. Atamanenko.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): *Bonjour. Merci d'être venu.*

I'm just going to throw out some thoughts I have in mind. I'd like to finish by asking specifically, as of today, if we had an action plan and we left this meeting today, what should be in this action plan to make this industry profitable. That's why you're here; that's why we're here. I think we're all on the same page. We just have to decide how we're going to do this.

It's my understanding that 20 years ago cattle producers made twice as much as they do today. Yet we've tripled our exports and we've opened more markets. The answer seems to be, by this government and I suspect other governments, that we need to open up more markets and that will help us. Yet we see that a market that has been opened has been basically shut down to us in the United States. It's my contention that we seem to be at the mercy of trade agreements. There always seem to be obstacles, even though we signed an agreement, and the current one is COOL. We had BSE before. We've had various tariffs slapped on us by the Americans. I've been doing this trip across Canada looking, talking, and listening to what people are saying about food security. Many are saying that maybe we should take agriculture out of trade agreements, that it's not helping our producers. I'll never forget one poor producer who came and said, “Help us compete against foreign governments.” We need a level playing field.

I agree with Laurent. I don't think COOL is going to back off. We're challenging them. We may get an agreement, a positive answer, but it will take time. In the meantime, our producers are suffering. We have to assume that. If there's not going to be a change, what do we do? The patriotic instinct in me says, buy Canadian and you shut the border down. That's probably not realistic. But is it realistic, for example, to prohibit U.S. beef if, as our policy paper says here, SRM has been prohibited here in Canada since July 2007 in all livestock feed, pet food, and fertilizer? The U. S. policy is not as strict, containing a shorter SRM list and allowing the use of SRM fertilizer, which gives American processors a competitive advantage.

Is it not realistic, then, to think of saying, if we believe this is a safety factor in Canada because of our high standards, how can we then allow meat to come into our country that is processed and doesn't meet these standards? If that's the case, should we be doing something to slow down or stop that? This goes for other parts of the agriculture industry, too. Those are ideas that I've been thinking about a lot, even before this meeting.

My question specifically is this. In addition to the $31.70 per head, which would help lower the playing field, what specifically should the government be doing, as we leave, if we could do that after this meeting?

Anybody, please.

● (1615)

Mr. Brian Read: I'll start, and then I'll turn it over to the world wizard.

I took note of your comments. Keep in mind, when we talk about $31.70 we're talking SRMs from animal feed, not human food. We have an equivalent food policy between Canada and the United States, so you have no just cause, other than if you wanted to close the border politically. The difference is OTM animals, and that's where we disconnect.

The other argument you may get, just to catch you up, is we do have 16 cases in this country; they have two. On the rest, I'll let the floor shoot me because we want to shovel and shut up. We've been there already. That's the science behind it. We want to maintain our status—we've committed to that—for all the good of Canada, but we still end up with this issue.

I don't want to cloud the issue with other issues other than this one.

COOL is a concern. We do support the government of the day in its legal challenges.

With that, I'll turn it over to the world wizard.

Mr. Brad Wildeman: Thanks, Brian.

First of all, I think it would be hours of conversation about what would make this industry competitive. I've been here many times talking about a number of those things, outside of this issue. But I have some comments on this.

First, we're asking for $31.70 today. I could name a plant that's been shut down in every province, right from one end of this country to the other, because of this cost differential. So we're working to fix this. But in the meantime, if we don't do that, then we're simply going to continue.... And we'll never get competitive. This is not about rationalizing a packing industry to the size of the herd, because quite frankly, it's slower and smaller than that already. We could wipe out this packing sector and we still wouldn't have satisfied the problem, because the U.S. could simply gobble up our one-seventh of its herd size. They could simply process them all.

You may remember BSE when we were at this committee before. We talked about the crisis in the beef cattle industry because of BSE; it was because we didn't have enough slaughter capacity in Canada. And here we are driving our industry back the same way. So we need this immediately.

But there are a number of steps, and I think all of us on this panel agree.... One of the recommendations is to set up a review committee to constantly look at this. There are a number of milestones, and if we achieve them, we could reduce this number substantially.

I'll give you a few quick ones.

One is the ability to be able to export ruminant meat and bone meal again. Prior to the SRM prohibition order, we could export meat and bone meal around the world. Ironically, when this prohibition came in we were producing the safest meat and bone meal in our history, and we were prohibited from selling any of it because that was part of the order. There's one significant thing. As you remember from the conversation we had, this stuff is worth $400 a tonne, potentially.

Secondly, we need to establish tallow exports, another very significant ability to be able to sell these products and add value, reducing that cost.

Thirdly, one of the problems we have is that when we wrote the regulations we put all these specifications inside. So it takes regulatory reform. As new science comes along that says we can reduce the volume and the financial cost.... Every time we find that, we'll have to go back for regulatory reform. It simply takes too long. So we need to get that in place so that as science becomes available, and as we reduce our risk.... Remember, we're almost 30 months into the full comprehensive feed ban. There is some potential to reduce the volumes, because of new science.

These are just a few examples of how we could get that from $31.70 closer to zero. But the problem is that these things, again, take months and years. We don't have months and years. As I said, potentially we might be in a situation where we wouldn't have an over-30-months federally inspected plant west of Brooks, Alberta. I think that lays it out.

So I think there are some milestones. There are a lot of other competitive issues, besides. But thanks for that.

I'll have to excuse myself, Mr. Chairman. Thanks.

● (1620)

The Vice-Chair (Hon. Mark Eyking): Thank you very much for those comments.

That wraps up the time for Mr. Atamanenko.

We're going to go now to the Conservatives, and I think we have Mr. Lemieux on first.

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

First of all, I'd like to thank our witnesses for being here. This is an important issue.

One thing I would like to draw attention to is that although we're talking about SRM, really we're talking about the competitiveness of our livestock sector. I want to underscore that we're trying to take the initiative as a government to help the livestock sector at many different levels. For example, one of the ones that has been in the news recently is the $50 million to help our slaughterhouses here in Canada. There was an announcement made in Winnipeg earlier this week, and of course our friends at Colbex are also benefiting from this. We got $500 million through AgriFlex for innovation and marketing.

One thing important to note is that one thing adding to the competitiveness of our livestock sector is the opening of foreign markets. Minister Ritz has been very successful in opening foreign markets—for example, Hong Kong, Jordan, Saudi Arabia. He is going to visit China in the near future and has visited Russia just recently. All of this helps our beef industry.

One thing about SRM is that we have to be careful not to take it out of context. There was a lot of discussion and consultation with industry before the SRM regulations were put into effect. One of the driving forces behind it was the BSE crisis that we had in Canada. The world basically was shutting its borders to Canadian beef. Canada had to prove that it was taking BSE seriously, and I don't mean just with words but with real actions and programs, and more importantly with processes that would show other countries that we were taking BSE seriously. This was part of that solution, part of showing the world that we take this matter seriously. Measures such as this, although I understand there are concerns, have helped open the borders that I just mentioned. They look to Canada and say that we are taking this seriously, that we have made progress, that they like the processes we have in place. I think that initiatives such as this have helped, and they're paying dividends now.

Mr. Wildeman mentioned just before he left that one of the things that would be helpful is that there be a committee, so that the government is studying this matter and looking into it to find solutions. There is a committee. It has been together now for six to eight weeks and is doing consultation. It's in its initial stages. Of course, we want the committee to work as quickly as possible, but the aim of the committee is to fully understand what you're telling the committee today, and other factors as well, and to look for solutions.

I just want to let the committee and Canadians know that there is a committee that has been put together to work on this.

The other thing I want to mention, and this is backtracking a little bit, is that my understanding is that when industry was consulted about SRM, they in fact supported much of what is in the regulations today. I understand that the consequences may not have been understood well at the time, but I want to make the point that it was a collaborative effort and that it was to help open foreign borders, which of course is very beneficial to our livestock sector.

Talking about opening borders and the impact it has had, I'd like to ask Mr. Dessureault of Levinoff-Colbex about how international markets are helping his company.

Mr. Philip Cola (Manager, Levinoff-Colbex, Fédération des producteurs de bovins du Québec): If I may, I will answer.

On a relative basis—because we have to look at ourselves in comparison with the U.S., since that's really where we're seeing the major difference and where we're getting the competitive pressures—as far as we're concerned, we don't see anything that has taken place whereby we have even marginally benefited from this. Yes, some markets have been opened, but then the U.S. as well is open to all these markets. On a relative, comparative basis, there is nothing that has been done that has made us in any way more competitive over the last little while.

● (1625)

The Vice-Chair (Hon. Mark Eyking): I think Mr. Read wanted to comment.

[*Translation*]

Mr. Michel Dessureault: I would like to add a few words to Mr. Lemieux's comments.

I have been participating in Canadian round table discussions for a few years now.

The issue of SRM regulations was raised during a round table on beef. The industry agreed to opening the borders. It's very important that borders be opened. There were conditions to that. The first was that regulations be harmonized with our main client, the United States.

For a few years now, the United States has been stating its intention to get there but nothing has been done. We have been incapable of obtaining regulation harmonization, with the result that the meat-packing industry is being destroyed, in eastern Canada at least.

I believe that the industry has responded positively. The Canadian government has made considerable progress with the assistance program for segregating SRMs in slaughterhouses, and we thank them for that.

Mr. Couture mentioned that the industry had received significant amounts, in part for assisting the segregation. Mr. Couture himself received assistance for his own business. However, in the end, the actual costs at the slaughterhouse have remained the same. Mr. Couture said it himself, this is a service business. The meat-packing industry in Canada is dealing with costs of $31.70 per head, which represents millions of dollars per year for a business like Levinoff-Colbex.

If we do not find a short-term solution, businesses will have disappeared before we've had a chance to see the results of the Canadian government's announcement to assist slaughterhouses with a business development plan. Years can go by between the announcement of a program and its implementation. Meanwhile, if the government was capable of establishing the assistance program being called for by industry and if it could have discussions with the governments in question—the United States in particular—in order to harmonize regulations, I think that in the not-to-far future the Canadian industry could benefit, along with the Canadian government, and find permanent solutions.

That is what we are asking for today and it's urgent. The current situation in the east is very serious. One hundred per cent of the costs for SRMs on the farm is covered by the producers. Furthermore, all the industry costs are taken on by the industry.

I would also like to take the opportunity to congratulate the rendering industry for its efforts in obtaining maximum value for products that can be marketed. However, with respect to the others, the slaughtering industry has full responsibility and it is no longer capable of taking that on. It does not have that capacity and this is an urgent matter.

[*English*]

The Vice-Chair (Hon. Mark Eyking): We're running out of time.

Mr. Read, just make a short comment.

Mr. Brian Read: Mr. Lemieux, I want to respond to your comments about industry supporting the regulation. I'm one of those people, because I thought it was the right thing to do for this country.

As far as OTM product and market access in this country are concerned, we certainly appreciate the secretariat under Fred Gorrell. We think it's going to be a tremendous thing going down the road. We appreciate all the efforts by the minister. But OTM markets, even so much as for tallow to China, have not opened with this regulation, so I'm not sure where you get your numbers from, sir.

The Vice-Chair (Hon. Mark Eyking): Thank you very much, Mr. Read.

Your time is up, Mr. Lemieux.

We're going to go for the second round, and it's for five minutes.

We're going to go back to the Liberals, to Mr. Valeriote.

Mr. Francis Valeriote (Guelph, Lib.): I have two questions. One is of Mr. Clarke and the other of Mr. Pellerin. They're probably a little more exploratory than probative, as all the other questions are.

I come from Guelph, where there's Cargill and there's the University of Guelph. I prefer to look at solutions other than simply throwing money at something right away, to be candid. I see this either as a short-term problem, in which case $25 million or so might solve it, or a long-term problem. Right now, from what I've heard, I think it is going to be a longer-term problem. You know the saying that you can't solve today's problems with the same level of thinking that it took to create the problems in the first place. I'd like to think that maybe we can go beyond this level of thinking.

My question to Mr. Clarke is this. I'm not sure about this, but given the costs that are incurred right within the plant versus the cost of shipping the SRMs further away—to Rothsay, or wherever—is it not possible to build a cogeneration plant whereby all this material could be put into a co-generation plant, could produce electricity, produce fertilizer from the product that's left over, produce heat to heat the plant itself, as well as Cargill, if it's located beside Cargill, and spend the money in a little more creative way in solving the problem than just continually throwing money at it?

I'm not suggesting that's not the solution, but can't we look beyond just putting money at this, Mr. Clarke?

● (1630)

Mr. Graham Clarke: In answer to your question, during the negotiations on and the investigation into the logistics of SRM disposal, and before the rules were even finalized, a large amount of work did go into regional workshops in each province to look at alternative sources and disposal issues, in the realization that logistics are a major factor in disposing of SRM.

Cogeneration was certainly explored. I will turn it over to André in a minute because he will give you the actual numbers. But the $80 million, plus the provincial money that was given out to the provinces, was for those kinds of opportunities. It was up to the provinces to determine whether those kinds of operations such as incineration, cogeneration, and even combinations with the biosolid issue and so on, would work.

I don't know precisely what the Ontario provincial government, in consultation with their industry, has come up with. But as far as I can determine, they will have looked at that, and if they have not done anything along those lines, it would probably be because it's not considered cost-effective.

Mr. Francis Valeriote: So we don't know, really, if they've looked at it. That might be something that the committee Mr. Lemieux speaks of would be able to look at.

Mr. Graham Clarke: Sure, but maybe Mr. Couture could tell you about the kinds of costs involved in something like that.

Mr. Francis Valeriote: I do have another question, but go ahead. It's just that I want to get to Mr. Pellerin.

Mr. André Couture: First of all, I've been going to Europe for maybe 35 years and I've probably visited 40 different rendering plants there. They have been taking care of SRM, in the case of England, for 20 years, and in the case of the rest of Europe, for 10 years. I would say that just about 100% of the slaughterhouse by-products and dead animals go to the rendering process first. Then the cogeneration you're talking about is a type of further process, let's say, with the solids, the meat and bone meal, which consist of 20% of the incoming raw material.

When I mention that our company has an $8 million project, it is a project to do cogeneration, and we would be using the steam in our rendering plant in order to diminish the costs we have to pay. As I said prior to this, those costs are passed back to send the product to a landfill. In Europe, they are going to cement plants, and some renderers also do incineration.

Mr. Francis Valeriote: Okay. My next question is for Mr. Pellerin. The reason I asked you the question and that I prefer not to spend the money is that I fear seeing an economic action plan sign on every cow out there should you get that $25 million from this government, just so you know my concern. I say that in jest, but....

Voices: Oh, oh!

Mr. Francis Valeriote: Mr. Pellerin, with respect to the science involved, Mr. Lemieux spoke of a committee that's receiving reports, I suppose, and reviewing the situation. I want to know two things.

First, maybe I'm wrong, but I can't imagine that the Americans are prepared to go to the lowest level of science and place at risk their own industry by accepting low safety standards and high risk. It's just not something I can conceive of. I'm wondering if you can talk to me about the actual science associated with these SRMs. Why is it that we have a higher level and they have a lower level?

The Vice-Chair (Hon. Mark Eyking): I'm sorry, but you'll have to be quick. Your time is getting low.

Mr. Laurent Pellerin: First, I'm not a scientist. I'm a farmer and I'm proud to be a farmer. It's very difficult for me to argue against the U.S. or the Canadian formula that is applied, but there is a big difference in comparing what the U.S. is doing and what we are doing here, that's for sure.

● (1635)

Mr. Francis Valeriote: It sounds as though Michel may have the answer.

Excuse me, but do you have the answer?

[*Translation*]

Mr. Michel Dessureault: Yes. A few years ago, a study was published in the United States. It showed that the political choices made in Canada with respect to SRMs cost 10 times the amount that they did in the United States, which made different choices.

Having a long list, as we call it in the industry, in order to remove SRMs, specified risk material, costs 10 times as much as in Canada as it does in the United States. That is why the Americans said in this study that they are not prepared to harmonize their regulations. The study was circulated in Canada. Mr. Cola saw it and could submit a copy to you. Clearly, the numbers do exist.

[*English*]

The Vice-Chair (Hon. Mark Eyking): Thank you very much.

We're going to have to go back to the Conservatives now for questioning. We have Mr. Shipley up next.

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

Mr. Cola, you're the manager of Levinoff-Colbex? I just want to be clear; I just want to make sure I heard you right. You mentioned when you jumped in that there's nothing that has been done to help you be competitive.

Mr. Philip Cola: No. I said “relatively speaking”, with our U.S. counterparts. I'm not saying that markets have not been re-opened, but what I say is, on a relative basis, compared with our U.S. counterparts, they have access to the same markets we do. It's not to say that we haven't re-opened certain markets since BSE. We're looking, again, at that relative difference.

One point that I wanted to bring up as well—

Mr. Bev Shipley: But you must be competitive. You made an application, I suspect, for the slaughter improvement program?

Mr. Philip Cola: Yes.

Mr. Bev Shipley: And you got $9.6 million to help you build a new processing plant?

Mr. Philip Cola: Well, it's to integrate some of our operations.

Mr. Bev Shipley: Now obviously there must be a future within that or you wouldn't be doing this.

Mr. Philip Cola: Well, we definitely think that will help in making us more competitive on a relative basis.

Mr. Bev Shipley: Thank you. I think that's really important for all of us to understand, because one of the things that was brought up.... I actually have a colleague, Alex, who talked about it, and it's something I'm bringing forward as a motion. When we talk about the beef industry, and there's a host of other ones also....

We have product from the United States that...in this particular case, the SRMs over there do not have to be removed the same as we do here. Yet we know that the food is safe. We know that it's just a competitive issue in terms of that material being able to come back into Canada as a product for Canadians to consume.

So one of the things I'm hoping is that we can get support, certainly within the government, for that discussion to actually happen so we can look at regulations and help CFIA and those organizations to move it along.

You talk about the main issue. The main issue seems to be COOL, and I appreciate Mr. Read's and everyone's comments about COOL. I think those are the steps that had to be taken. Is it basically then the over 30 months with the cost of the SRM that is the issue?

Mr. Philip Cola: Correct.

Mr. Bev Shipley: So the change in working through a regulatory group, a working group, to come up with some change in how we could deal with the regulation would seem to be the better route to go.

I'm concerned, not unlike my colleague, quite honestly. I'm not sure where the $31.70 will go. It didn't work very well the last time that happened. So I don't know where the guarantee is that the $31.70 actually...how that will filter down to the producer. When BSE happened, that isn't how that worked.

I'm wondering if Mr. Read or Mr. Dessureault might help me with that.

Mr. Brian Read: I think it's a great question. I think that's the underlying issue here, that it's money that would be...whatever. It's the old stigma that the packers carry walking in here, and this is why it's amazing that we have the producers on the same page.

Talking about your working group, I happen to sit on that working group. John Ross chairs it. CFIA is very present and very active. We've committed that the $31.70.... Everything we look at takes a minimum of one year. We're in our peak culling period of cows in this country right now. This is when the money is needed the most. During the season we kill anywhere from 8,000 to 10,000 a week. Right now we're killing upwards of 12,000 to 15,000, and this is where we become really hooked and that's why there is this urgency.

But coming back to the working group, we've also suggested that we take that regulation and we move it into policy, so that we can tweak it but still not affect our OIE status. That's the start to reduce this $31.70, so it doesn't end up a cash cow, as we sit here and believe it may. It's a necessity, and that's what we're targeting. So that would be one step.

The other step would maybe be to take the brains out of the skulls so we don't have to throw the entire skull away. That would be like 18 pounds a head that could now end up as a good source of revenue.

All of those schemes—but everything we look at takes a minimum of one year. There is no tomorrow fix. We've looked at it. We've committed to roll up our sleeves to continue to reduce the $31.70. I fully understand that concern. We're not here because of that. We're here because we did the right thing for the country. We believe we did, along with the producers. Brad has left, but John is still here.

That's the reality of this thing. I don't know if that helps you.

● (1640)

Mr. Bev Shipley: I think it does. You want to change it from regulation to policy, and that's good, but it's going to take time to do that.

Mr. Brian Read: Everything takes a year, because we have to go through the House to change the regulation. The regulation lists the skull, the brain, the dorsal root ganglia, the ganglia, the tonsils, and the eyes. It lists all those under the regulation. If we want to, say, not take the eyes out of the skull, just as an example—don't take that anywhere—we have to come through the House and it takes a year to do it. We're saying take the regulation back to the House, take it out of regulation and put it into policy that is still managed by CFIA and under its scrutiny.

We'd have to review it with the world to see if is going to be accepted. We're not changing anything as far as the rule goes, but it's in policy. Now if we can justify how to remove the brain properly, we can throw 18 pounds into good meat and bone meal. That's what we're working on. But everything you look at is a year away.

On the hype to generate power, that's been looked at. I'm sure there's a time to do it, but we just don't have the time. We've all looked at it and it's a tremendous capital cost. Sorry.

Mr. Bev Shipley: No, that's fine.

Thank you.

The Vice-Chair (Hon. Mark Eyking): Thank you very much, Mr. Shipley. Time is up.

We're going to go back to the Bloc.

We have Mr. Pomerleau. Welcome.

[*Translation*]

Mr. Roger Pomerleau (Drummond, BQ): Thank you, Mr. Chairman.

First of all, thank you for your presentations.

I represent the riding of Drummond. The Levinoff-Colbex slaughterhouse is therefore in my riding. Moreover, I have visited it. I was very impressed, and yet despite that, I am a neophyte when it comes to the field of agriculture and everything that pertains to it. This is the first time that I have been to this committee.

My question is a question that a neophyte would ask because I have to answer questions raised by the people in my riding on this subject. I have to provide them with an explanation about what is going on and I am telling them that there is a fundamental problem. It appears that we Canadians do not have the same regulations as the Americans, resulting in higher costs for us. People are always telling me that we should simply adopt the American standards.

My question is for Mr. Couture. What was our rationale for doing that, and given that you work on both sides of the border, what are we doing here that they do not do there, or vice versa?

Mr. André Couture: I will answer on behalf of my clients in the meat sector. We have to realize that in Canada, half of our production is exported. Hence, when export markets close, this is much more serious for Canadians than it is for Americans because, in the U.S., exports account for less than 10% of their sales. That is the main reason. Canada is smaller, and is not a powerful player internationally. The Americans...

[*English*]

Well, they're trying to get away with the least amount of cost.

[*Translation*]

They are trying to do a minimum. They do not respect the OIE standards and they have succeeded, by twisting the Koreans' arms, in getting the markets reopened. In other words, they twist arms.

● (1645)

Mr. Roger Pomerleau: We therefore have no choice, if we want to sell our products abroad, elsewhere than in the American market.

Mr. André Couture: Canada chose to comply with OIE standards in order to have access to other markets and has enjoyed a certain level of success. However, that comes at a cost, and it is our clients who pay. That is why we are asking that some assistance be provided until the regulations have been harmonized. In order for that to happen, we either have to lower our standards or wait for the Americans to comply with international standards. The pressure exerted on the U.S. meat sector is very different from that felt by the meat sector in Canada.

Mr. Roger Pomerleau: If we were to lower our standards and adopt the equivalent of American standards, would we lose these foreign markets? Is that difficult to say?

Mr. André Couture: I cannot answer for my colleagues, but as far as the rendering sector is concerned, we still find it very difficult to break into the markets that we had prior to 2003.

Mr. Michel Dessureault: I will attempt to answer as well.

In Canada, we made regulatory choices to allow for open borders. We subscribed to these regulations, but always in the hope that we could achieve regulatory harmonization between the two countries.

Earlier, Mr. Shipley referred to the fact that our current positions were different than those we held a few months ago. Yet, in 2003, 2004 and 2005 we were right in the middle of the BSE crisis and the borders were closed. At the time we were totally in competition with Canadian companies within Canada. Since July 2007, the regulations which allowed for the opening of borders has have huge adverse affects on the industry. They are assessed at $31.70. If the market were closed, the entire Canadian cattle industry would lose out.

The Canadian cattle industry has made gains on some levels and continues to do so. But does that mean that we have to agree to stop the slaughter of cattle of over 30 months of age? That is the question we're asking. Until there is some harmonization of the regulations and we meet the new OIE requirements, can the government temporarily support the industry so it can survive this crisis?

I think we need to keep our markets open and not drop any further. In Quebec, we specialize in the slaughter of animals over 30 months. But in today's reality, in other words an open market and different regulations, all Canadian industries involved in the slaughter of animals over 30 months of age will not be able to implement the project you referred to earlier on if this important issue of the slaughter of cows in Canada is not addressed.

[*English*]

The Vice-Chair (Hon. Mark Eyking): Thank you very much. Your time is up.

We'll go back to the Conservatives, with Mr. Storseth.

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

I'd like to thank the witnesses for coming forward today.

It's been an interesting discussion, and I can assure you it's one we've had often, not only here but in our ridings—obviously, I represent a large cow-calf-producing region. It's an issue nobody really feels they have an answer for.

I do have some concerns with what I'm hearing today. Maybe it's just what happens when such a broad spectrum of organizations gets together. At the end of the day, and as it's been stated here, this was a solution the industry came to us with, obviously hoping regulations would sync up with the Americans. That hasn't happened, which has left a void in the differential there and has left us at a regulatory disadvantage.

I agree, but the answer I'm hearing from you gentlemen is that you want $31.70 a head to make up for that and you want to keep the regulation that's creating the problems.

Mr. Read.

● (1650)

Mr. Brian Read: From an industry standpoint, that's why we're working due diligence with the working group that's been struck by the minister, with John Ross, Agriculture Canada, etc. We're looking at $31.70. We're also looking at finding ways to improve this rule. That's the intent. For example, with the 18 pounds of skull going to meat and bone meal, if that's worth $3, then reduce the $31.70 by $3 and so on. That's the intent. That's the spirit of this. Keep in mind that packers are equipped to deal with this. That's the intent.

Does that help you?

Mr. Brian Storseth: That does help.

Mr. Brian Read: We're looking for equivalency with the United States.

Mr. Philip Cola: Could I just add something to the point?

Pre-BSE, the Canadian industry—I don't know if we ever really touched on it, but I think it's a very important point to look at.... As a company, when we were on a level playing field, we were importing cows from the U.S. and processing, slaughtering, and deboning them in Canada. We increased our capacity year after year pre-BSE to accommodate a lot of these American cows that are right on our border in Quebec. We were doing a lot and importing jobs into Canada, when we were on a level playing field. It's very frustrating for us as a company to be in this situation. We never looked for government money or handouts ever, but when it comes to a situation when you're in dire need and ready to close your doors, I think it's very clear now.

You have to forgive me for being so up front, but I think it's very important to understand that the players who are left in the industry today—and there are not many left—are serious players who have been through many ups and downs in the beef cycle. The fact is that when we were on a level playing field, we were able to compete as well as or better than many of our American counterparts.

Mr. Brian Storseth: Agreed, but we're not going to be on a level playing field anytime soon. Even with $31.70, we haven't even started talking about COOL or further adaptations that the Americans are continuing to make. So I guess I'll only bring two concerns that I have—and I'm glad you guys clarified that because it does make your position more tenable.

One is the issue of opening other markets. I'm only going to tell you what I hear from my producers. They constantly say they feel that even the national organizations that represent them have become too dependent on the American market. Now, is it the easiest market for us to get into? Absolutely. Is it potentially the most profitable? Probably. They do feel that we've become too trade-dependent on one market.

The other concern that is raised in looking at this is where does the cow-calf producer come in here? Where does your farmer come in here? Maybe $24 million a year to the slaughter industry is needed, but I do have some reservations, as we've seen in the past, as to whether that's going to mean an alleviation of pressure on my cow-calf producers in Westlock—St. Paul. All too often, they come to me after situations like this, or working with an industry like this, and say, "We're not receiving anything out of this. We're not receiving the benefit, and when I go to the Clyde auction mart, it's not meaning any more dollars in my pocket."

So where is the plan with those producers that is going to make the difference, so you can say you have them on side?

I'll give the rest of my time to you.

Mr. Brian Read: Thanks a lot.

That's an important question. I sure don't have all the answers for you, but when we were looking at this rule, we asked, what's the advantage to us? In this case we ended up with none on the OTM.

One thing that will happen when we're complete and the $31.70 is awarded is at least your producers will have a place to have them processed, and they will be able to get U.S.-equivalent dollars. Right now, we're into a cow run. You have the Americans buying out dairy herds this winter. All you hear is, "This is number four here, it doesn't look like this one's going to be too big", but it definitely distorts their need to come up and buy livestock out of Canada. They're filling their kills. They don't need to, and again we're into the fall.

It's hard to pick it, but without it you put the OTM plants at risk. That's what we do. As an employee of the meat industry—I've been a meathead a long time—as I said to you, I've supported this rule. I think it was the right thing for our country to do. I believe some parts of our industry have benefited by it. But again, it's UTM, not OTM.

Keep in mind, with UTM, with this current rule, market access, yes, it's important, but when we show up, our first competitor is the United States. It's not Australia and New Zealand. Yes, they're there, but they're two back from us. Our current competitor is the United States. For OTM—we're talking OTM product here today—that's our number one competitor. The minute you show up, you're disadvantaged.

That's the slippery slope we're on.

● (1655)

Mr. Brian Storseth: Don't get me wrong, I do believe this disparity between the countries needs to be eliminated—

Mr. Brian Read: It's hard to quantify the value to the producer, right?

Mr. Brian Storseth: —and more than just on OTM.

Mr. Brian Read: Those are two different subjects.

Mr. Laurent Pellerin: As a farmer, I don't think we are expecting return on this $31.70, especially on the cow-calf and finished beef. As a farmer, I don't think—

Mr. Brian Storseth: It's their money, though, too. It's the farmers' tax dollar, too.

Mr. Laurent Pellerin: Yes. We are talking about cows, old cows. I think if there is better security at the slaughter plant.... We don't like the packers to make a lot of money, but we'd like them to make a little bit of money to make sure they stay there. Now we are afraid they will close. We're quite sure that if there is this investment at the packing level, it will be more secure for farmers to run their cows there. It's not a matter of finished beef or cow-calves.

The Vice-Chair (Hon. Mark Eyking): Thank you very much, Mr. Pellerin.

We'll go back to the Liberals, with Mr. Easter.

Hon. Wayne Easter: Thanks, Mr. Chair.

There might not be another opportunity. The parliamentary secretary mentioned earlier that there was a committee looking at the issue. I wonder if he could table before the committee the names of the members of that committee, their terms of reference, and who the chair might be, at some point in time. Can we get that?

Mr. Pierre Lemieux: Yes, at some point in time.

Hon. Wayne Easter: Thursday would be great.

Mr. Pierre Lemieux: I don't have that information here, Mr. Easter, but I'll have a look at it.

An hon. member: Mr. Read is on it.

Hon. Wayne Easter: I'm actually surprised at the resistance on the government side to this issue. We have a consensus from the industry. I'm going through the list of groups here. There's everybody from the Dairy Farmers of Canada, to the Canadian Federation of Agriculture, to the Canadian Cattlemen's Association. There seems to be good support from producers and industry.

At $31.70, are you talking net cost to the government of $25 million? That's really all we're talking about here, $25 million for an issue that has good consensus from the industry. It's not even a drop in the bucket. It's not going to solve the problems, but it would be a step in the right direction. I just find the resistance absolutely amazing. They could do that and it would only cover, as Frank said, a few signs.

On the under 30 months, what's the—-

Mr. Brian Storseth: On a point of order, Mr. Chair, I don't believe he's seen resistance from this side. As Mr. Valeriote demonstrated, there is a desire at this committee to have probing questions to the presentations put before us.

We're not all here to issue press releases, Wayne.

The Vice-Chair (Hon. Mark Eyking): Mr. Easter has his time.

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

There are two issues with country-of-origin labelling: how it affects cattle over 30 months and cattle under 30 months. Are there other things we ought to be doing there? This is going to be a long, drawn-out fight at the WTO. Even if we win it, I think we'll see the Americans do like they did in softwood lumber and say they want to change the rules now. Do you have any suggestions on what we should be doing in the meantime? Canada, regardless of which party is in power, is always a boy scout when it comes to trade rules. Do you have any suggestions in that area?

Secondly, do you have any distinct proposals on what we can do in regard to the cattle under 30 months?

Mr. Laurent Pellerin: I've made some comments in the last six months, at least, if not more, about this industry. Those comments are really in line with what is happening in beef, but pork is not that much different. Those two commodities in our country are at risk. And they're not just at risk of losing money; they're at risk of completely disappearing from this Canadian market. We will still have beef meat and pork meat in our country, there's no doubt about that, and probably some niche markets here and there, but in terms of the volume that we are now doing in Canada, both in processed meat and the secondary processing industry, we are at risk of losing that.

People were laughing at fisheries ten years ago for thinking that they were at risk of losing it. Now it's done in Canada. Five years ago we had that same discussion about pulp and paper and lumber. It's gone, it's finished. We face other risks in beef—the dollar value, the high delivery cost, other types of regulation. Those risks are there, and they are not smaller than they were five years ago; they are bigger. So we have to sit down and look at all the other factors that affect this sector—those sectors, if we extend it to pork—in Canada, and as soon as possible. And not in a committee of 60 people. Really, the people who are involved with that product should come, from farmer to processor, and look at the future of this industry—if there is a future. We cannot look only at opening markets. That's very good, and we have to do that, but we have to look at reinforcing our slaughter capacity in Canada—numbers. Losing the critical mass is losing the killing facility in this country. That's what happened in the Maritimes. That's what is happening in Quebec. Guelph and Ontario are losing volume, and in western Canada it's the same. So we have to look at that very rapidly.

In the short term, this issue of risk material has to be addressed. Why are only farmers paying for that? Because we are suffering from that relationship. I agree with everybody else here; it was not the intent at the beginning. But it's there now. Who benefits from this economic activity in Canada? It's the workers in the plant, the government from taxes. So you have to share the risk with us. This is our demand regarding this $24 million, until, as Brian said, we are able to reduce that amount of money or we come to an agreement with the U.S. on harmonization. Don't lose that part. It's there also. We don't want support forever. If there's a way to counteract, invest in some different way of processing, or energy.... We look at that in our plan in Quebec.

There are all types of possibilities, but we have to sit down very rapidly on the overall situation of beef and hogs in this country, because we are at risk of losing those.

● (1700)

The Vice-Chair (Hon. Mark Eyking): Does anybody else want to comment on this?

Mr. Brian Read: I fully support Laurent and his comments.

Mr. Easter, I think some of your questions are valid, such as the question of country-of-origin labelling and the opportunity to just stand up and say no. It continues to be a fear of ours. Currently we have the U.S. market back. It's beneficial to the livestock sector and the meat sector, although not the hog sector.

I think, Brian, you brought up that we have to look at diversifying our country for long-term sustainability.

I think market access to new markets—and when I say “new”, I'm not talking about the traditional Asian markets. Korea is probably putting us at a disadvantage of $25 a head, because we don't have the seventh fleet to move in or what have you. We don't have that political power. I think we do well for our country. We produce a good product. One of the things we could do urgently for the pig sector, and this is just me talking to you—I guess I can't do that, because this is public—is spend serious marketing dollars in the United States.

My biggest concern with the United States, and we still don't have that question answered.... We have a balanced agricultural trade with them, uniquely enough; at least the last time I looked at the graph it was close enough. When they came out with the country-of-origin labelling, I just didn't understand why they'd want to do it to us. That's the big question. I say that tongue-in-cheek. It's protectionism. I'll leave it like that.

But I think we could market the shit out of our product. We have a good product to sell.

The Vice-Chair (Hon. Mark Eyking): Thank you very much. That wraps up Mr. Easter's time.

We will now go back to the Conservatives. We have Mr. Hoback.

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

Gentlemen, thank you for coming out today.

This has been enlightening. Actually, when I sat down at this meeting, I wasn't going to ask any questions, but you sparked a few interests here.

One of the questions I have is on the $31.70. Let's say that we're going to pay you $31.70. It's a done deal. Would that open up some plants, Mr. Read?

● (1705)

Mr. Brian Read: Well, I'm not sure it's going to open them, but it'll maintain them. It will give us opportunities. That's what it'll do. It will stop us from reducing. If you put a business model together.... I appreciate all the federal funding, the $9 million or $10 million. Don't take that the wrong way. I think those plants needed efficiency improvements, and we compliment you for that. But plant efficiency and SRM rules are two different things. Regulation is what is hammering us now. As an operator in western Canada, that is what we wake up to every morning. That's the only thing.

Will it open more? Right now we've lost capacity in this country. God willing, we can bring it back up. We've gone from 99,000 down to 60,000, and we're starving for 60,000. Fat cattle dropped off in the last couple of weeks and cows picked up. We still can't get over that level of 60,000 to 70,000 a week. We were as high as 90,000. So to get back would be fun, but at least it would give us the opportunity to start going back. That's my point.

Mr. Randy Hoback: How about you guys in Quebec? Would that have any impact in Quebec? Would we see some plants opened there?

Mr. Philip Cola: Just to put things in perspective, we were running in the last year at about 65% of our capacity. Going along with what Brian is saying, if we could just get back to where we were before that, that would be a big thing too. We have that excess capacity right now available to us, and we'd really like to fill our plants up right now.

Mr. Brian Read: I just want to add that maybe we'll talk a little bit off-line. It just dawned on me what you were talking about.

Yes, that's a positive thing.

Mr. Philip Cola: When things were on a level playing field, we were able to start importing cows from the U.S. We're right on the border of Vermont and New York State. So hopefully, yes, I'd love to build another plant and kill that much more and take some of the cows from the U.S.

Mr. Randy Hoback: I'm looking back at 2007, when this came in. There have been some structural changes in the industry besides SRM. The change in the dollar would have a huge impact on your operations. I think you'd all agree with that.

When I'm hearing that you're at 65% to 70% capacity, that also concerns me, because that tells me that you're not running at an efficient capacity level.

I also get concerned when you, Mr. Pellerin, say that this industry is going to die and we're going to lose our factories. Yet the factories we have are running at only 60% to 70% capacity. It looks to me as if there are all sorts of things going on here besides SRM that could be impacting the industry.

Mr. Philip Cola: Not really. I think that is one of the results. The SRM is a result of us going down to that 65% capacity. It's not that the animals were not there. It's that we needed that extra money to bring us up to speed. If you can't run your plant at capacity, the $31 would sure help bring us to increase our slaughter capacities and bring us into a more efficient zone.

Mr. Laurent Pellerin: A COOL system in the U.S.... Talk with western farmers. They very often have a premium to deliver in the U. S., because they're charged. The cost of that beef in the U.S. is a little bit lower. Sometimes it's not a pile of money—$5 or $10 per head. It sometimes may move the farmer to deliver in the U.S. We have $30 here. We have $6 or $7 on the finished beef. Sometimes it's only the premium that the U.S. packer can afford that we cannot support here. So some volume here is moving to the U.S., there's no doubt about that.

Mr. Brian Read: You brought up the American dollar. We've been through turbulence with the currency in the past. We compliment our country's efforts on maintaining its own status and understanding the devastation it has to the total manufacturing in this country, not just the meatheads. So I think we've been through that turbulence in the past.

I think the other thing you have to look at is that in 2003, we expected to have the lowest live cattle inventory in the country. BSE probably delayed that. We're seeing it now, and this is always cyclical. So I do believe that if the ducks line up for us, the markets, etc., we'll see this herd come back again. When the border opened, there was a ton of calves, and it was economics. There was 1.6 million that crossed the border. We're seeing that now; we'll see that into the spring. In talking to the country—and you talk to them more than I do—there seems to be some enthusiasm at the farm gate as well. Don't quote me on that, but I get that sense, and maybe I'm wrong, but I think we're in that cycle.

Mr. Randy Hoback: I think you're right, Brian. When I talk to the younger farmers, it's very age-dependent. If you're 55, 60, you're getting out of the industry; you're retiring. You've seen your better days as a farmer. You have lots of experience, but you might have seen better days as a farmer. But if you're 25 or 30, there's a youth there looking at buying breeding stock very inexpensively, at getting into the industry, and is excited about it.

I want to keep encouraging them. That's why I don't want to see messages saying this industry is going to collapse, because it's not going to collapse. It's going to have all sorts of struggles and pains and structures, but it's not going to collapse. I don't think we should be spreading those rumours that it's going to collapse. That's not true. There will be a beef industry. Farmers find a way to make it work. They always have and they always will. But you know that.

● (1710)

The Vice-Chair (Hon. Mark Eyking): You have half a minute, but Mr. Dessureault wanted—

[*Translation*]

Mr. Michel Dessureault: I would like to make a few comments on the rate of effectiveness or work of companies.

In eastern Canada there is only one large slaughterhouse left, the Levinoff-Colbex slaughterhouse. Last year 94% of the cull cows in Quebec were slaughtered there, along with a large percentage of those from the maritime provinces and approximately 50% of those from Ontario. There is no significant cull cow abattoir left in Ontario.

You must understand that the American buyer is very present in eastern Canada. He is taking over the cull cattle. The additional $31.70 he has has allowed him to come here and compete with us. We must rectify this situation. To do this through regulations is the best possible solution. We know this. However, in the meantime, can the Canadian government support the industry, so that we can maintain jobs? Our young people want to stay on our farms.

You will recall that at the beginning of the BSE crisis the outcry was first heard from the dairy producers. The value of a cull cow in Canada is the net profit at the end of the year. When there is no more leeway in that regard the entire dairy industry will fall apart, because of the collateral effect. So, it is important to consider the slaughtering of cull cows in Canada from a broad, overall perspective; we have to consider the reality in the western and eastern parts of the country and try to collectively find a way to improve the situation.

[*English*]

The Vice-Chair (Hon. Mark Eyking): Thank you very much.

We're going to have one more questioner. We're going to go to Mr. Richards for seven minutes.

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

I appreciate you all being here today.

I would like to pose a couple of quick questions on the $31.70 payment. I think you've made yourselves very clear as to what you're looking for here in the short term. I do have some questions that I'd like to get to, if we have an opportunity, on the long-term stuff. They've been brought up on the periphery a little bit today, but really haven't been addressed to my satisfaction, as far as long-term solutions are concerned.

First of all, on this payment, you've mentioned that about $25 million is roughly what we'd be looking at there. I know certainly my colleagues on the other side have said, “Only $25 million?” I guess I would look at the $43 million that's still missing from the previous Liberal government and think, if we could somehow get to the bottom of what they've done with that, there would be $25 million, and we'd have $18 million to spare, for crying out loud. That would sure be nice. Anyway, to that point, I'll address it to whoever would like to answer.

I know, Mr. Read, probably you would have an answer, I'm sure. On this $25 million, how many companies would we be talking about that going to? How many companies would that benefit?

Mr. Brian Read: Again, you have to understand that we're the federal system. We represent the federal packers at this particular meeting. But we are also very sensitive to the ma and pa corner butcher stores. We would expect it to affect all of us—the total cow slaughter in this country.

We understand the need for the ma and pa stores, the provincial or whatever. If a cow goes down, all of a sudden somebody can eat it. Home use—maybe that's the right word to use.

So we would expect it to satisfy the entire need for OTM product in this country.

Mr. Blake Richards: Could you give me any idea as to how many slaughterhouses and how many packers we'd be talking about here? Are we talking about most of this going to a few major companies, or are we talking...?

[*Translation*]

Mr. Michel Dessureault: In Quebec, 94% of cows were slaughtered at the main abattoir in Levinoff-Colbex, and the other 6% in smaller slaughterhouses in Quebec. There are approximately 20 such small slaughterhouses in Quebec. In other Canadian provinces there are some cull cow slaughterhouses under regional or Canadian inspection. In Canada, there are two major companies and 50 or so smaller size businessees that slaughter cull animals.

● (1715)

[*English*]

Mr. Blake Richards: In terms of those smaller companies, you said that was only about 6% of...?

Mr. Michel Dessureault:*Au Québec.*

Mr. Blake Richards: Of Quebec. Okay.

Mr. Read, I think you had more—

Mr. Brian Read: Sorry, one of my colleagues just caught me up on that.

It would affect about a thousand plants across the country. There are about 500 in the province of Ontario. It's a big number in Ontario.

Mr. Blake Richards: But are those numbers similar to what we see in Quebec, where it's only a small portion? They mentioned 6% in Quebec with the smaller companies.

Is that the kind of number we're talking about across the country?

Mr. Brian Read: The total slaughter in provincial and non-inspected facilities is currently about 12% a year in this country.

Mr. Blake Richards: How much of the bulk that we're talking about—the 88%, or maybe 90% to 94%—would be going to companies that aren't Canadian-owned?

Mr. Brian Read: Very little.

Mr. Blake Richards: Very little. Okay.

Mr. Brian Read: I think in terms of what you're looking at, you only have one. It slaughters cows just to fill the kill. So I don't think that would be an issue.

Mr. Blake Richards: Okay.

Let me switch gears here in whatever time we have left.

I want to address the long term. I think it's been mentioned a little bit on the periphery. You've made yourselves very clear about the short term and what you'd like to see. I know it's been mentioned a couple of times by I think both sides of the table here today, but I didn't hear a detailed response from anybody on some of the possible uses in the future for SRMs and for such things as cogeneration, as was mentioned.

I do understand that it's not something we're talking about in the very short term, but in the long term, certainly to me, rather than cheques or handing out money, sometimes if you can find other ways that can be invested so that you can find better uses for things and find ways to value-add, whatever it might be, in the long term, that to me is probably a solution.

Do you have some problems with that? And how far in the future do you think that is?

I'd like to hear some comments on that.

[*Translation*]

Mr. Michel Dessureault: In the long term Canadian regulations should adjust to OIE rules in 2014. Why 2014? Because it is the date on which we found the last cow here, plus 11 years.

In Quebec Levinoff-Colbex has analyzed the construction of a co-generation plant. It would cost some $50 million to build a plant able to recover all the materials with or without SRM and produce a second-generation fuel. In terms of the profitability of co-generation plants, the costs related to material disposal were higher than what it brings in currently, despite the costs. Even an additional cost of $31.70—I do not remember the exact figures—was still too high for the business to recapture its capital costs over 50 years.

These are public projects, under a SEDAC support program, a provincial-federal body, projects that allow for an accurate co-generation analysis. Co-generation was seriously analyzed through an American patent but unfortunately, it wasn't delivered for profitability reasons. A baril of oil does not cost a lot and oil is competing with co-generation. Co-generation could not be implemented, but this study was conducted in Quebec. If you want a copy, it is available; it is co-owned with the Canadian government.

[*English*]

Mr. Blake Richards: I would be interested in that report, if you could provide it. Certainly, some of that sounded a bit pessimistic for sure, and I don't know if we have any time to address this, but if anyone else would like to address it as well.... Do you see prospects of it being more optimistic?

● (1720)

[*Translation*]

Mr. Michel Dessureault: With the Canadian government and the energy department—I do not remember which one—we've explored all the Canadian support we could get.

[*English*]

The Vice-Chair (Hon. Mark Eyking): His time is up, but I think we have a few minutes.

Do you want to make some closing comments, Mr. Pellerin?

Mr. Blake Richards: Mr. Chair, I know we've allowed this throughout the meeting with other people's rounds. If he's got someone to address it, could we allow it briefly?

The Vice-Chair (Hon. Mark Eyking): Mr. Richards, you misunderstood me. Your time is up, but we still have some time if these gentlemen want to make some comments. Okay?

Mr. Blake Richards: Okay. Thank you.

The Vice-Chair (Hon. Mark Eyking): Go ahead.

Mr. André Couture: I'd like to make a closing comment for some help for the slaughter of animals. We collect animals at the farm. We're charging to pick up those animals. The $31 should also apply to animals that are picked up at the farm.

The Vice-Chair (Hon. Mark Eyking): Mr. Pellerin, for some closing remarks.

Mr. Laurent Pellerin: I just want to come back to beef being a commodity at risk in this country. I prefer to tell the truth to my farmers rather than think nothing will happen.

If I had been part of the fisheries sector 15 years ago, I would have hoped somebody around the table had told the truth to those people. And the same thing for lumber and the paper industry. My own city, Trois-Rivières, was built and lived off the paper mill for more than 100 years. Now it's finished. Closed. Five mills in the city, world leaders, the world capital of paper production, are out.

I prefer to tell the truth. It is at risk. I'm not saying it's collapsing. It is at risk, and we have time to do something, but more than just opening markets, we need to build a strategic plan from the farm through the processing industry to link all players to make sure we produce beef in Canada, we process them in Canada, we add value to those beef in Canada, and we add value to our reputation worldwide, instead of moving them through the U.S. channel, so everybody recovers in this country from what we are doing.

That's my wish and my will for the future.

The Vice-Chair (Hon. Mark Eyking): Thank you very much.

On that note, our committee has agreed in the new year to focus totally on the future of farming, where we should be and where we could go.

That wraps up today, folks. Thank you very much.

Hon. Wayne Easter: Mr. Chair, we can expect the tabling at the committee on Thursday, can we?

The Vice-Chair (Hon. Mark Eyking): Mr. Lemieux, you said you were okay with that?

Mr. Pierre Lemieux: No, I said I would look into it.

Thank you for inviting me to meet your schedule, Mr. Easter, but I'll let you do it.

Hon. Wayne Easter: Mr. Chair, if the parliamentary secretary is going to come here and talk about a committee that's doing work, this committee needs to know who's on it.

The Vice-Chair (Hon. Mark Eyking): You have your request. Let's see what happens Thursday.

Mr. Pierre Lemieux: And we have the motion.

The Vice-Chair (Hon. Mark Eyking): I hope we can see some on Thursday.

Hon. Wayne Easter: What have they got to hide—

Mr. Pierre Lemieux: We'll see.

Hon. Wayne Easter: —with these people on that committee?

Mr. Pierre Lemieux: Wake up, Wayne.

The Vice-Chair (Hon. Mark Eyking): We'll see what happens.

One more comment from—

Mr. Pierre Lemieux: Do you see what you have to work with? Count on him—

The Vice-Chair (Hon. Mark Eyking): Madame Bonsant.

[*Translation*]

Ms. France Bonsant: Mr. Chair, Mr. Dessureault talked about two reports which I think are really important. I would like the clerk to make sure that Mr. Dessureault tables these two reports and that we all receive them.

[*English*]

The Vice-Chair (Hon. Mark Eyking): Thank you. *Merci.*

Mr. Brian Storseth: Mr. Chair, I believe you did an excellent job today. It's not easy controlling Mr. Easter, but you did an excellent job.

Some hon. members: Hear, hear!

The Vice-Chair (Hon. Mark Eyking): I've seen it coming from this side mostly. You guys must have had your red meat this afternoon.

The meeting is adjourned.

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