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Thursday, November 26, 2009

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Chair

Mr. Larry Miller

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• (1515)

[English]

The Chair (Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC)): We're going to call the meeting to order.

We are still lacking some members, but we are at a stage where we can hear testimony. I believe, for the sake of time, we will start to do that.

I'd like to thank all of our witnesses for coming today. Just so everybody is aware, around the hour mark, we're going to move back to our report. The clerk has spoken to the witnesses and has asked them to try to keep their presentations as short as possible to leave more time for questions.

We'll start off with Pierre Lemieux. Are you ready, sir?

You can go ahead with your presentation.

[Translation]

Mr. Pierre Lemieux (First Vice-President, Union des producteurs agricoles): I want to thank the Standing Committee on Agriculture and Agri-Food for having us and for giving us the opportunity to comment on the Growing Forward program.

I want to begin by saying that the AgriInvest program fulfils a request made by Quebec farm producers. It provides relative stability and allows producers to assume a certain level of risk. The program does a relatively good job of meeting the needs of certain groups of Quebec producers. However, we are not at all satisfied with the AgriStability program, which replaced the CAIS, or the Canadian Agricultural Income Stabilization program.

With certain types of production, the margins have been low for more than three years, but the program no longer does anything. It causes a great many problems for agribusinesses in terms of security, stability and production continuity. The best example is the pork sector, which is in the middle of a crisis this year, and the AgriStability program is no longer meeting the needs of businesses in that sector.

We have tried to get an AgriFlex program. Our hope was that it would provide risk coverage and some flexibility in terms of the provinces and in terms of the types of production that would allow us to obtain what AgriStability does not cover, in other words, the margin phenomenon, when periods of insufficient income last longer. Unfortunately, because of how it was structured, AgriFlex is not part of a risk management program. We are definitely going to ask for enhancements to the AgriStability program in order to improve reference margins. Reference margins need to reflect the

production costs of agribusinesses more, thereby providing a certain level of stability.

There is no question that we can use the AgriFlex program, as it was announced, in terms of aspects that enhance certain other more substantive programs. It has the potential to become a collective means of providing structure. This program can still play a role, but not as far as its current underlying principles go. It, too, needs to be improved so as to provide more flexibility and consistency, in terms of a collective measure.

As for the AgriRecovery program, certain problems can be identified with respect to the types of production subject to supply management. AgriRecovery needs to be improved in order to specifically address certain problems that have already been identified. More work in that respect is probably necessary. We have experienced some serious problems in the past few years, including nematodes in the potato industry. The AgriRecovery program was created to provide a framework, but when it comes to applying it in real life, agribusinesses have a very hard time qualifying for the program and thus accessing assistance that meets their needs.

• (1520)

[English]

The Chair: Thank you very much.

We'll now move to the Agricultural Adaptation Council. We have Kim Turnbull and Angela Stiles.

Mr. Kim Turnbull (Chairman, Agricultural Adaptation Council): Thank you for the invitation to speak. I'll give a brief background of what Agricultural Adaptation Council is about and what happens when bureaucracy and red tape infringe on our abilities.

Gord Surgeoner, a director on the council since 2002, is also here; Angela Stiles is our executive director for 14 years; and I've been on the council for the past 10 years. It was founded in 1995 to allocate government funding by the industry, for the industry. We're a non-profit coalition of over 70 organizations from production agriculture, processors, retailers, and the science and technology innovation sector. We were created to help allocate government funds in the ag sector, and the industry we represent sits at the table and makes the decisions on the projects and applications that we have.

The adaptation council helps the government look at the rules and programs when they decide to create a new program. We've done that since 1995. Over that time, we've assisted in the funding of close to 2,500 projects amounting to more than \$191 million in government funds, which has leveraged a total project budget of over \$700 million.

One thing we do extremely well is handle the administration of agricultural programs. We aren't bureaucrats, so when there's money allocated to a program we try to see that all those dollars end up in the projects that the applicants bring forward. We work hard to be more effective, faster, and more efficient than any government program.

We're thrilled with the opportunity to partner with the government. We are true partners, and we fall under the accountability safety net of the Auditor General. We've been through countless audits, program reviews, and annual assessments. We've passed all of them with flying colours. We've been through audits from the federal government as well as the provincial government, and we haven't had anyone tell us that we're doing anything wrong.

I'll turn it over to Angela for the next part.

Mrs. Angela Stiles (Executive Director, Agricultural Adaptation Council): As much as we try to implement government programs with bare minimum costs, it's becoming harder and harder to do. We want to say that we don't disagree with the concepts and notions behind accountability. We understand why these standards are put in place. We want to say on record that we want to continue working with the government. However, the way we used to work was very simple: we received our money as a grant.

Let's say, just for argument's sake, we had a program for \$12 million. Over two years we would receive one twenty-fourth of that money, or \$500,000, every month. Various applicants would apply to us for funding. The board would determine who was eligible and who would receive the money, and in an extremely timely manner. What was also great was that if we earned any kind of interest over the fund, we would use that money to go back into projects or apply it to the overhead.

Part of this also led to flexibility. We never had any "use it or lose it" deadlines, a term that's probably very familiar to our applicants. We never had that problem. If we were funding a research initiative and it had a bad crop year, we would simply renew the funding for another year until the conditions were right to do that research. After all, in agriculture you can basically count on the unexpected, especially when it comes to research.

So we had a flexible, no-nonsense, common-sense approach to agriculture funding. And as Kim pointed out, we passed numerous audits and compliance reviews.

In addition, the council was able to provide loans to high-risk projects, to applicants who would make a profit, and the council would work with the applicants to determine a fair payment schedule back. We didn't have itchy trigger fingers. If a payment was missed, we worked with the applicant to make sure the payments were made and that we weren't basically ending the project.

With one of our programs, we lent out \$10 million and recycled those funds back to approve more projects and to support ongoing

administration of the program. It was an amazing leverage initiative, and also great value for money.

We were very efficient. We were receiving our money as a grant and allocating the funding as reimbursement funding. We required an applicant to spend the money, show us receipts, and we would reimburse them for their expenses. If the applicant found some savings, so did the program. It was a win-win for everybody. It was highly transparent, efficient, timely, and accountable.

Now let's fast-forward to today. The federal government has a new program, the Canadian agricultural adaptation fund, or CAAP. We also have the Growing Forward framework.

Agriculture and Agri-Food Canada should have funded us as a grant, but this—what I'm holding here—is the introduction of the contribution agreement for the new CAAP program. This is what I'm dealing with: 111 pages in size nine font. This is what I'm working with as an administrator for a program. Approximately half of it is just the management guide, telling us how we do our job. Unfortunately, this has not one, not two, but three annexes, with an added subsection on how we do communications.

I'll pass it back to Kim.

● (1525)

Mr. Kim Turnbull: Thank you.

We've got to look at this and see whether this is accountability or just a lot more red tape and bureaucracy. And we have no problem with accountability—I think our track record speaks for itself—but this may be more like micromanagement.

Most people like to complain to government. We're not here to complain but rather to say that we have a solution. We've had a solution all along. The original intent of the program was thought up by a group of farm leaders in Ontario who worked with the federal government and the minister to bring this forward and across Canada. And it has worked wonders across the whole country. It's just that there are a lot of hoops and hurdles we're now having to jump through and over, and this can be detrimental to the taxpayers of Canada.

If we don't allow the adaptation council to handle the decision-making administration, then things won't be as clean, as efficient, or as effective. We can deliver programs in a very short period of time. And now a lot of rules and regulations are slowing that process down. For example, under communications, we ask our applicants, they send it to us, and we in turn send it to Ottawa. And all they're doing is a press release on their own project. So it's just a lot of bureaucracy and paperwork that's causing problems.

We have a track record of delivering the agricultural funding. We did so in accountable, effective, and efficient ways. And both parties, the government and the agriculture industry, were very accepting of the process. But now we seem to have a lot of rules and regulations—it's kind of wrecking the whole program.

We've got administration costs that were very effective, around 8% on the dollars we push through. Some of our previous programs with the provincial government were also contribution agreements, and our administration rate is closer to 15%. Now the federal government wants us to run the programs at 10%. So we're kind of caught between a rock and a hard place, and so are our applicants.

We're willing partners, happy to work with the Government of Canada. We want to work constructively with senior staff. We don't want to wreck any partnership. But we need to look at the strengths the various players bring forth.

I'll turn it over to Gord.

• (1530)

Dr. Gord Surgeoner (President, Ontario Agri-Food Technologies): Thank you, Kim.

I would just reiterate that I've had the privilege of serving on the adaptation council, and I sit on many boards at the provincial level and some at the federal level, and in the private sector.

The problem I see is that process rather than results appears to be the priority. I'm talking about non-business risk management here, innovation, and that entails risk. If we're totally risk-averse, that's the oxymoron for innovation.

In the interest of time, my five minutes, I have provided you my background, but basically my board is composed of five farm organizations, two universities, and three from the corporate sector.

I'm going to address five areas.

Per cent distribution in the value chain. How do we allot money between what I will call discovery research through to marketing? I do emphasize one key point here, which is that at the end of the day whatever we produce in agriculture we must sell. The quote I live by is, don't let your science and technology interfere with your sales. At the end of the day there has to be a product, and I believe in environmental, and social, and all those other values, but at the end of the day in agriculture, to get fair return for labour and investment you must sell a product.

For example, one of the key things is that now we're not allowed to actually fund projects that are of a marketing nature, even if they are grow-local campaigns and that type of thing or for external markets, because we're seen to be competing with other areas of Canada. But at the end of the day we have to sell product, and a lot of that we should be selling locally, and funding would be good for that.

One of the questions I ask is, how should we allot money between discovery right through to how we capture it, make companies, make new products, and then sell it to the world and sell it to our own Canadians? Right now the vast majority of our money goes to discovery, and if you think of discovery, I have a quote that I didn't make, but it's that research is global. It's implementation. How do we

make it happen here, so that it is local? We don't have to rediscover it just in Canada.

Third party delivery is the second thing I want to talk about. The key area here, as Kim has talked about—and I'm sure you realize this at your constituency level—is that the closer you get down to the real people, the better you understand the problems. We have elected boards. Those boards then have to report back to their constituencies. The key has been that when we sit down and analyze a problem as a board, we have somebody from the hog sector, the dairy supply management sector, vegetables, and we all take our hats off and ask, what's best for agriculture?

So I think third party delivery is one of the key things. I want to compliment Ag Canada in that they have done that, but it seems to be regressing to some degree at the present time.

I would, however, again give a compliment, because I do want to work positively. Our organization does get some of our funding through Growing Forward, and we have now combined our provincial and our federal accountability. A year ago I had to do a full set of reports to the federal government, a full set of reports, full audits, and they were all combined. We're all working for the same people; they're called the taxpayers of this country. So now we've at least compressed that down to a single thing, and I think that's extremely good. But the bottom line is that the closer you're down to the people at the local level and you have the person from the soybean board, or the corn, or the hog producers, the better you can understand the problems and find the right solutions.

Accountability and transparency. We all totally agree with those concepts. I do want to emphasize—and this is my personal opinion—that between all the accountability that's done at the local level and all the audits we go through, we never see any full disclosure of the audits at the federal side in Ottawa. So how much is it costing you to deliver programs when you're telling us to get it down to 10%? How can we work together to streamline this process? Again, as Angela would indicate, we have almost three layers of accountability above us before decisions are made.

Another key thing is continuity. It was brought up that March 31 seems to be a clear date for moving forward with our funding. March 31 was the start of the new Growing Forward and funding to the CAP, the adaptation council, and all of those. Guess what? That actually wasn't signed until November 18, so from March to November we could not technically make a deal and get money out there to our producers. Our board had held money back because we figured it wouldn't be signed just in time, and we kept money so that we could continue to roll it out. Other councils couldn't do that, and they actually had to shut down. Agriculture doesn't work by a calendar clock, it works by a growing season—as most of you will know—so if you miss the planting season, you miss a year in getting funds out the door.

•(1535)

As we go into new accrual accounting, we're supposed to zero out on March 31, 2014. We'd better have something in place, because if three months ahead you don't know if you have a job, your very best people will go out and seek a job. So continuity is something that, in my opinion, is absolutely critical.

Speed and flexibility. In Ontario, we now have a mandate: 45 working days from the time of receipt of a grant program, you get the money. You make a decision so the applicant knows whether she or he can go forward with the project. Sometimes we hear seven months or eight months. Moving at the speed of business, moving at the speed of agriculture, we find there's no urgency. I really have to emphasize that we need to have rules.

I have one last one. I can name six programs associated with food processing. We should have just one, and we should have it flexible to the applicant, rather than everybody trying to squeeze into a little box.

And my last quote is: "We are continually faced by great opportunities brilliantly disguised as insoluble problems." We will work together with you.

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

Now, from the Fresh Produce Alliance, we have Mr. Morris and Mr. Whitney. Five minutes, please.

Mr. Wayne Morris (Project Coordinator, Fresh Produce Alliance): Thank you very much.

I'd like to echo the comments of the two previous groups in thanking you for the opportunity to be here today. We really appreciate the time with you.

Both Stephen and I are here representing the Fresh Produce Alliance. For those who may not be aware, that particular alliance is a collaborative endeavour of the Canadian Produce Marketing Association, the Canadian Horticultural Council, and the Fruit and Vegetable Dispute Resolution Corporation.

The alliance's goal is to build an improved business environment for the Canadian fresh produce industry and the North American marketplace. Today we're here to talk to you about one of eight projects we have been working on, and it's called the destination inspection system. We want to talk to you about its importance to the Canadian industry and to solicit all-party support for a pending regulatory amendment that will assist in implementing a new business model for this important service.

I have a few words of background. The Government of Canada has provided destination inspection service to the fresh fruit and vegetable industry for approximately 80 years. The results of these quality assessment inspections provide the basis by which the produce industry can settle disputes. The government's role in destination inspection is derived from the licensing and arbitration regulations and the fresh fruit and vegetable regulations, which together create a framework for the marketing of fresh fruits and vegetables in interprovincial and international trade.

There has been a long history of cooperation and shared responsibility between government services and the private sector.

However, over the last three decades, there has been a progressive shift by government to reduce its commitment to such quality assessment programs as a result of increased emphasis on food safety, animal health, and plant protection.

This particular service is of extreme importance to the industry. The board of arbitration, established under the Canada Agricultural Products Act, and the dispute resolution corporation, established pursuant to article 707 of NAFTA, function as commercial dispute groups for the fresh fruit and vegetable industry. They rely on destination inspection reports as evidence when hearing disputes and rendering decisions.

Historically, 70% of all commercial disputes for fresh fruits and vegetables are related to product condition. Therefore, access to a credible inspection service is critical to the successful operation of this evidence-based model. From an industry perspective, credibility is defined as a national system that is recognized by industry, governments, and the courts.

The inspection system has to be government-run, and that's an important point because it is one of the key elements upon which the United States Department of Agriculture provides reciprocity for Canadian exporters for their use of the U.S. commercial dispute resolution services under the U.S. Perishable Agricultural Commodities Act, PACA. This arbitration system, supported by an effective national inspection system, is a very useful tool in its own right for risk mitigation in the marketplace and enhancing overall industry prosperity. It plays a crucial role in protecting growers, packers, and shippers from unfair buyer practices, protects buyers from unfair competition, and contributes to minimizing market disruptions stemming from unfair commercial practices.

We are, therefore, here today to seek government support. There is a pending regulatory amendment. Its reference number is 20154, and it encompasses amendments to the licensing and arbitration regulations and the fresh fruit and vegetable regulations, which would ensure the long-term sustainability of this critical quality inspection service.

In conclusion, we simply solicit all-party support for the approval of this very important regulatory package. Thank you, Mr. Chair.

•(1540)

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

We'll now go into questioning. I have a suggestion, if it is agreeable to everybody, that we move to five-minute rounds because of the time. Is that acceptable to everyone? Okay, I see it is agreed to.

Who do we have here? Mr. Easter, you have five minutes.

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

Thank you, witnesses, for coming.

Off the top, I knew things were bad; I just didn't think they were quite this bad. We've been going through the performance report for last year, and the numbers we're finding there are absolutely shocking as well. It's moneys not spent, and I don't know who you blame for it. Well, certainly Ritz is obviously responsible, but in fairness to him, as I think one of you mentioned, is it red tape or whatever? Bureaucracies take on a life of their own.

But on grants and contributions last year, there was \$101 million lost. That's a lot of money. On the environment contributions, \$15 million lapsed. On food safety, \$13 million lapsed. And on business risk management, which the UPA talked about, the expenditures in that area this time around are \$961,400,000 less than the year before. That's money that could have gone to the hog and beef industry with just a little restructuring, changing the viability test.

That's the sad reality of the world. And we can play politics with it if we like, but the sad reality of the world is that, as one of you said, it's results that should matter. There seems to be more interest in process. And actually, in all truth, guys—and I'm not blaming you necessarily for this—this town has a problem in that process is more important than results, and there's no industry affected more severely, I don't think, than agriculture.

So I have a couple of questions.

On the BRM problem that you mentioned, on business risk management, UPA, what could be done to maybe streamline that? We have expenditure levels we can get to. What can be done to get to that?

And on the last point that you made, Mr. Morris, on the regulatory package, what we're finding is that Canada, as always, seems to be the boy scout in the world. The Americans will shut us down. They'll use the regulation and shut us down just like that for anything. Other countries will do the same. But we don't do it the other way around.

Is this regulation important, from that perspective? What's the problem in terms of not getting this regulation done in time?

Those are my two questions.

• (1545)

The Chair: Who are you asking that to? Mr. Lemieux?

Hon. Wayne Easter: UPA and Mr. Morris.

[*Translation*]

Mr. Pierre Lemieux: As for the AgriStability program, among others, we need to identify known mechanisms that can respond quickly. A little earlier, I said that the program was not suitable for extended periods of decline in income. I think we need to establish reinsurance mechanisms. It may be necessary to establish margin support adjustment mechanisms based on known standards. This would give rise to easily adaptable programs that are known to producers. Producers would have choices to make, if they opted for a reinsurance mechanism. It would already be predictable. People would have preset principles and would know the risks they wanted to insure. I think it would be a matter of simplifying the programs.

The AgriRecovery program does not work. In fact, there is a combination happening. If you consider the loss of income caused by mortality or poor production practices, it is covered in part by

AgriRecovery. For the other part, you have to use AgriStability. I think it is essential for the AgriRecovery program to provide for all those things, for it to truly help a business recover in the event of a natural disaster. I think the principle of AgriRecovery is a good one, but the interventions need to be structured based on the risks that the business assumes, which are caused either by production losses or by the inability to engage in agriculture.

[*English*]

Hon. Wayne Easter: First I might say to Mr. Lemieux—we've got two people named Pierre Lemieux here—that I can tell you our experience with AgriRecovery in P.E.I., and absolute potato loss has been an absolute disaster.

The Chair: Your time has expired.

Mr. Morris, I will allow you to respond to his question.

Mr. Wayne Morris: Thank you, Mr. Chairman.

In answer to your question, this particular regulatory package that we're talking about was not put in place to play hardball with anybody. It's simply to put in a sustainable system that will improve the business environment on the marketplace to the benefit of the grower, the grower-shipper, the wholesaler, and all the people who are buying or selling in our marketplace.

You mentioned the United States. Actually, we're quite fearful that if this does not go through, we may have a problem with the United States in trade back and forth. I will elaborate a little bit.

Because we have this particular inspection system in Canada, along with a couple of other complementary programs, the Americans recognized us, in a way, as a preferred nation in trading. When fresh fruit and vegetable exporters export to the United States, as Canadian exporters we can avail ourselves of the services they provide under AMS and PACA, the Perishable Agricultural Commodities Act. They can get a comparable inspection service and also lodge disputes in their system without having to pay double the amount of the claim, as other countries may have to do. We're quite fearful that if we don't strengthen our systems here in Canada, there is the possibility that the Americans will become increasingly uneasy with having us as a trading nation and recognizing our system as being totally comparable to theirs.

The Chair: Thank you very much.

Go ahead, Mr. Bellavance, for five minutes.

[*Translation*]

Mr. André Bellavance (Richmond—Arthabaska, BQ): Mr. Lemieux and Mr. Tougas, thank you for being here. I know that you are planning a very important conference, which will take place in a few days. And elections for the presidency will also be happening soon. I am sure that makes things all the more stressful for you, but it is still very important for us to hear what you have to say. Thank you very much.

Whether you like it or not, every time there is an election, whether in Quebec or Ottawa, you have to follow what goes on very closely and listen to what the parties are saying about agriculture. As representatives of the UPA, you follow what goes on, but you also question politicians about the measures they plan to use to address your concerns. I had the opportunity to meet you a few times on the campaign trail.

My question is about the AgriFlex program. As a member of the Bloc Québécois, I may not be objective. During the election campaign, I ran against the Conservatives, the Liberals and the NDP. I really got the sense that the Conservatives were promising a real AgriFlex program, as put forward by the Canadian Federation of Agriculture, a program that included risk management.

Seeing as you are not affiliated with any political party, I would like to know whether, during the September 2008 election campaign, you also got the sense that the AgriFlex program would truly be flexible, as put forward by the CFA?

• (1550)

Mr. Pierre Lemieux: When we met with all the parties during that election campaign, one of the things we were calling for was the implementation of an AgriFlex program. We wanted such a program in place to compensate for how ineffective the AgriStability program was. We got the impression that the people involved were receptive to our request.

Much to our surprise, when AgriFlex was launched, we learned that the only flexible thing about it was its name. The flexible components we sought to make up for the shortcomings of the AgriStability program were missing. We really found that deplorable on the part of politicians.

Mr. André Bellavance: Just before the budget was tabled, Minister Ritz made an announcement. Once again, it had to do with an Agricultural Flexibility Fund, and there was absolutely no mention of excluding income support. Unfortunately, when the budget was tabled a few weeks later, we saw that it excluded income support, which, obviously, does not live up to your expectations at all or take into account the concerns and needs you expressed well before the previous election campaign.

A government will often tell the public that it is worried about the costs associated with a program. And so, when you say you need an Agricultural Flexibility Fund that makes up for the shortcomings of the AgriStability program, the government's response is that it has to respect the ability to pay Canadians, that it is not a bank and that it cannot necessarily afford to do it.

But I would like you to explain something to me. I understand that the federal government has been spending close to \$1.5 billion on ad hoc programs for years. That money could go towards a program such as the Agricultural Flexibility Fund in order to make up for the shortcomings of the AgriStability program. That would not require any additional spending. Is that correct?

Mr. Pierre Lemieux: Indeed, we thought that if the money currently being spent on ad hoc programs were invested in a very structured way in other existing programs, there would be enough money to meet the needs. That is our understanding.

In addition, the UPA has recently asked Laval University to carry out an economic study on the cost-effectiveness of investing in agriculture. The study focuses on core agricultural support and is being conducted by EcoRessources Consultants, in cooperation with Mr. Maurice Doyon, a professor at Laval University. The study shows that investing in agriculture is far from a waste. It is cost-effective for governments, which derive major net profits from agricultural investment.

It also generates wealth in all sectors of the economy, especially in Canada's regions and sub-regions. That wealth has huge benefits for all local communities, be it through direct support to producers, processing activities or the economic spinoff for agriculture, which is even more important.

I could send you the study, and you would see just how interesting it is. A dollar in agricultural spending yields the highest return for governments, as compared with support for other economic activities.

The study even goes so far as to compare certain aspects of sustainability in some communities. In Abitibi-Témiscamingue, for example, a new job in the agricultural sector has almost the same effect, percentage-wise, as a new job at the Montreal harbour does for the city of Montreal. When you take the time to look at the study, it is really something to see all the benefits of agricultural investment.

When done right, agricultural investment benefits everyone, both in terms of security for producers and the economy as a whole.

• (1555)

[English]

The Chair: Thank you.

Mr. Atamanenko, you have five minutes.

[Translation]

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

Mr. Lemieux and Mr. Tougas, I want to wish you a very successful conference next week. I would also like to thank the UPA for all of its work in the area of food sovereignty. I know that your president chairs the coalition. It is one of the issues I am involved in.

[English]

Madam Stiles, I would like to see if I can get clear in my mind what you're talking about, so I have some questions.

When did this change of policy come into effect, roughly? You mentioned before and today. So when did this start?

Mrs. Angela Stiles: My understanding is that in October 2008 there was a new policy called the transfer payment and directive. That's pretty much when we got captured under our CAP agreement.

Mr. Alex Atamanenko: Were you given an explanation for this change?

Mrs. Angela Stiles: What we were told is that grants are not appropriate wherever funding is passed on to recipients to be then further disbursed to one or more entities; this is what we were told. As a third party delivery agent, it was not appropriate for us to receive money as a grant and then hand it out again as a grant. That's how it was explained to us.

Mr. Alex Atamanenko: Would it be possible for you to talk about, without using specific names, a group or an individual who would have received grants or assistance under the old way and under the new way, so that I can understand the difference? You're saying it's more complicated. How is it more complicated? Just give us an idea.

Mrs. Angela Stiles: Just before this meeting, I was talking about the tender fruit industry. To give an example, we would do a pear research initiative under our old program, which we received as a grant. This actual research project has been going on for close to nine years. Pear research in the Niagara region takes time. There are changes in the weather and there are changes in researchers. Because we received our money as a grant, we weren't putting pressure on them to get the research done by March 31.

The reality is now that if the tender fruit board applies to us under this new program, we are going to basically tell them that they have to have their project done in three years; therefore, if they get to us in around 2011 or 2012, I'm going to tell them that they have nine months to do their project. So a lot of research projects, especially in the tender fruit industry, are going to have to get down to their projects immediately when the program opens, because near the end of the program we have a use-it-or-lose-it deadline.

Mr. Alex Atamanenko: I met just yesterday with a representative of the forest industry, and they're saying that it has changed also for them. They have pressure to spend money quickly over the short term. I know that it seems, in the case of some of the stimulus money, that the communities are feeling this.

Is there an idea that money has to be spent within a certain time; otherwise you don't have it?

• (1600)

Mrs. Angela Stiles: Absolutely. We have tremendous pressure, as Gord and Kim mentioned. The signing of the agreement was delayed. We just signed basically a week and a half ago. With that signing came a requirement that we have to basically commit \$7.9 million before March 31, 2010, which is a huge amount of money for which to try to gather up projects and require matching funds. This is an incredible task. What we have found is that we are almost penalized, and our applicants are penalized. We have tremendous pressure, as a delivery agent, to get the money out the door and find projects to meet those needs. It's a phenomenal amount of money that we have to find projects for in a very short timeframe.

Mr. Alex Atamanenko: Obviously you've expressed your concerns to those responsible. What has been the response?

Mrs. Angela Stiles: Absolutely, we've had numerous letters back and forth for the past three or four months to the assistant deputy minister level at adaptation division. Their response is simply that this is the new directive they've been given, and we have to work within it.

Mr. Alex Atamanenko: Are you optimistic or pessimistic as to the future of this?

Mr. Kim Turnbull: We try to work with them on the program, because there's a national program alongside that's administered by the adaptation division in Ottawa, and then each of the provinces and the north have their own councils and their own pot of money. Given that we've been doing business with all of our clients for a long time, once we can explain to them the process—and the rules, now that we have them—we're hopeful that we can.

The biggest downfall is that this is a program that should have started on April 1. They have front-loaded the first year of a five-year program; we're now in November, and we have to explain the rules and regulations to our clients and try to expend a huge sum of money in the next few months. Unfortunately, there will be probably be money left on the table at the end of the day.

So that is the biggest disappointment. We've lost a lot of flexibility that we had under the previous program.

The Chair: Thank you.

Mr. Storseth, you have five minutes.

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

Unfortunately, in five minutes I won't get a chance to talk about all the good points that I thought I heard and some of the things we should definitely look into, such as costing of the program and how much it costs to administer. I thought that was an excellent point that we should be looking into further.

But as I sit here, it's like a reminder of all the oldies but goodies. Ms. Stiles, you talked about some pertinent things that make it more difficult for your organization, when receiving grants, to redistribute to other organizations. But I think everybody around the table knows why Treasury Board had to change those guidelines: it's because of the sponsorship scandal under the former Liberal government. We found that these things needed to be changed because sometimes they weren't being....

An hon. member: [*Inaudible—Editor*]

Mr. Brian Storseth: No, they weren't doorknobs: it was cash that your party admitted to stealing.

Hon. Wayne Easter: I have a point of order, Mr. Chair. That had better be withdrawn from the record, because nobody was charged with stealing and nobody in the Liberal Party was charged with stealing.

Mr. Brian Storseth: I said the party, and the party didn't admit that funds were missing.

Hon. Wayne Easter: The party was not charged with stealing. There may have been a few crooks in the system; Chrétien said they should be arrested and thrown in jail, and that's what happened.

The Chair: Let's have some order here. Stick to the questions.

Mr. Brian Storseth: Let's get to agriculture.

Just for clarification, when we're talking about changes to the grants, it means anything over \$100,000, correct?

Mrs. Angela Stiles: No, it doesn't, because our program, the program we're talking about, is close to \$28 million. We do have requirements for certain projects. If they exceed \$100,000, then I guess they're entitled to a repayable grant, or what we would call a loan, for the for-profit organizations. That threshold is what that's referring to.

Mr. Brian Storseth: We're talking about these programs, and throughout the government there are tonnes of programs. There are some good programs out there, such as the stimulus. We've had a lot of compliments on that. We have some programs that definitely need to be a living charter. They definitely need to be adapted, to be frank.

We've had the minister here, and he said himself that if changes need to be made to the programs, we need to sit down and talk to industry and find ways to make these changes. I definitely think he's open to changes. Is that not the impression that you've had in your discussions?

Dr. Gord Surgeoner: I believe people are trying in good conscience to make positive change. I do emphasize, as I did, that there are a number of positive changes, but there's actually regression too, so it's a two-way street right now.

I think it's great and wonderful when we have single accountability, with the province and the feds working together, and that's the first time we've had that.

I know there are different components to the AgriFlex program, but I have major concerns for our food processing industry right now because of the U.S.-Canadian dollar differential. We identified that early, and it was handled. I give full credit to Agriculture and Agri-Food Canada for that happening. In fact, I came up to say thank you on behalf of our food companies.

Yes, there are all kinds of good and bad, and everybody tries to do their best, but somewhere we need to sit down to discuss something as simple as whether we can have a 45-working-day decision time. I just don't understand. An application lands, and we have to get an application decision back to our applicants within six weeks. We work with them all along, so they know. They say that now we can't do that, because it has to go up through a couple of layers in the adaptation council.

So let's all work together. I want to emphasize that there have been many good things, but I see some regression coming back. I agree with you. Excuse me when I say this, but it's Gomerized. We're overwhelmed in looking at process, rather than actually getting the money out the door and making it happen.

• (1605)

Mr. Brian Storseth: Then you agree that changes need to be made, but you'd rather work with it than, say, the gun registry, which we'd rather just throw out.

Dr. Gord Surgeoner: I think we all want to work positively. My hope is that we will all work together, because at the end of the day, we all want to see our farmers being successful. We have to make sure they have customers for their products, and the closer you get to having Mr. Lemieux, for example, as part of the decision-making, rather than somebody senior in agriculture who's never really been

on a hog farm, the more he can participate and the better it's going to be.

Mr. Brian Storseth: I'm sure my time is going to be coming up, but rather than asking for the one thing you'd like to see changed, if you have a list of changes that you'd like to see, I'll ask you to submit it in writing to the committee so that we could have it for our draft report at the end.

Dr. Gord Surgeoner: Yes.

Mr. Brian Storseth: Thank you very much.

The Chair: Thank you very much.

We're getting down in time. I'm going to have a question here from Mr. Valeriote and then one from this side.

Mr. Francis Valeriote (Guelph, Lib.): Time is so restricted, ladies and gentlemen, especially for the effort that you've put forward to get up here.

Following on Mr. Storseth's question on this issue of the contribution agreement, do you have to go through the same onerous agreement with the province, or is it just with the federal government?

Mrs. Angela Stiles: We do have to do this for the province for the Growing Forward framework also.

Mr. Francis Valeriote: Did it change in the last year and a half, since 2008, as this contribution agreement changed with the federal government? Was it a less onerous process before?

Mrs. Angela Stiles: I would say no, there's definitely a more complex agreement now in place.

Mr. Francis Valeriote: In that 110-page document, are you prepared to identify the sections you feel are reasonable and appropriate, as well as those sections that you think are overly aggressive and unnecessary, so that this committee can learn specifically what you're asking and make a proposal to the minister?

Mr. Kim Turnbull: We can certainly attempt to do that.

Mr. Francis Valeriote: I don't mean this minute. I'm talking—

Mr. Kim Turnbull: No, no, we can do it. Going back to the grand scheme of things, the adaptation council was thought up by a group of farm leaders, so it was very basic, very commonsense, the rules were simple, and it was broad in scope. Unfortunately, over time the scope has narrowed. We're out there ahead of the thing on the risk curve, so we're funding things that are risky, and then the government would create a whole new program to take over some of those firsts. We're the leading edge, and now we have, as the gentleman said, a broad range of programs.

There are almost too many. We need to come back to have a broader single program or fewer programs, and with fewer rules. It's just that our flexibility is reduced, and our membership—our constituents who apply for these dollars—need the flexibility because of the business we're in and the risks we take.

Mr. Francis Valeriote: Gord, are you expecting the same delay next year with respect to the announcement and availability of money? As of March, are you anticipating that it will be changed next year?

• (1610)

Dr. Gord Surgeoner: No. These are four-year programs, so now there is a system in place. But as Kim indicated, it's front-loaded, so suddenly there are five months, when we should have twelve months to get the very best projects out the door.

It will go, but what I'm trying to ensure is that when this ends in 2013 we don't have another seven-month hiatus, because now, without grants, we are going to zero out. You zero out, and everybody in Ottawa will still have their job, but all these great staff who report to our board have no income, because we had to absolutely zero out—“And oh, by the way, seven months later we'll start the money flow again.” That, to me, is the greatest fear, and let's make sure it doesn't happen.

The Chair: Thank you, Mr. Valeriote.

Mr. Albrecht.

Mr. Harold Albrecht (Kitchener—Conestoga, CPC): Thank you, Mr. Chair.

I want to thank committee members for their indulgence. I'm not a regular member of this committee, so thank you.

I want to go on record as saying that I've personally seen the value of the Agricultural Adaptation Council in my area, and certainly your submission affirms many of the thoughts I've had about leveraging money and that sort of thing. For me, it's very similar to the CFTCs, the community futures development corporations that we're familiar with, whereby you put money into the hands of local people who understand the local culture and business environment, are close to the ground, and can make informed decisions on behalf of a group who may not understand that—someone who is here in Ottawa or in Toronto and who, as Gord said, hasn't been on a farm. So I certainly applaud the efforts of the adaptation council, and I have seen great projects.

You pointed out a number of things that are crucial in terms of timing, understanding the local scene, accountability, and then you went on to the fact that the agreements weren't signed until November. That, hopefully, will not be repeated.

But I have a question regarding the new process, this new policy that was put into place, apparently in October 2008. Did Agriculture Canada seek the input of the adaptation council, or at least inform them well in advance that these changes were coming and seek feedback? That's the first question.

Secondly, regarding the five-month timeframe in which you have to get this money out, is there a pent-up demand? Are there a number of projects sitting at the door that you've had the opportunity to at least pre-screen, so that we can get this money flowing?

There are two questions. I don't care which one of the three of you answers.

Mr. Kim Turnbull: On the latter question of pent-up demand, we've been through this process. There was CARD I, a five-year program, CARD II, and then ACAAF. We've been through it before. When it went from CARD II to ACAAF, again it was announced in January, and we received the money but didn't have the rules and regulations until November of that year, I think. But because it was a grant, we had some money left over from previous programs and didn't have to zero it out at the end of March of the fifth year.

Again this time we had some dollars left in the Ontario account and we were able to continue to accept applications for projects. We've depleted almost all that money, but hopefully, now that we're able to announce the new program to our constituents, we'll get them in the loop and bring them on board.

Did you want to cover administration?

Mrs. Angela Stiles: Yes.

The council was definitely consulted about this change, and we were very vocal. We wrote letters to the minister. We wrote letters to the ADMs. We were part of meetings in Ottawa.

Our council was fortunate, because we were one of 14 across Canada who had experience, under the agriculture policy framework, delivering contribution agreements. We were running contribution agreements and grants side by side. We could tell, and we could confirm, that we'd be doubling the administration, doubling the workload, and slowing flexibility and client service. We had perfect knowledge of that. We disclosed that. We expressed concern. We were consulted again. We emphasized and shared all of our learning.

I think that's what was frustrating: we were running the programs, and we could compare, but we just couldn't get through the points we had to make about our experience delivering contributions.

Mr. Harold Albrecht: I want to go on record again as complimenting your group for the work you do. I've seen it in my area, and I applaud your efforts.

I can't speak for my committee members, but I'm sure they'll put their heads together to try to find a creative way forward.

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

We do have to move on to the report that we're trying to get done.

I'd like to thank all of our witnesses for coming here today. It was very valuable and it was appreciated. Safe travels home.

Thanks again.

[Proceedings continue in camera]

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