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Chair

Mr. Larry Miller

Standing Committee on Agriculture and Agri-Food

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• (1530)

[English]

The Chair (Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC)): We will call the meeting to order. This is the last segment of our study on the future of agriculture, and in particular on how we attract young people.

I want to welcome all of our witnesses.

I will remind you that we are breaking this session at five o'clock to go into the initial discussion on Bill C-474.

I would ask our witnesses to try to keep their comments to ten minutes or less for each group or individual, and we'll go from there.

We're going to start with the Alberta Ag Business Consultants. We have Mr. Art Lange and Mr. Owen Nelson. You have ten minutes, please.

Mr. Art Lange (Farm Financial Consultant, Alberta Ag Business Consultants): Good afternoon, ladies and gentlemen. We are members of the Alberta Ag Business Consultants group, which is a voluntary organization of people who used to work under the Canadian farm business advisory program under the previous APF renewal chapter.

My name is Art Lange, and my colleague here is Owen Nelson. I'll let Owen start.

Mr. Owen Nelsen (Farm Financial Consultant, Alberta Ag Business Consultants): My name is Owen Nelson. I have a small farm near Vegreville. I have experience in the agriculture industry, I have my Bachelor of Science in agriculture, and I have worked in a number of different facets. I have business consulting experience in the U.S. and Australia, and I've also been fortunate to have been involved with young farmers organizations, such as the Canadian Young Farmers Forum and Rock the Farm, which is hosted by the Future Agriculture Business Builders in Alberta.

I feel that it is very fortunate that we live in a country that asks our young farmers what they think about agriculture. I really value this opportunity and hope that something like this continues.

Mr. Art Lange: Other members of our group who helped with our brief are Larry Lindquist, Larry Morin, and Gordon Williams. And there was me, of course. Collectively, we have experience doing over 500 business plans for farmers, so we think we have a good base of knowledge about what goes on in farming and about the advantages, and challenges, especially, that young farmers face.

Mr. Owen Nelsen: To put together our submission we focused on our reliable expertise and looked at the 40 years of experience we

have in the group. We have come up with a definition of a viable farm, which we feel is a farm that's able to cover its operating expenses, including rent, depreciation, and unpaid labour, and all living expenses. That's what a viable farm to us means. It is not just on a cash basis; it has to be on an accrual basis. We look at the same trends the business bankers look at. That's how we evaluate farms in terms of their success.

Mr. Art Lange: We feel that future farmers, young or maybe not, will come from three main groups. First are those who are farming on a commercial scale and are building on a farm business that may have been started one, two, or even three generations ago. These people are likely to be producing generic commercial crops and livestock on an extensive basis.

The second group is what we tentatively call lifestyle farms, which are usually fairly small. These farmers produce specialty products and are doing some specialty niche marketing work. They probably can't sustain themselves, at least initially, on their own and have or will require some off-farm income. They may or may not transition into full-time farmers, depending on the success of their particular endeavours and their dedication to it.

Third are immigrant farmers. In Alberta, at least, they have been part of the renewal of the industry. Alberta Agriculture had a mission, which started in about 2002 and is still going on, somewhat, to attract Europeans, mainly, to Alberta.

We feel that the first group I talked about will be the major renewal of the industry. They are the large-scale farmers. There are some challenges for those farmers. Some of them are their traditional views on agriculture—farmers need to have a land base; they need to have equipment. The younger view, on the other hand, tends to be that I don't have to own all my own equipment. I can rent some land. I can lease. I can have some work done on a custom basis, which reduces the capital requirements quite significantly.

Another point that we find is very important for a young farmer, or any farmer, is that farmers tend to be very much hands-on people. As well as hands-on work, there is also business acumen and business assets that have to come into the business as far as financial planning, marketing, and planning other business ventures are concerned.

As I mentioned, the second group, the specialty farmers, may or may not transition into full-time farmers.

The third group includes farmers who have a good knowledge base. They may not be familiar with local customs and things, so usually business planning is an asset for them as well, so that they can deal with local lenders, learn business practices, and so forth.

•(1535)

Mr. Owen Nelsen: The challenges that we see for young farmers are basically how they can make enough money to make a living from farming—and coming up with a plan that does that—and how to apply what they already know and make it into a successful business. We feel it's essential that young farmers have a business plan that is looked at by an outside third-party person. Very often it's beneficial to get some outside input into your situation and to see what the strengths and weaknesses of your business are.

Another major challenge for many young farmers is family succession into a farm. Many of these farms, as you already know, have been in the family for so many years that they want to keep it in the family. Trying to find a way to bring another income in and bring another family onto the farm to generate enough money for the business is a struggle.

There are some tools that we've highlighted for young farmers. To basically get started they need financial assets in some form, whether it's savings or equity in existing operations. They need some way to start a farm with some cash. Then access to ongoing support groups we also feel is really important. Groups such as Executive Link, where they get outside peer support from other farmers, are very valuable. Being part of young farmer organizations is another valuable asset for many young farmers.

Mr. Art Lange: We see a number of business problems that young farmers do encounter—not having individual business plans—and on page 8 of our brief we list a number of those. We won't have time to go into them all in detail.

A business plan is important, as is having the flexibility and the foresight to look into that business plan, review it, update it, and change it, if necessary. If something isn't working, there's no point in doing the same thing over and over again. Succession arrangements can be difficult, not only from the financial viewpoint but also with the interpersonal situations that result. I've worked in a number of those myself. It's often the interpersonal relations that need to be mediated. Sometimes they don't work. I just finished working with a situation that wasn't going to work.

Mr. Owen Nelsen: Some of the recommended actions that we feel are important for young farmers and the future of agriculture are government support for events that encourage young farmers, like the Canadian Young Farmers Forum and Future Agriculture Business Builders. We also feel that government assistance is required for succession planning under the Going Forward program. Government assistance is very helpful for taking additional training opportunities to help young farmers develop the business skills they need. The Canadian applied skill service program was an excellent program that allowed young farmers to take the training needed.

Mr. Art Lange: That completes our submission. Thank you very much.

The Chair: Now we have Cherilyn and David Nagel.

Are the pair of you speaking for 10 minutes? Yes. Thank you. Go ahead.

Ms. Cherilyn Nagel (As an Individual): Thanks for the invitation to speak to you today.

My husband, David, and I are both fifth-generation farmers from Mossbank, Saskatchewan. We both left our farm to pursue higher education and gain some life experience, but it didn't take us long to realize that the grass wasn't greener on the other side and we headed back to the farm. And of course after all the rain we've had, the grass isn't only greener; it's about a foot long.

Personally, we think agriculture is the industry to be in. It already has most things young people are looking for these days, and with the right messaging I think all the components are there. Agriculture is high tech, from the GPS equipment we use in our tractors, to the incredible genetics found in seed production, to the sophisticated new methods of grain storage and handling. Farms are now run by a computer, not a pitchfork, and the technological advances we are seeing in agriculture are enough to excite anyone about the future, and most of all the upcoming generation of young tech-savvy students.

Agriculture inspires the entrepreneurial spirit. Aside from some regulatory burdens, which we'll touch on later, farmers are free to be their own bosses and run their farms as they see fit. Big or small, agriculture offers young people the freedom to niche market, to bulk export, to add value, or to specialize.

Agriculture is green. Many young people nowadays are concerned about the environmental footprint they're leaving on the planet. Historically, farmers have been good stewards of the land. You don't get to be a fifth-generation farmer unless that's the case. And the good news is that our practices are getting even better. Moving to zero-till from cultivation is one way our practices are getting better. And we're improving soil and water conservation. Using modern genetics has allowed us to reduce our pesticide use and cut our fuel consumption. Promising new technology will soon allow us to reduce our fertilizer use and make better use of available water. Also, as the ongoing oil spill disaster in the gulf has shown, producing fuel from crops can be an environmentally friendly alternative.

Agriculture can be profitable. Young people want and need to make money. No one, least of all young people, wants to enter a career that is dependent on subsidies or has no potential to be profitable. Making money farming is something we're proud of, and we intend to find new and unique ways to increase our profitability as it fits our family's goals and aspirations.

The world needs food. With a rising global population and increasing incomes in Asia and other parts of the world, the demand for grain and meat is going to rise even more. The long-term prospects for our industry are good, especially when you consider the limited opportunities to bring new, arable land into production. What it means is that those of us on the land now are going to be asked to increase our output per acre.

Young people want to be part of the food solution, and agriculture is a logical avenue. For these reasons, among others, we're rather bullish about the outlook for the commodities we grow, despite today's disappointing grain prices.

So there you have it. You're wondering how the government can attract young people to this incredible industry, and we're saying that the components are already there. What we suggest, as a young farming couple, is that rather than trying to do more, you do less.

Less market interference—let the marketplace figure it out. The marketplace is the only way we can get the proper signals we need to make the best decisions.

Less political posturing—we need science-based policy decisions, not politically based policy positions.

Less time needed to get new products to market—Canadian producers are historically early adopters of new technology, and despite our long distance to many markets, we've been able to compete because of the use of our innovation.

Less government interference—I would be remiss if I did not specifically mention the issue of the Wheat Board monopoly. As David will explain, our farm is part of an integrated value chain that produces, supplies, processes, and exports our commodities. The monopoly is interfering with our business, and we ask that the government treat us like all other business owners in Canada and let us be free to sell our product to the buyer of our choice at the price we negotiate without the administration and the bureaucracy the current monopolistic system entails.

As I mentioned in my opening remarks, the enthusiasm and willingness of young people to come back to the family farm is often already there, but due to some existing barriers to entry and some regulatory issues, it's often difficult for them to have a smooth transition.

I'll turn it over to David to discuss some of our personal issues.

• (1540)

Mr. David Nagel (As an Individual): One of those barriers to entry that affected us personally was in the area of succession planning. Farming requires an incredible amount of capital investment, certainly more than most young people can afford. This has been even more daunting over the past three years, as profitability has been high in grain farming, increasing the net worth of our parents substantially. This is of course a good thing for our parents, but for us it made transferring ownership more challenging.

Now, with commodity prices decreasing due to normal or below normal levels, profit margins have once again collapsed. We now have to come up with more capital from even lower margins to compensate. Tax incentives and increased capital gains exemptions

have a direct impact and provide immediate relief to young producers and their predecessors.

We have participated in the farm programs CFIP and CAIS. Unfortunately, we faced the same problem over and over: the calculations did not adjust for expansion properly. Every year since we started farming we have expanded our acres. The farm programs took a five-year average and didn't reflect those expansions.

We have chosen to participate in the AgriInvest program because of its flexibility and because it allows us to choose when the rainy day fund is needed, rather than having it triggered by someone else's calculations. We have chosen not to participate in AgriStability because of the administration required and because it does not work for our farm structure.

As a part of our own risk management strategy and succession plan to retire my parents and welcome my brother home to farm with us, we are experimenting with a new model of farming. We are now farming 12,000 acres as part of an integrated value chain called Wigmore Farms. The company has four divisions. There's farm management: in total, Wigmore farms over 40,000 acres in three areas of Saskatchewan. It has a crop production division: Wigmore owns and operates six retail facilities and supplies fuel, fertilizer, and chemicals. In its processing division Wigmore has processing facilities for chickpeas, lentils, and canary seed, and has capacity for over 100,000 metric tonnes. The export division of Wigmore exports chickpeas, lentils, and canary seed to more than 25 different countries.

Joining up with an integrated company has given us perspective within many areas of the agriculture industry, and it has allowed us to see our commodity move throughout the value chain. We have direct access to consumers, which is becoming increasingly important for food safety and to our end-use buyers. Having a company like Wigmore, which purchases millions of dollars of input costs every year, has given us the opportunity to advance our succession plan, give my parents much deserved income to enjoy their retirement, and have more time for us to focus on the decisions we need to make to grow more quantity and quality of crops.

We hope that for the next generation of young people, including our four-year-old daughter Claire and 18-month-old Addison, we have new and unique opportunities within our own company if they choose agriculture as their career. Coming home to the family farm has taken on a whole new meaning.

We'd also like to emphasize the need for proper messaging around agriculture and how important the industry is to Canada's economic position. We see a role for government to play in advocating a positive image for Canadian producers. Much of the media attention our industry receives is focused on handouts and crisis management, as politicians trip over themselves trying to be seen as saving the noble farmer. As Cheryl mentioned, we need less interference in the marketplace. Please don't get caught up in how the urban public might perceive your policy positions. Farmers need government to let them run their businesses as they see fit.

To attract young people to this business we need policies that respect the entrepreneur, policies that promote a positive image—

• (1545)

The Chair: David, I apologize for having to interrupt you. There's an emergency vote coming up in 25 minutes. As long as I have unanimous consent, I believe we have enough time to hear David out, hear Matt Sawyer, and still get over there.

Do I have unanimous consent to do that?

Some hon. members: Agreed.

The Chair: Thank you.

Sorry about that. These things happen down here.

Mr. David Nagel: That's all right.

To attract young people to this business we need policies that respect the entrepreneur, promote a positive image for agriculture, encourage investment, and recognize the strong environmental leadership that is taking place on our farms today.

Thank you for taking the time to listen to our suggestions on how to make agriculture an even better industry to be in and a more attractive career path for young people.

The Chair: Thank you very much, David.

We'll now move to Matt Sawyer for 10 minutes.

Mr. Matt Sawyer (As an Individual): Thank you.

Good afternoon. My name is Matt Sawyer, and I'm a fourth-generation farmer from Acme, Alberta. Acme is located around 80 kilometres northeast of Calgary. Our farm was established in 1903 by my great grandfather, and we've been blessed to have someone in each generation who wanted to farm.

We have expanded our operation to 4,400 acres on which we grow a variety of grains and oilseeds as well as cattle. We have around 60 head of Black Angus cows. I know that calving with 60 head of cows isn't really profitable in today's numbers, but my mum likes to chase around a few cows, so we keep them on the marginal land there.

I appreciate having the opportunity to present my thoughts on young farmers and the future. In my opinion, the future of farming is very bright as long as we encourage science, innovation, and trade, and portray agriculture in a positive light. It's a challenging task. In order to attract young people to become engaged in all levels of agriculture and to choose agriculture as their life path, I believe the value and exciting potential of our industry needs to be promoted. The leaders of this country, whether they are farm leaders or elected

people such as yourselves, need to be positive, demonstrating that we value Canadian agriculture and want to be world leaders in our industry.

To achieve this goal, we need to start with a public awareness campaign promoting Canadian agricultural products, encouraging the public to buy Canadian meat, poultry, cereals, oilseeds, pulses, and vegetables. We need positive public advertising explaining the value of the agriculture sector to the Canadian economy. There are more negative media articles about agriculture than positive ones. Sometimes it is farm groups themselves that emphasize the negatives in the hope of free government money. I believe this is wrong and needs to be reversed. Today's producers are good stewards of the land, not abusers of the environment, as often portrayed by the media.

Profitable farming of today relates to environmental sustainability. Our use of leading-edge technologies, like GPS, auto-steer, zero and minimum tillage, and biotechnology, have allowed us to reduce the use of pesticides, fuel, and fertilizer. Our farm has cut our annual commercial fertilizer requirements in half by applying an organic composted material that consists of composted cattle manure and recycled gypsum from new home construction.

With these best management practices in place, our overall carbon footprint is reduced. Our commitment to the environment demonstrates that profitable farming and environmental sustainability and awareness can go hand in hand successfully.

Two elements that I feel don't go hand in hand are farming and subsidies. You will never attract young businesspeople into an industry where you need subsidies to succeed. A transparent and responsive crop insurance program, as well as a government-encouraged savings program, are all we need. I do not have time to work the system, and I would rather concentrate on best management practices to be profitable while managing risk.

In Alberta, and I suspect in southern British Columbia as well as in Ontario and Quebec, a land use framework must be established, focusing on urban sprawl. Prime agricultural land must be preserved for future generations of farmers. In order for us to be competitive on a global scale, farmers need good trade agreements in place. Canada has been blessed with a good climate, good land, and, in most years, good yields, so we are able to produce far more than we consume. Our trade agreements must include prompt resolutions to conflicts. Our market access secretariat has been a positive step but needs the resources to respond quickly when unfair trading practices occur. Direct marketing is a key interest of young farmers.

We need an open market for cereals, free from the constraints of the Canadian Wheat Board. An open market would encourage more malt, milling, and pasta plants to take root in Canada. A competitive value-added industry is important to farmers, but there has been virtually zero investment in the last 15 years in the malting industry, at a time when global demand for malt has soared.

Young farmers also need to access local markets. We need to connect better with our consumers. For example, having consumers knowledgeable about where their food comes from and how we produce it can help alleviate the needless fears and concerns over our use of safe new technologies.

• (1550)

The growth of the biofuels industry in Canada has been positive. We want to see more value-added processing in all areas of rural Canada. Not only does this provide more marketing outlets for farmers, it also gives young farmers and their spouses more opportunities for off-farm employment. In my case, my wife Tara is a partner in our farming operation and also operates a high-end food catering business. Entrepreneurs will be successful as long as they have access to markets, the right education, and a transparent regulatory environment.

To produce successful young farmers, Canada needs to be a global leader in innovation and research. We need to attract young scientists from both private industry and the public sector. We need a positive investment climate in which innovation is rewarded and not hindered by unwarranted regulatory barriers. We need research teams developing leading-edge technologies. We don't want to lose our researchers to other countries. This means maintaining our science-based regulatory system. Our willingness as Canadian farmers to be early adopters has allowed us to maintain a competitive edge on the world stage. Legislation must allow innovation and investment to thrive, not wither and die. We must stick with sound science.

Finally, I feel you have to love what you do to be successful at it. The other day, as I was tearing down an old fence line, I was rolling up this unwilling wad of old barbed wire in an open field, concerning myself with all the things that needed to be done before the seeding season began. I stopped and just listened. I heard nothing, silence, not a sound, no cars, no planes, no tractors, just complete silence. It was a very peaceful moment, and I realized that day that I love what I do. Just imagine—complete and utter silence. I don't know how many of you have ever listened to that. I couldn't believe it. I couldn't hear anything, just a slight ringing in my ears. It was peaceful and I loved it. That was the day I realized I love what I do.

You have to treat farming as a business to be successful, and if you have success there is no better business to be in. I had always detested talk of farming for the lifestyle, but that day I was overwhelmed by it.

Thank you, and I look forward to your questions.

• (1555)

The Chair: Thank you.

Just before we go on, we have a quick decision to make. By the time we get back here, the time will have almost run out for our witnesses. I would suggest, with your permission, Alex, that we add the half hour onto the front of Wednesday's meeting, that we come

here right at 3 o'clock and allow the witnesses today...because some of them came. But I need unanimous consent to do that.

Alex.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): Three o'clock probably wouldn't be realistic; I would imagine we'd be kicking off around 10 after. Do you want half an hour before?

The Chair: If this committee makes a commitment, and if everybody agrees to be here at three o'clock, I'll leave question period early and be here. But maybe we can work that out later, Alex. That way we can at least hear from our witnesses.

We're going to adjourn for the vote. Could the witnesses stick around until 5:30? Does that time suit all of you? No?

Mr. Art Lange: My plane leaves at 7:30.

The Chair: In that case, just stay as long as you can, Art. I believe you would still have lots of time, but we understand if you can't stay. We have to adjourn, so if you'll just bear with us, we'll be back as soon as we can.

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_____ (Pause) _____

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• (1630)

The Chair: I'm going to call our meeting back to order.

We have a quorum here. Could I ask everyone to take their seat.

I thank our witnesses for bearing with us. These votes happen from time to time.

I'll turn it over to Mr. Valeriotte for seven minutes.

Mr. Francis Valeriotte (Guelph, Lib.): May I call you Cheryllyn?

Ms. Cheryllyn Nagel: Please.

Mr. Francis Valeriotte: All right. Thank you.

Thanks, everyone, for appearing today. We appreciate the time you've given to us. It's important. It's valuable for us to understand better the nature of the industry and its status.

I have to admit that what I've heard from you today is considerably different from what we heard going across Canada—not from all, but certainly from a majority of the witnesses who have been before us.

I'm just wondering, Cheryllyn, how many acres do you and David farm?

Ms. Cheryllyn Nagel: We farm 12,000 acres.

Mr. Francis Valeriote: And which generation did you say you were?

Ms. Cherilyn Nagel: We're both fifth generation.

Mr. Francis Valeriote: I heard you mention David's family. Your parents had this farm before you?

Mr. David Nagel: Yes, my parents were—

Mr. Francis Valeriote: Are they still the owners of the farm?

Mr. David Nagel: They're part owners.

Mr. Francis Valeriote: And you have a brother, you said, who you're hoping will come back.

Mr. David Nagel: Yes, I have a younger brother who actively farms with us as well.

• (1635)

Mr. Francis Valeriote: Are there any other members of the family?

Ms. Cherilyn Nagel: Yes, we have a non-farming sister.

Mr. Francis Valeriote: And how about you, Cherilyn? Do you come from a farm background?

Ms. Cherilyn Nagel: Yes. My family also had their Century Farm Family Award, and my brother is farming with my parents, about 25 miles south of us.

Mr. Francis Valeriote: David, your family owns the farm or were part owners. Given the size of the operation and the time they've had, would you say they've accumulated a reasonable amount of money on which to retire, and they're not relying on you to have to buy them out?

Mr. David Nagel: No. They are relying on us to buy them out.

Mr. Francis Valeriote: Okay. To what extent?

Mr. David Nagel: It's pretty well for the full retirement.

Mr. Francis Valeriote: Have you sought out strategies to do that?

Mr. David Nagel: Yes.

Mr. Francis Valeriote: Are you finding the tax laws and the strategies that exist now adequate to ease the transition?

Mr. David Nagel: I wouldn't say they're adequate. Definitely the capital gains exemption going to \$750,000 was a help. I think there could be a little more done to help ease that.

Mr. Francis Valeriote: How many thousand acres are there?

Mr. David Nagel: Twelve thousand.

Mr. Francis Valeriote: Would you describe the size of your farm as being typical?

Mr. David Nagel: It's a large farm.

Mr. Francis Valeriote: It's large. Would that be considered the commercial scale of which Mr. Lange spoke?

Mr. David Nagel: Sure.

Mr. Francis Valeriote: Would it be your opinion that commercial-scale farms are likely the size of farms that we're going to see more of in the future, so that our farming industry will be able to sustain itself in the manner that you're sustaining yourself?

Ms. Cherilyn Nagel: I think we're going to see both sizes of operations. I don't think our model of farming is necessarily what a

lot of other young farmers are looking for. It's what really interests us. We're really interested in exporting and viewing the entire value chain, because we have another brother involved in the operation and parents still in the operation. And 1,500 acres, which I think is about the average size in Saskatchewan, would not sustain us in any way. We'd all have off-farm jobs. So this was the model that really interested us, versus say a niche market or an organic farm or farmers' markets.

Mr. Francis Valeriote: Right.

So in the absence of a commercial-size farm—and I think Mr. Lange referred to this—you almost have to have some off-farm opportunities as well. Is that fair to say?

Ms. Cherilyn Nagel: I think there are some viable operations out there that are either creating niche markets on their own or they've really gotten in touch with the consumer and they've been able to increase their margins that way. This is where we saw our future going.

Mr. Francis Valeriote: Where did you go to school?

Ms. Cherilyn Nagel: Olds College.

Mr. Francis Valeriote: So if I went to Olds College and decided to get into farming and I came out and looked for 12,000 acres, would it be very likely that I'd be able to start a farm like that without millions and millions and millions of dollars of capital behind me, perhaps through a family member or something?

Ms. Cherilyn Nagel: Not likely.

A voice: Don't do that.

Mr. Francis Valeriote: You're right. Trust me, I won't.

Ms. Cherilyn Nagel: Are you going to be my competition?

Mr. Francis Valeriote: No, not at all. Trust me, no.

But do you see what I'm saying? It would be rather difficult for me to get into—

Ms. Cherilyn Nagel: It would be very difficult, yes.

Just to lay some groundwork, when David first went back to the family farm operation, it was at about 2,200 acres, so it wasn't necessarily in his parents' vision at the time that he wanted to get to 12,000 and do that. It was kind of our approach.

Mr. Francis Valeriote: When we heard from other farmers before the committee in previous testimony, we heard that if you come from a family and background like yours, then it's likely that a transition into the next generation will be successful. But for new farmers to get into that kind of market it's darned near impossible.

Would you agree with that sentiment?

Ms. Cherilyn Nagel: I think the Wigmore model that we're working on is going to make it easier, because there's an opportunity for those family members who either don't have a viable operation to go home to or don't have a capacity...you know, an acreage base that they could feel comfortable making enough money. With this model they could essentially come into this operation and be a farm module manager in another area of the province. They could go into sales and marketing; they could go into export. Whether it's driving a tractor or selling chemicals, they could be a part of a farm operation on a big level.

Mr. Francis Valeriote: On another issue, and anyone can answer this question, one of the sentiments expressed was that there was a concentration of power in the fertilizer industry, where competitors came together and became larger fertilizer retailers or processors—a large concentration of power—to the point where farmers became price takers as opposed to price setters.

It's different in Canada than in the United States. In the United States they have legislation to break up monopolies. We don't do that here. I'm just wondering whether you suffer from this or not. Do you think, from your knowledge of the broader farm industry, that this concentration of power among certain processors and among, say, fertilizer providers is problematic for the industry and makes profits more difficult for you?

● (1640)

Mr. David Nagel: I believe that's the open market.

Mr. Francis Valeriote: I understand it's the open market, but do you believe it presents a problem for farmers, as has been expressed by so many others?

Ms. Cherilyn Nagel: We would like to see more competition. Competition is what's going to drive that market. It's beneficial for producers to have compensation. One way that we can react to that scenario of there being less and less competition is to try to counteract the fearmongering that goes on out there that producers are the price takers, and really establish relationships with the players that are in the market right now; establish relationships with them and make sure they have an understanding of what we're looking for and what we're going to need as equal partners on the value chain. It's going to be difficult. I wish there was more competition, but we're preparing ourselves for what may come.

The Chair: Thank you, Frank. Your time has expired.

We'll now move to Mr. Bellavance for seven minutes.

[Translation]

Mr. André Bellavance (Richmond—Arthabaska, BQ): David, when you took over the farm, you were perhaps somewhat less familiar with the farm income stabilization programs. Now that you and Cherilyn are owners, you probably know more about the programs. In your statement, you talked about the old Farm Income Stabilization Program, which has since become AgriStability. That is one of the issues that came up constantly on our cross-country tour, especially when we talked to young farmers. They were saying that replacing CAIS with AgriStability has not changed things much.

I would like to know what you think about this program and whether there are any specific improvements you would like to see. This question is for both of you. I'm addressing you, David, because you're the one who talked about the programs. Should we, for

instance, add production costs to the program to ensure that losses arising from time to time are covered more adequately? We know that several sectors are experiencing a great many problems.

[English]

Mr. David Nagel: Yes, I believe losses should be covered. That definitely would be one help. We should look at what I call “gross margin”. The cost of growing a crop is really what I'd like to see a program based around.

Ms. Cherilyn Nagel: We're also open to the idea of having this be... There are some private programs that are out there as well. We think a really effective crop insurance program will go a long way toward helping young producers. In addition to that, if there were further insurance that we were looking for, that could come from the private sector, whether it's to cover a gross margin or various other insurance programs that we could get involved in. Something like that could essentially be private, versus it having to be a government support program as well.

● (1645)

[Translation]

Mr. André Bellavance: Since taking over the farm, have you had to join AgriStability or any other program? If so, please tell us a little bit about your experience and—I'm now going back to the same question—how these programs could be improved.

A program is rarely completely adequate or completely inadequate. Most often, it is somewhere in between the two. Our work often consists in improving the situation, and that can be achieved with the help of testimonies like yours.

[English]

Mr. David Nagel: I have not had to make any applications on AgriStability. We are not in it at all. Under the CAIS program, we did. The major problem we found as young farmers in an expansion mode was that the average they came up with was not reflective of an expansion.

Ms. Cherilyn Nagel: Because of the calculation model they used with this five-year average, every time we expanded it just wasn't reflective of that, and we expanded every year that we were in those programs. It really became an administrative nightmare, effectively, for us to go through those kinds of programs.

We sought advice from our accountants and from our bookkeepers to really get a handle on how this program could work for us. We decided that the AgriInvest program would work and would be very flexible. We had the opportunity to make it work for our farm, especially with this new farm model, while AgriStability didn't work.

Matt, you might have more to add about AgriStability and your own experience with that.

Mr. Matt Sawyer: Yes. I feel exactly the same way about the program and the old CAIS program. It just seemed like it was a whole lot of work and there were a whole lot of hoops to jump through to hopefully, possibly, be covered off in the end. I would like to see more of a real good crop insurance policy.

I think the biggest issue with CAIS and with this AgriStability is that they're not responsive enough. I have cashflow needs that come due in November and January, whenever they come up, and to have to wait until year-end to submit to see if your margins are correct to get a payout when you have a disaster on your hands, that's not reactive enough, as far as I'm concerned. That's why crop insurance that covers all your bases is where I'm looking.

I also agree that NISA seemed to work well. So does the AgriInvest. But the AgriStability is not.... I'm still in the program, I guess, but I'm not expecting anything from it either, as I am also in expansion mode.

Thank you.

[Translation]

Mr. André Bellavance: Messrs. Nelsen and Lange, being consultants, you are probably familiar with the situation of young farmers who want to take over from their parents, or with that of new farmers who come to you for advice. You are based in Alberta, and I see that the province offers a program called Beginning Farmer Incentive.

Have you been able to refer young farmers to any federally-funded programs? Is there a program currently offered that is aimed at helping the new generation start up easily without having to struggle mightily, and especially without getting into heavy debt? When these young farmers come to see you, what kind of advice do you give them when it comes to federal programs?

[English]

Mr. Owen Nelsen: The federal programs that I'm aware of are more on the training and getting skills. Specific to starting my farm, I took advantage of AFSC. It had a percent and a half off on its program for beginning farmers in Alberta, and what I recommend to young farmers in Alberta is to try to get that financing where you get a one and a half percent discount on the interest rate to help alleviate some of the problems. But that's what I'm aware of, as far as programs initially with capital.

• (1650)

[Translation]

Mr. André Bellavance: I am asking you the question.

My time is up? I was going somewhere with this.

[English]

The Chair: Your time has run out.

Mr. Atamanenko for seven minutes.

Mr. Alex Atamanenko: Thank you very much for waiting for us while we voted.

I'd like to have a clarification. Cherilyn and David, you have 12,000 acres, but I don't understand the Wigmore model. Are other farms part of this, almost like a large-scale cooperative? What is this? Could you very briefly explain it to me?

Mr. David Nagel: I wouldn't call it a cooperative.

Mr. Alex Atamanenko: Or a business.

Mr. David Nagel: Yes, it's a business that's run under one banner. There are three different locations in Saskatchewan of farm land and we happen to be one of them.

Ms. Cherilyn Nagel: We have four divisions. The farm management division, which is the three different farms, and it encompasses 40,000 acres. We process our chickpeas, lentils, and some canary seed in two facilities. We have crop production products, so we have six retail outlets that sell fuel, fertilizer, and chemicals. We also have an export division, so we export our own chickpeas and lentils to 25 different countries.

Mr. Alex Atamanenko: One of the things that came out during our tour was that a lot of farms must have off-farm income. I would imagine, with the scale of your operation, you don't need off-farm income. Is that correct?

Ms. Cherilyn Nagel: We also run a duck and geese hunting lodge, more out of a passion for hunting, and it's something good to do in the fall. Now that we have chickpeas and lentils, our fall is virtually gone, so we don't have a lot of that any more. Both David and I work on the farm. David's brother is working with us, and his fiancée is working within the company as well. David's dad works with us, and his mom has off-farm income.

Mr. Alex Atamanenko: Thank you.

Matt, how large is your operation and what kind of a farming operation is it?

Mr. Matt Sawyer: It's 4,400 acres. We grow a variety of grains and oilseeds, wheat barley, malt barley, and canola, and we have a few cows. In our area, we would possibly be considered a larger farm in the Acme area, northeast of Calgary.

Mr. Alex Atamanenko: Okay. Thank you.

It seems to me that both of your operations could probably function in any kind of market, under any circumstances, because you're obviously very successful. The message I'm getting is that open market seems to be the key for you folks.

I'm wondering how you view trade negotiations, such as the world trade negotiations, the up and coming Canada-European free trade negotiations and agreement, both of which...there are threats to our supply management system and our state trading enterprises, such as the Wheat Board. I'm wondering, should we be ready to sacrifice those two areas that seem to be doing okay for our farmers at the expense of getting more markets? How do we juxtapose trying to get more trade, more markets, and at the same time protecting ourselves? You know, we have to be realistic. If we get more markets, we're going to have to give somewhere. Should we be prepared to give on supply management or the Wheat Board?

Mr. Matt Sawyer: Some of my friends run dairies, and it seems that they run very successful businesses and they seem happy with their supply management, as well as with the feathers. I don't know if that's something that needs to be touched or not. I can't speak for the dairy farmers or the chicken...because I'd hate for them to speak for me on that end of it.

As far as the ability to export our cereals in the same manner in which we do with our canola and pulses, I'd give up my ability to have the Wheat Board market my grain.

• (1655)

Mr. Alex Atamanenko: Maybe anybody can answer this.

I'm wondering if you've followed the experience in Australia where they've deregulated their single desk. Apparently, farmers aren't making as much because of the various players involved now. I'm wondering if that same scenario could happen here, because either you have a Wheat Board or you don't. I think most people are in agreement that you can't have the single and the open desk. I'm wondering how you would see that, especially for farmers whose farms maybe aren't as large as your operations.

Ms. Cherilyn Nagel: We're watching the example in Australia very closely. I'm personally crossing my fingers that it turns out wonderfully, because I want to use it as a good example. We actually have very good friends who farm in Australia, so we talk with them on a regular basis about the politics involved in that issue for them. And the farmers we know are very happy with the system as it is now. They're working out the kinks. Nothing is perfect. They're also very involved in trade and the open market and really trying to get a handle on how it's going to work.

To your first question, about the WTO and the trade negotiations, we're watching those very closely, not only because we sell chickpeas and lentils, and we export those, so we're interested in trade barriers and the whole system.... You used the word "sacrifice" and asked whether or not we're prepared to sacrifice supply management. Just to keep everything in perspective, I have to remind myself that 90% of Canadians are dependent on the export market. So when we talk about sacrificing that system for something new, I have to wonder whether or not we're actually sacrificing the 90% of producers who are dependent on this export market and whether or not we're sacrificing opportunities for them to keep another system.

I don't want to pit one system against another, because I think it is working for some producers, although I believe in competition, and we talked about that before. I'm looking very closely for the government to be supportive of those producers who are interested in the export market, dependent on the export market. We're looking for market access as our number one issue.

Mr. Alex Atamanenko: I just want to mention that the message we have received over and over during the last few weeks is that supply management is one of the main sectors where people actually can make some money in farming. Other young farmers have told us that, so I wanted to pose that question, because I don't think it's very wise to try to water it down. Anyway, that was my question to you.

If I have a minute, I'd just like to ask you about business risk management. And I wish I had the notes in front of me. I was talking to some farmers in Ontario. They have a proposal they think might

work, whereby the producer and both levels of government kind of kick in to some kind of a fund to have a business risk management program that kicks in when they need it.

I notice you mentioned that you don't want government and you just want the open market. But should there be something there available to farmers? I don't mean a complicated CAIS program from which you get money or you may not in two years. But if something happens and your cost drops down, and something would help, and if you've invested into it and it's like an insurance, would that be something that would be worthwhile considering?

Does anybody have a comment?

Ms. Cherilyn Nagel: I feel as though I've done all the talking.

A voice: I'm not the political type.

Ms. Cherilyn Nagel: I think a program like that does have some merit.

What I don't like.... We talked a little bit about the image of agriculture right now. And most of the time the stories the media are telling are about the handouts, the BSE crisis, the Triffid flax—all these are really crisis management situations.

So I think there is benefit. Providing that kind of program was entirely voluntary. I would never be opposed to it if there were producers who thought, "This program could benefit me, and I'm not as interested in developing my own." We've developed our own business risk management, and we believe that's why we're going to be successful in the future at managing our risk, be it on farm or off farm, and we're building a portfolio for ourselves. If there are producers who would feel more comfortable in that kind of program and if it were a voluntary program, I can see that it might have merit.

The Chair: Thank you. Your time has expired.

Mr. Lemieux, you have seven minutes.

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

I'm just going to be making a few opening comments. First of all, thank you for being here. I'm sorry you were interrupted by a vote.

I just want to make a comment on Mr. Atamanenko's question regarding supply management and opening foreign markets, because I feel quite strongly that it's not either/or. It does not need to be sacrifice supply management for foreign markets or sacrifice foreign markets for supply management.

Our position is that we can do both. And actually, we've done both extremely well. Supply management is doing well here in Canada. And on top of that we've opened an incredible number of foreign markets. So it's not one versus the other.

You said you don't want to pit one commodity against another. I agree 100%, and I think it's a bit shallow of the NDP to pigeonhole it like that and say you have to pick A or B. Well, we're Canadian; we're doing both. We're recognized as having both—wanting to open foreign markets and wanting to have a supply management system—and we've succeeded. We've had many witnesses come in front of us—the cattle producers, the pork producers—who have admitted that openly and have congratulated the government on its good work at opening foreign markets. At the same time we've had Dairy Farmers of Canada and Chicken Farmers of Canada come in and say, “Thank you for your active defence of supply management.” So both are working, and I just don't think one should be pitted against the other.

So I agree with you, and I wanted to put that on the table just to clear up how that last line of questioning went.

• (1700)

Ms. Cheryl Nagel: I appreciate your comments. NAFTA certainly has done tremendous things for the Canadian economy. I believe the European negotiations are going to do so for us as well, if not do more.

Mr. Pierre Lemieux: Right.

I'll turn it over to Mr. Storseth. Thank you.

Mr. Brian Storseth (Westlock—St. Paul, CPC): Thank you all for coming today, and for your excellent presentations. We apologize for the interruption.

I believe some of what you're talking about—a disaster recovery program for times when there's a legitimate disaster in the agriculture industry in the Prairies, as we saw in Manitoba last year, as we saw in Alberta last year—is in place. It's under the new AgriRecovery program.

Mr. Nelsen, which county do you farm in?

Mr. Owen Nelsen: It's Beaver County.

Mr. Brian Storseth: And Mr. Sawyer, which county are you in?

Mr. Matt Sawyer: I'm in Kneehill County.

Mr. Brian Storseth: I'm not sure whether you two gentlemen are aware, but the Government of Canada and the Government of Alberta just today announced the AgriRecovery money, and both counties are covered under it. It's for the drought that we've seen over the last two years in Alberta. Although I think it should have been triggered a bit earlier than it was, it's important that when we have these disasters we have a program in place to look after them. Other than that, the government generally needs to stay out of your way, because all too often government regulation and bureaucracy get in the way and make it harder for our farmers to make a profit and a living, more than they ever end up helping out.

I want to say that we have had outstanding young farmers before the committee. We've been across the country and have heard from young farmers, and it's not all doom and gloom, as we hear on the other side of the table. There's a lot of positive feeling out there.

There are a lot of people who are adapting, a lot of people who are growing and who have some legitimate concerns, as you have.

But I would like to hear a comment from you guys, because you are all actually farming. Every day you're out there fixing the fences, you're out there putting in the crops. You're actually living this. What do you see in regard to the Canadian Wheat Board? Is it helpful in western Canada? Is it hurting us? What would you like to see the government do in regard to the Canadian Wheat Board?

We'll start with Mr. Sawyer and then move to others.

Mr. Matt Sawyer: To start with, we want the option to choose whether or not we want to go through them. To be able to align yourself with a company is what I would like to see as a start, for sure—100% choice. I'm not trying to say that the Wheat Board needs to be completely gone; all we need to have is the choice. That sums it up for me.

Mr. Brian Storseth: That sounds reasonable.

Mr. David Nagel: That's also what I'd like to see: to have the choice to market my grain as I see fit and when I see fit to meet cashflow needs.

Ms. Cheryl Nagel: I respectfully tend to disagree; we can't have the best of both worlds. I think we can have a system for those who want to use the Canadian Wheat Board. It won't be a system that includes a monopoly or a single desk. But there are a lot of cooperatives out there that are really good examples of how this can work. We're working really hard to find a system that is going to work, for those who want to keep it.

The Canadian Wheat Board is not an institution I want to do business with or would choose to do business with, if I had an option. It's just like any other aspect of our business. We choose who we sell our canola to, and our lentils and our chickpeas. We establish great relationships, and we either agree with their administration or we don't, we agree with their bureaucracy or we don't, and we can shop ourselves around.

This is the issue we have with the Canadian Wheat Board. It just doesn't fit our business, and we don't agree with their practices. We don't necessarily agree with their governance.

I'd like to see it as not being an arm of government. We have an act that governs it; we have a minister who governs it. It's not run and operated by farmers, when it's that close to government. There's got to be a way that we can separate it and have it work for those producers who really want to use it. Who knows? I might eat my words and decide that I want to sell grain to them when it's a voluntary system.

Mr. Owen Nelsen: I don't market any grain.

Mr. Brian Storseth: Okay.

The other thing I hear often about the Wheat Board.... First of all, I want to say that this is what this study is about, the future of farming. Most young farmers I talk to, the farmers in my area, the Bowers and the Duchesnes, don't want to deal with the Wheat Board, because they want to have the option to market their own. At the end of the day, they're young and they're looking at expanding, like yourselves, and they generally grow to similar sizes, as Mr. Sawyer was saying. But they're on the Internet; they're out there to expand, to grow, and to look at exporting opportunities themselves. I have to say that most of my young farmers agree with you.

Do you feel that the Wheat Board has been inhibitive to secondary growth, as Mr. Sawyer was saying? In Alberta, we led the way in investment opportunities over the last decade in our country, but when it comes to anything related to the Wheat Board, whether pasta plants or anything of that type, we've seen no growth. Is it similar in Saskatchewan as well?

•(1705)

Ms. Cherilyn Nagel: Yes. I believe that part of the reason we don't have a lot of value-added processing on the Prairies is due to the monopoly. I also believe that the monopoly has played a prohibitive role in research for new varieties of wheat. It's the only commodity we grow that doesn't have a lot of innovation, a lot of new varieties coming about. I believe that has to do with the fact that it's a monopoly. It's a single-desk situation, and we don't have private dollars going into it.

As to the spinoffs, I also believe they're inhibiting some transportation issues that we have and our getting involved in transportation. Their mandate is to market, and yet they're also involved in various other aspects of our business.

So I'm not happy with the way they market and I'm not happy with the other aspects of the business that they've chosen to get into.

Mr. Brian Storseth: How much time is left, Mr. Chairman?

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

Mr. Brian Storseth: I was just getting started, Mr. Chair.

The Chair: You had extra time, believe it or not.

Mr. Easter, you have five minutes.

Hon. Wayne Easter (Malpeque, Lib.): He usually does. He needs it, Mr. Chair.

There have been a lot of leading questions on the Wheat Board here.

Voices: Oh, oh!

Hon. Wayne Easter: But that's fine. We've heard the Western Canadian Wheat Growers position before.

Both the Nagels and Mr. Sawyer said that no one wants a career that depends on subsidies.

Can you give me a couple of examples, one of you, of what you perceive the subsidies to be currently that you want us to get rid of?

Mr. Matt Sawyer: Well, to start, I've never used the AgriStability. Starting off with the CAIS, I thought it was just a big.... I was trying to use the system and trying to work within it, and it just didn't seem to work for me. I guess the idea is that it shouldn't work for you;

otherwise, you must not be doing well. Maybe that's the point. It seemed like a lot of unnecessary paperwork and hoops to jump through that I found quite burdensome to use, so I didn't.

That would be number one for me, I guess, as far as the subsidy goes.

Hon. Wayne Easter: Cherilyn or David?

Ms. Cherilyn Nagel: There's just an image out there that producers go to their mailbox to get their pay cheque from the government, and it's really what we're trying to get away from. We want to be able to manage our business on our own and treat it like any other business. I think the reason there tends to be government involvement is due maybe to a food safety issue and the question of whether there needs to be a closer handle on it.

I see on-farm food safety issues coming down the pipeline as maybe being an issue in which there's going to be subsidization for better methods of farming. I prefer to see the environmental farm plan type of program that we have in Saskatchewan.

Hon. Wayne Easter: Should government be doing anything, then? I maintain that it isn't that Canadian farmers aren't competitive. They are. The problem is that we lack competitive farm policy in Canada vis-à-vis the rest of the world.

Frank is absolutely right that the remarks you folks made today are quite divergent from a lot of the ones we have heard in the country. Be that as it may—that's fine—what do we do in a case in which the Americans' commodity price program right now has durum priced at about \$2 over the market in the U.S., which is going to clearly force an increase in durum production in the U.S., while we don't? Do we just get out of that commodity? What do we do as a country when other governments are pumping money into their agriculture, and one is the worst—to say nothing of the divergence between provinces?

Brian goes on a lot about Alberta, but the fact of the matter is, second to Quebec in this country, Alberta has the most subsidies to the farm level, even in the livestock industry. Where I come from—I'm speaking of the livestock industry, not your industry—the fact that they're subsidized in Alberta is driving my producers out of business.

So what do we do in the country as a national government to try to level the playing field across the country and, as a Canadian government, to level the playing field internationally? If other governments are going to be in this game of supporting their farmers, do we withdraw entirely? Is that what you're asking us to do?

I agree on Matt's point. AgriStability—ignore CAIS—has worked right for young farmers. There are problems with both of them; we heard a lot of that across the country. But what do we do to fix it? Do we want a bottom-line safety net for the farm community? Or do we want to go all free enterprise, with no safety nets? And if we want to go free enterprise, fine, let's do it. But what do we do to fix the safety nets and the bottom line, if we want one?

• (1710)

Mr. Matt Sawyer: I guess if you looked at the States, as you said, and if the price of their durum was \$2 a bushel higher, and the government was so inclined, they might say, "Oh, man, how are we supposed to compete with this?" I guess you could have a clear and transparent, "That's not fair, you guys. Here's two bucks a bushel. Go with it."

It's a great question. How can we look at saying we would create another program to try to hide the fact that we are being subsidized and then jump through these hoops? I don't know exactly how we'd go about doing it. It's a great point. If they are subsidizing their farmers that much, I'm not sure exactly how you would do it, but a clear and transparent program would be a good start, I guess, if you want to talk about that.

As far as levelling the playing field across the whole country is concerned, I guess it's a question of looking at the ability of everybody to open their markets and sell as equals. If the Ontario guys can sell their grain to whoever, whenever they want, that would be a good start for us in the west as well.

Cherilyn, do you have any comments?

Ms. Cherilyn Nagel: We have heard often about the farmers in Europe being subsidized heavily. When we've travelled there to meet other producers to get a handle on what these subsidies are and how they are managing them, we realized that the actual farmer wasn't as subsidized as we originally thought, and they were as interested in getting rid of those kinds of subsidies. It was going to their landlord, to their equipment dealers, etc.

I don't want Canada to take a schizophrenic position whereby we want everybody else to level the playing field, but we're going to help our producers in the meantime. There has to be that "meantime". We have a long way to go before it's a pure marketplace; we have some hoops to get through. But I wouldn't want to see us being subsidized in order to compete when we're actually trying to get to that level playing field the opposite way.

The Chair: Mr. Richards and then Ms. Bonsant.

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

I want to start by clearing the air a little bit. Mr. Easter mentioned that he was hearing some different viewpoints from you today than we've heard from all across the country. I would say that's probably the same reason that he's listening to his leader on the gun registry vote rather than to his constituents: he just isn't listening.

All across the country I've heard comments like the ones we're hearing from you today, over and over again. Those comments are coming from farmers just like yourselves, young farmers who want to get into the industry, who want to succeed, who want to be positive, who want to work hard and innovate. I can clearly see that we have some farmers here today who want to do that, and we've

seen this all across this country. We've heard the same kinds of messages that you're sending to us, about having choice in marketing, about having access to new markets.

Even when we were in Ontario, we heard from folks about how bad they felt for those of us out west who, with the Wheat Board, don't have the choice they have. It's clear that farmers see it's important that they have that choice and have that access to markets. They don't want to see big government, more regulation, more government programs. They want to see the opportunity to succeed by working hard on their farms and by being able to have marketing choices. So I sure appreciate the comments that you've made today.

Mr. Sawyer, I think it was you, and I'll paraphrase slightly probably, who made the comment that you'll never attract young people to an industry just to survive on subsidies. That's a comment similar to what we've heard many times. Farmers don't want to earn their money from a government cheque. They want to earn their money by working on their farms.

I want to give you an opportunity to expand on your comments, and the Nagels, if they would like to, could share their comments on those points as well, basically just along the lines of the idea we've heard from several farmers as we've travelled across the country: that where government programs are concerned, we'd like to see some kind of income insurance, or something you can set up so that the good years can help pay for the bad years—that kind of thing.

We have also heard comment—and I don't know whether I heard it today, but I'd be interested in your comments—along the lines of having something for young farmers getting started: maybe some interest-free loans, or some sort of long-term loans that would help them get started. I know you're fortunate enough, Cheryl and David, and you've mentioned that you're fifth generation, so you've been able to have some help getting started, through the family's having been there. But I think of those people who are trying to get into it without as much family history in the industry. It's pretty hard to get an operation the size of yours in any kind of fashion without some kind of help.

So there's talk about those kinds of things for programs, but other than that, let's try to find a way for government to get out of the way and let farmers earn their income by their own hard work, their own innovation, and give them the opportunity to market their products properly.

I'd be interested in your comments on that, whoever would like to start.

• (1715)

Mr. Matt Sawyer: Thank you.

You are right about farmers not wanting subsidies. It is almost a public perception. You hear on the news or you hear from some of your friends in the city, "Here come the farmers again with their hands out to you guys. What is this all the time?"

If you look at crop insurance, I really trust the crop insurance program, the AFSC in Alberta. I like the different levels of coverage you can choose. My dad's farm is more stable and he takes more risks at his age in life. He chooses a coverage level, a dollar coverage per acre, a guaranteed dollar per acre. Come heck or high water, he knows he is going to get that, whereas I choose a higher coverage level. Through that you can choose to have hail insurance or not, to take the hail endorsement, as they call it. They have been going on with this for a few years and they also added a new program called the spring price endorsement, where you can choose to accept a price and pay more money to choose a floor price for your grains.

In a way, I know that the provincial and the federal governments kick into those programs, and that is a subsidy, as Mr. Easter suggested. It is, but just to expand on that, it is a good program. I like the crop insurance program and I trust it. I feel comfortable. I can sleep at night knowing that if I have a drought or get hailed out or whatever, I am going to be covered at a certain level. Can I handle that coverage? Well, we'll have to tighten up our socks for a year, but at least I know I'm going to get the money come November or December, whenever the payout is. I like that.

I also took out the spring price endorsement on canola. That was another program the Alberta government offered. I was advised by my market analyst to take it. I chose not to take it on the wheat, so I've left myself vulnerable on that, but I did take it on the canola, and I'm looking forward to seeing if that pays out. But that is basically all I'd say about that.

Thank you.

The Chair: If you want to comment briefly, your time has expired but....

Mr. David Nagel: No, that's fine.

Ms. Cheryl Nagel: Tax incentives are helpful. The capital gains exemptions are helpful.

Really the role we see government being able to play is sending the message back to the general public, the urban people, Canadians, that agriculture is a huge contributor to the Canadian economy and to our GDP. That is the message we want to send back. It is not all about giving to the farmers. The farmers are giving back in a very big way.

The Chair: Thank you.

Mr. Bellavance, you have five minutes.

[*Translation*]

Mr. André Bellavance: Before I continue my conversation with Mr. Nelsen, I would like to comment on one of Blake's suggestions. He said that he heard a lot of farmers saying that they would like to see a kind of dual market, at least when it comes to the Canadian Wheat Board. However, to my great surprise, in the Canadian West, where the constituencies of three of my colleagues are located, many more farmers say that they want the Canadian Wheat Board's single-desk operations to continue. I know that when that issue is raised

here, the discussion gets very heated. I'm not trying to fuel the debate, but I just want to put things in perspective. I recommend that you read all the testimonies we heard when we visited Canadian provinces in an attempt to resolve the young farmers issue. If you do that, you will see that many farmers defended the Canadian Wheat Board. I say this because in Quebec, we have the supply management system, which is very important for us. We support letting farmers decide for themselves. In fact, farmers are the ones who should make the decisions. Regardless, I have heard a number of people speak out in favour of single-desk operations.

Mr. Nelsen, I pointed out earlier that you are a consultant. My question was meant to steer our discussion in a specific direction. When you meet with people to give them financial advice, is there a federal entity assisting young farmers to which you can refer them? In fact, I have some idea of the answer to that question. There is no real program or facilitator that is exclusively dedicated to assisting young farmers. I would like your opinion on a few of my suggestions. Since you are a financial consultant, they could possibly be of interest to you.

What I have in mind are tax solutions. For instance, we could introduce a transfer savings plan. It would be somewhat similar to the existing education savings plan. It would enable farmers to accumulate tax-sheltered retirement funds. Of course, the federal government could contribute as well. Why would this kind of program be important? In many cases, when people have the opportunity to take over the family farm, to take over the land and the facilities, they are faced with the fact that everything is extremely expensive and they are unable to cover the costs of upkeep. Bank representatives who testified before us said that they lent money to everyone, and at very advantageous interest rates at that. They claim they are being generous, but I'm not buying it. The banks cannot fix this problem. In conclusion, it is very difficult for young farmers to take over their family farms.

Another option current owners have is to sell the farm at a loss to their children. That is to say, to sell it for much less money than it is worth. The idea there is to help the new generation take over. Ultimately, it is either the children who will struggle taking over the farm, or the parents who will suffer huge financial losses through the take-over process. A transfer savings plan would perhaps balance things out somewhat.

In addition, I have heard that a plan could be introduced for people interested in buying farmland. A similar plan already exists for prospective home buyers. We could introduce a similar plan for young farmers, which would apply to farm purchases. A young person who wants to go into farming could use the plan to buy a farm. Of course, it would help if the federal government transferred to the provinces an envelope designated specifically for young farmers. These financial measures would perhaps not be that complicated to implement. Do you think that initiatives like this might make your work easier and that they are a good idea?

• (1720)

[English]

Mr. Owen Nelsen: That would be a good idea. It would be a way for a young farmer wanting to start a farm to see where the money was coming from. And having money saved in a property ownership fund is a good idea too.

Mr. Art Lange: Any measures that can help farm succession would be useful. The thing we have to bear in mind is whether the basic farm unit is a viable and profitable enterprise. There is no point in turning over something that isn't a viable and profitable enterprise. That's the first question to be asked.

We're pleased to see that under the hog fund, the loan, the producers have to have a viable business plan. I think that's rule number one. My colleagues who work in farm debt mediation say that too often they see a farmer who has tried to bring in a child or another family when there just wasn't enough money to support the extra people. Over time the debt increases until finally the thing is not viable.

• (1725)

The Chair: Thank you. Your time has expired.

Mr. Hoback.

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

Again, I'd like to welcome everybody here today. It's great to have you here. I apologize for the vote. It ruined the flow of the meeting, but it's unfortunately necessary.

I just wanted to correct the record on one thing. Mr. Easter talked about the durum and the U.S. subsidies. What they're doing with their payment program is a big concern. But I guess the comment could be made that if the CWB hadn't sent a market signal for farmers in Canada to grow more durum two years ago, and if they had done their job three years ago, then two years ago we would have sold record amounts of durum at record price. So maybe we wouldn't have this situation we're facing right now.

I want to just get a feel from you for where your profitability lies. What crops do you grow that are profitable?

Maybe I'll start with you, Matt. You grow cereals and canola. What crop makes you the most money?

Mr. Matt Sawyer: I'd say canola. Canola makes us the most money on the farm. It does.

Mr. Randy Hoback: Again, you're in Acme. You're in central Alberta. You're just outside of Calgary. You don't grow chickpeas or lentils in that area?

Mr. Matt Sawyer: No. Feed barley works fairly well. We're close to the feedlots. We try to get into that 100-bushel-an-acre range. And with some good moisture and with maybe \$3.20 to a local feedlot, \$3.30 per bushel, that makes you some money.

In the last few years the wheat was fairly good. It won't be as profitable this year. But canola still looks okay. We forward-priced some canola, and we also forward-priced some of our wheat through a fixed price contract through the Wheat Board.

Mr. Randy Hoback: So you're using all the tools that are available in order to maximize the price.

Mr. Matt Sawyer: Yes.

Mr. Randy Hoback: Going on to the Nagels, what's the most profitable crop in your organization?

Mr. David Nagel: Lentils have been the backbone of our farm for years. This year...chickpeas, lentils. We're going to grow canola for cashflow; it's not going to make a lot of money. Our cereals are going to create a loss. We have to grow them for rotation.

Mr. Randy Hoback: So you're growing cereals for rotation. That's the only reason you're doing it.

Mr. David Nagel: Yes, to grow the lentils.

Mr. Randy Hoback: Of course, we don't have the feedlot industry. Well, you do, I guess, in Swift Current, and you're fairly close by—

Mr. David Nagel: Fairly close by. We're probably about 90 miles to the nearest feedlot, I guess. Moose Jaw might be a little closer.

Mr. Randy Hoback: You both touched on research. I'll go back to the canola. If you didn't have GMO canola, Matt, what do think the canola yields would be like?

Mr. Matt Sawyer: Well, they wouldn't be very good, maybe in the 20 to 25.... There was a program a few years ago. The idea was to grow 30 bushels of canola. This is when I was still a younger fellow. And if you did achieve that yield of 30 bushels an acre, you were supposed to hang a flag by your field. So one of the neighbours came by and said, "Glen, your flag is hanging at half mast." And Dad said, "Yes, I know. I only got 15 bushels." So unless we get 40 bushels an acre of canola, we feel it's a failure. Thanks to biotechnology, that's where we're at.

Mr. Randy Hoback: So it would be fair to say, then, that if it wasn't for the feedlots being next door or the new genetics in canola, your farm would probably be operating at a loss right now.

Mr. Matt Sawyer: We probably would be, yes.

Mr. Randy Hoback: David, I think you would say the same thing. If you didn't have lentils and chickpeas—again, two new crops that were developed in Saskatchewan, or exploited in Saskatchewan, I might say—your operation probably wouldn't be there either.

Mr. David Nagel: No, it wouldn't be viable.

Mr. Randy Hoback: Why do we allow this to continue? We seem to sit there and grow other crops and ignore the elephant in the room, and that's wheat. Is that totally because of the Canadian Wheat Board?

Mr. David Nagel: I'd have to say it's a big part of it for our farm. The marketplace is the marketplace.

Mr. Randy Hoback: Let me maybe go at it from a different angle. You grow durum. Correct?

Mr. David Nagel: Yes.

Mr. Randy Hoback: If you could have sold 100% of your durum two years ago, or three years ago, how would that have impacted your bottom line?

Mr. David Nagel: It would have helped hugely. Storage just whittles away at the price even more. You have to sit on it. I think each farmer needs the choice, to make that decision to sell it. The guy who yields 30 might need a higher price to break even. The guy who gets a 50-bushel crop could be happier with a lower price and still make a margin.

• (1730)

Mr. Randy Hoback: And of course you pay for the storage cost, whether you store it on your farm or whether its stored in a grain elevator. Through the pool accounts you're paying for that storage also.

Mr. David Nagel: Yes.

The Chair: You can make the last comment.

Ms. Cheryl Nagel: Because of the relationships we're building through chickpeas, lentils, and other crops, we have opportunities at our doorstep to sell our cereal crops. It almost becomes an issue of our customers overseas thinking it must be a language barrier. They want to buy our durum, and we tell them we can't sell it to them. They say they'll give us more, and we say we can't sell it to them. They really don't understand that we basically can't sell them our durum, our wheat, and our barley. We have the contacts and everything is in place, but we have this institution standing in the way.

We need to get closer to the consumer. It's probably a common thread that you have heard from producers. If anything is common, it's that we want to get closer to the consumer. We can't do that when we have this institution standing in between. If you are talking to

producers all across Canada, why are we talking about a Canadian Wheat Board institution that is only in western Canada? It's a monopoly. It either should be for the betterment of all Canadians and all Canadian producers or it shouldn't be there at all. It shouldn't be an issue that a producer in Ontario is free to sell his grain to whomever he chooses and I can't because I happen to be within a designated area.

An hon. member: How true.

The Chair: Thank you.

Mr. Easter.

Hon. Wayne Easter: We know the Americans monitor these meetings, Larry. Matt kind of indicated that crop insurance is a subsidy. It's not. It's a premium-based program. I wouldn't want crop insurance to be considered a subsidy.

We have been challenged on it before. It's premium-based. Its intent over time is to be actuarially sound. I know there's a federal-provincial program that supports it. I think we all agree 100%. It's a little different from province to province. But we don't consider it a subsidy, nor do we under various trade agreements. I just want that on the record.

The Chair: That point is well taken.

I'd like to thank our witnesses again for being here. We apologize for the interruption, but it was beyond our control.

We hope the report will come out in the upcoming weeks. I encourage you to look at it. It will be on a website somewhere.

We thank you for your participation.

The meeting is adjourned until Wednesday.

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